(Date of commencement of measures for electronic provision: June 4, 2024)

The Matters not Included in the Documents Sent to Shareholders on the Occasion of the 77th Ordinary General Meeting of Shareholders

From April 1, 2023
To March 31, 2024

<<Business Report>>
■ Basic Policy Concerning Internal Control System and Overview of the Status of Development and Operation of the Systems ...Pages 1-6
■ Policy Concerning Company Control ...Page 7

<<Financial Statements>>
■ Consolidated Statement of Changes in Equity ...Page 8
■ Notes to Consolidated Financial Statements ...Pages 9-20
■ Non-Consolidated Statement of Changes in Equity ...Page 21
■ Notes to Non-Consolidated Financial Statements ...Pages 22-27
■ Independent Auditor's Report on Consolidated Financial Statements ...Pages 28-29
■ Independent Auditor's Report ...Pages 30-31
■ Audit Report by Audit and Supervisory Committee ...Pages 32-33

The items listed above are offered to our shareholders by posting them on the Company's website (https://www.autobacs.co.jp/en/ir/stock/meeting.html) 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 March 9, 2023, 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 a general manager 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, general managers 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 general manager in charge will be appointed to be responsible for controlling all compliance-related matters. Under the control of the general manager, 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 & 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 & 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 & 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 on matters for discussion related to business execution. 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 general managers based on the management structure and segregation of roles.

e. The representative director, as the person in charge of business management, controls the execution of duties of the executive directors and general managers, aiming at achieving the Group's goals. Executive directors and general managers 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 general managers 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, general managers 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 general managers 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, general managers, 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 general managers 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
Revised on March 29, 2012
Revised on March 17, 2014
Revised on March 27, 2015
Revised on June 21, 2019
Revised on March 9, 2023 (Enforced on April 1, 2023)

(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 fourteen (14) Corporate Governance Committee meetings during the fiscal term under review to discuss the remuneration system for directors (excluding directors who are audit and supervisory committee members) and general managers, candidates for directors (including directors who are audit and supervisory committee members), institutional design, etc.
   b. Two (2) outside director who is not an audit and supervisory committee member and all two (2) outside audit and supervisory committee members held five (5) 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.
   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 general manager in charge of internal control functions reported to the Board of Directors about serious incidents and reports made through the Orange Hot Line including the situation of their occurrence, etc. based on the "Crisis Management rules" and the "Orange Hot Line rules," and shared such information with the Audit and Supervisory Committee and other related departments. Promoted awareness, as necessary, of matters requiring chain-wide efforts among the serious incidents reported and reports made through the Orange Hot Line, to call for action in the entire AUTOBACS chain.

(ii) Rules and other systems concerning the control of risks of loss
   a. The Risk Management Committee monitored the status of addressing of risk issues, which were set on an annual basis. The General Affairs Department, Legal Department, and Car Lifestyle Support Center cooperated to help the Risk Management Committee monitor risks and grasp the status of addressing the annual risk issues.
   b. Ensured the system to set up the Crisis Management Headquarters and take a prompt response in accordance with the "Crisis Management rules" and "BCP (Business Continuity Plan) Manual" in the event of a serious crisis such as a large-scale disaster. Following the previous fiscal term, the Company conducted a drill twice a year. During the fiscal term under review, the Company redesigned the safety confirmation system to improve its effectiveness.

(iii) Systems for ensuring the efficient execution of directors' duties
   a. Held seventeen (17) Board of Directors' meetings during the fiscal year under review to deliberate on and determine important matters. In addition, received reports on the execution of duties from directors in charge of each field, based on the long-term vision "Beyond AUTOBACS Vision 2032," the Five-year Rolling Plan, and the annual business plan.
   b. Held eleven (11) 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) General Managers Committee meetings during the fiscal year under review to check the status of execution at each business and business infrastructure and deliberate on the monitoring and assessment of risks related to individual investment matters.

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

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

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

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

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

d. During the fiscal term under review, the Audit and Supervisory Committee held a meeting once a month with departments responsible for auditing subsidiaries to exchange information and opinions about the status of auditing and internal controls of subsidiaries, 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 conducted on-site audits, including remote audits, of six (6) subsidiaries of which two (2) are overseas subsidiaries.

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

■ Policy Concerning Company Control

At the Board of Directors' meeting held on March 27, 2024, 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.

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

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

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

Consolidated Statement of Changes in Equity (April 1, 2023-March 31, 2024)

(Unit: million yen)

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

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

■ 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

28 companies (one newly included; three excluded)

(2) Names of major subsidiaries subject to consolidation accounting

AUTOBACS Higashi-Nihon Sales Ltd., AUTOBACS Minami-Nihon Sales Ltd., AUTOBACS FRANCE S.A.S., CAP Style Co., Ltd., HOT STUFF CORPORATION, BACS Advance Co., Ltd., AUTOBACS Financial Service Co., Ltd.

2. Application of equity method

(1) Number of associate companies subject to equity method

12 companies (two excluded)

(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.

a. Store buildings and structures

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

Buildings and structures 3-20 years

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

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

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

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

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

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

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

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

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

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

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

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 Accounting Estimates

Impairment of property, plant and equipment and intangible assets

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

The Company has changed the classification of its reporting segments from the fiscal year under review. The details of the change are as described in "Notes on Revenue Recognition," "(1) Information on disaggregation of revenue." In addition, indirect costs for customer support and logistics facilities, which used to be included in the "Domestic AUTOBACS Business," were reviewed as company-wide expenses that are not allocable to each reportable segment.

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

(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	32,613

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

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

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

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

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

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

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

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

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

Intangible assets	7,763 million yen
of which, goodwill	919 million yen
of which, other	786 million yen
Investment securities	9,065 million yen
of which, amount equivalent to goodwill included in investment securities	113 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 919 million yen, 786 million yen, and 113 million yen, respectively, and the total of 1,819 million yen comprises 0.9% of total assets.

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

For groups of assets recording continuous operating losses, the Company identifies whether there is an indication of impairment. From among groups of assets for which an indication of impairment was identified, for such groups of assets whose total of 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 management considers that the said estimate and the said assumption are reasonable. However, if the said estimate and the said assumption require review mainly due to changes in the condition of uncertainty for the future economy, a factor decreasing future cash flow will be taken into consideration and additional impairment loss (extraordinary losses) may be accrued as a result in the consolidated financial statements for the next consolidated fiscal term or thereafter.

Notes to Consolidated Balance Sheet

1. Pledged assets	Merchandise	312 million yen
	Total	312 million yen
Secured debts	Accounts payable-trade	287 million yen
	Total	287 million yen

2. Accumulated depreciation amount of property, plant and equipment
53,252 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; buildings and structures; machinery, equipment and vehicles, etc.	France	5	312
Total			5	312

(2) Other Business

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

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

For stores, business sites, and stores whose closure has been decided, which are recording continuous operating losses, the book values of such group of assets for which the total future cash flow was below their respective book values were reduced to the recoverable values, and the corresponding decreases were recorded as an “Impairment loss” in the amount of 534 million yen in extraordinary losses.

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

The recoverable amount of the cash-generating unit in France was determined based on its fair value in accordance with the International Financial Reporting Standards. The said fair value was measured using the income approach, with a discount rate of 8.19%.

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. Gain on sale of businesses

This is a gain on sale of shares of Autoplatz K.K. and Motoren Tochigi Corp. held by AUTOBACS DEALER GROUP HOLDINGS Co., Ltd., a consolidated subsidiary of the Company. The difference between the sum of the sale prices of the shares of Autoplatz K.K. and Motoren Tochigi Corp. and the amount of the financial support for equipment and other facilities and the book value on a consolidated basis is recorded.

4. Extra payments for early retirements

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

5. Loss on arrangement of stores

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

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

6. 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, 2023	Common stock	2,339	30	March 31, 2023	June 26, 2023
Meeting of Board of Directors on October 31, 2023	Common stock	2,340	30	September 30, 2023	November 27, 2023

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

Resolution	Type of shares	Total amount of dividends (Unit: million yen)	Source of dividends	Dividends per share (Unit: yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 27, 2024	Common stock	3,120	Retained earnings	40	March 31, 2024	June 28, 2024

Note: The amount of dividends per share includes a commemorative dividend of 10 yen for the 50th anniversary of AUTOBACS.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2. Market values and other conditions of financial instruments

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, 2024, their market values and differences between the two types of figures.

"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.

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

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

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

*3 Shares, etc. without market prices are not included in "(3) Investment securities." The value of such financial instruments recognized in Consolidated Balance Sheet is as follows.

Category	Value Recognized in Consolidated Balance Sheet (Unit: million yen)
Unlisted shares	3,136

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

*5 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	4,707	―	―	4,707
Total assets	4,707	―	―	4,707

(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	―	21,746	―	21,746
Lease investment assets	―	4,234	―	4,234
Investment securities Shares of subsidiaries and associates	679	―	―	679
Long-term loans receivable	―	52	―	52
Guarantee deposits	―	11,121	―	11,121
Total assets	679	37,153	―	37,833
Long-term loans payable	―	6,016	―	6,016
Lease obligations	―	3,177	―	3,177
Total liabilities	―	9,193	―	9,193

Note: A description of the valuation technique(s) and inputs used in the fair value 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, 2023 to March 31, 2024)

(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	167,038	14,673	35,144	10,542	227,398	–	227,398
Other revenue	–	26	–	2,431	2,458	–	2,458
Total	167,038	14,700	35,144	12,973	229,856	–	229,856

Note: Starting from the fiscal year under review, due to the revision of our business portfolio, the department with functions to promote and manage car purchase and sales has been transferred to the newly established “Car Trading Business" with the aim of expanding its business. Similarly, the department with functions of property development and location development related to store openings, etc. has been transferred to the newly established “Property Development Business” for the purpose of accelerating store openings and making effective use of real estate within the Group. Accordingly, the reportable segment of both functions, which used to be included in the “Domestic AUTOBACS business,” is reviewed and transferred to the “Other business.”

(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)	1,273
Contract liabilities (ending balance)	891

Contract liabilities relate to the provision of compensation and other services for goods sold to customers.
Full payment is received from the customer at the time the contract is entered into. The main transactions include 6-month, 12-month, or 18-month flat tire repair coverage after the purchase of tires, 3- or 5-year extended warranty repair for car navigation systems, etc., and 2- to 7-year car maintenance services such as oil changes, etc.
For these maintenance service transactions, the Group has performance obligations to provide services, such as tire and oil changes at a point in time and warranty repair over time. The timing at which the Group typically satisfies the performance obligation is as follows. With respect to the performance obligations to provide services, such as tire and oil changes at a point in time, revenue is recognized at the time of completion of the provision of the services. With respect to the performance obligations to provide repair warranty for a specified period 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 728 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	557
Over one year and within two years	196
Over two years and within three years	65
Over three years	72
Total	891

Notes on Business Combination, etc.

Business divesture

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

1. Outline of the business divesture

(1) Names of the successor enterprises

i) Autoplatz was sold to Sojitz Corporation.

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

(2) Description of the divested business

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

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

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

As a result of a series of discussions between BMW Japan Corp. and the Company regarding the development of the BMW/MINI official dealership business, the Company decided to transfer the shares of Autoplatz and

Motoren Tochigi in order to cooperate with BMW Japan Corp. in its area restructuring efforts, including the financial support for equipment and other facilities by BMW Japan Corp.

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

(4) The date of the business divesture
September 1, 2023

(5) Outline of the business divesture including the legal form thereof
Share transfer for which the type of consideration received is only property, such as cash

2. Outline of the implemented accounting processes
(1) Amount of gain or loss on transfer
Gain on sale of businesses 3,971 million yen

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

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

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

3. Name of the reportable segment in which the divested business was included
Car Dealership, BtoB and Online Alliance Business

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

Net sales	5,175 million yen
Operating profit	102 million yen

Notes on Per-Share Information

1. Net assets per share	1,652.71 yen
2. Net income per share	81.52 yen

Non-Consolidated Statement of Changes in Equity (April 1, 2023-March 31, 2024)

(Unit: million yen)

	Shareholders' equity								
	Capital stock	Capital surplus		Retained earnings					
		Legal capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings				Total retained earnings
					Reserve for business expansion	Reserve for reduction entry of assets	General reserves	Retained earnings brought forward	
Balance at beginning of current period	33,998	34,278	34,278	1,296	665	796	36,350	11,918	51,026
Changes of items during period									
Dividends of surplus								(4,679)	(4,679)
Profit								1,156	1,156
Reversal of reserve for reduction entry of assets						(0)		0	–
Purchase of treasury shares									
Disposal of treasury shares								(2)	(2)
Net changes of items other than shareholders' equity									
Total changes of items during period	–	–	–	–	–	(0)	–	(3,525)	(3,525)
Balance at end of current period	33,998	34,278	34,278	1,296	665	796	36,350	8,392	47,501

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

■ Notes to Non-Consolidated Financial Statements

Notes relating to Matters Concerning Significant Accounting Policy

1. Valuation standards and methods applied to assets

(1) Valuation standards and methods applied to securities:

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

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

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

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

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

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

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

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

Buildings	3-20 years
Structures	3-20 years

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

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

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

(3) Leased assets

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

3. Accounting standards for allowances

Allowance for doubtful accounts

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

4. Accounting standards for revenue and expenses

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

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

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

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

The Company conduct the following businesses by segment.

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

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

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

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

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

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

Notes on Accounting Estimates

Impairment of property, plant and equipment and intangible assets

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

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

(Unit: million yen)

	For the fiscal term under review
Property, plant and equipment	27,054

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

The method for calculating the amount shown in (i) is identical to that described in the Notes to Consolidated Financial Statements, Notes on Significant Accounting 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 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 12,535 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 12,535 million yen and comprises 7.6% of total assets.

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

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

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

Notes to Non-Consolidated Balance Sheet

1. Accumulated depreciation amount of property, plant and equipment 23,524 million yen

2. Guaranteed obligations

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

CAP Style Co., Ltd., BACS Advance Co., Ltd.

328 million yen

3. Monetary claim and obligations to affiliated companies

(1) Short-term monetary claim	17,727 million yen
(2) Long-term monetary claim	1 million yen
(3) Short-term monetary obligations	13,854 million yen
(4) Long-term monetary obligations	1,129 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	27,320 million yen
Outstanding loan balance	12,234 million yen
Balance	15,085 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	61,391 million yen
Purchases	10,085 million yen
Other business transactions	3,505 million yen
(2) Non-business transactions	3,908 million yen

2. Extra payments for early retirements

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

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 4,046,371 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	187
Enterprise tax payable	105
Rejection of valuation losses of merchandise	159
Excess of loss entries from allowance for doubtful accounts	138
Rejection of allocation of rebates on merchandise	19
Sales allowance	1,119
Excess of the allowable limit of deductible lease costs	1,419
Excess of loss entries from allowance for depreciation	482
Impairment loss	1,886
Rejection of loss on valuation of shares of subsidiaries and associates	5,078
Rejection of valuation losses of investment securities	230
Rejection of credit transfer losses	973
Rejection of asset retirement obligations	356
Difference in revenue recognition for tax purposes	650
Others	193
Sub-total deferred tax assets	13,001
Valuation-related provision	(7,764)
Total deferred tax assets	5,237
Deferred tax liabilities	
Reserve for reduction entry of assets	(349)
Valuation difference on available-for-sale securities	(818)
Difference in revenue recognition for tax purposes	(542)
Others	(80)
Total deferred tax liabilities	(1,791)
Net deferred tax assets	3,446

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)	5,825	Short-term loans receivable	5,521
						Long-term loans receivable from subsidiaries and associates	6,402
Subsidiary	AUTOBACS DEALER GROUP HOLDINGS Co., Ltd.,	(Holding ratio) 100% (directly)	Fund transaction	Deposit received of surpluses	7,154	Deposits received	5,132
Subsidiary	HOT STUFF CORPORATION	(Holding ratio) 100% (directly)	Fund transaction	Deposit received of surpluses	3,605	Deposits received	2,115
Subsidiary	AUTOBACS Minami-Nihon Sales Ltd.	(Holding ratio) 100% (directly)	Real estate transaction	Real estate leasing	798	Investments in leases	1,989

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 1,422.80 yen
2. Net income per share 14.83 yen

Independent Auditors' Report on Consolidated Financial Statements

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT (COPY)

May 17, 2024

To the Board of Directors of
AUTOBACS SEVEN CO., LTD.:

Deloitte Touche Tohmatsu LLC
Tokyo Office

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:
Seibee Kyoshima
Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:
Toru Ikeda

Opinion

Pursuant to Article 444, Paragraph 4 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the notes to the consolidated financial statements of AUTOBACS SEVEN Co., Ltd. (the "Company") for the fiscal year from April 1, 2023 to March 31, 2024.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the corporate group, which consists of AUTOBACS SEVEN Co., Ltd. and its consolidated subsidiaries, for the period covered by the consolidated financial statements in conformity with accounting principles generally accepted in Japan.

Basis for the Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in "Auditor's Responsibility for the Audit of the Consolidated Financial Statements." We are independent of the Company and its consolidated subsidiaries in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Other Information

The other information comprises the Business Report and its supplemental schedules. Management is responsible for the preparation and disclosure of the other information. The Audit and Supervisory Committee is responsible for monitoring the execution of Directors' duties related to designing and operating the reporting process for the other information.

Our audit opinion on the consolidated financial statements does not cover the other information, and we do not provide an opinion on the other information.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and the Audit and Supervisory Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.
The Audit and Supervisory Committee is responsible for monitoring the execution of Directors' duties related to designing and operating the financial reporting process.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements
Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the consolidated financial statements from an independent standpoint in an audit report, based on our audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the consolidated financial statements.

We make professional judgment in the audit process in accordance with auditing standards generally accepted in Japan, and perform the following while maintaining professional skepticism.

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.
- In making those risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control.
- Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate for management to prepare the consolidated financial statements on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes to the consolidated financial statements in the audit report, or if the notes to the consolidated financial statements pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the consolidated financial statements. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.
- Besides assessing whether the presentation of and notes to the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, assess the presentation, structure, and content of the consolidated financial statements including related notes, and whether the consolidated financial statements fairly present the transactions and accounting events on which they are based.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries in order to express an opinion on the consolidated financial statements. The auditor is responsible for instructing, supervising, and implementing the audit of the consolidated financial statements, and is solely responsible for the audit opinion.

The auditor reports to the Audit and Supervisory Committee regarding the scope and timing of implementation of the planned audit, material audit findings including material weaknesses in internal control identified in the course of the audit, and other matters required under the auditing standards.
The auditor reports to the Audit and Supervisory Committee regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor's independence and any measures to eliminate obstacles or any safeguards that are in place to reduce obstacles to the acceptable level.

Interest
Our firm and engagement partners have no interests in the Company or its consolidated subsidiaries requiring disclosure under the provisions of the Certified Public Accountants Act of Japan.

END

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

Independent Auditors' Report

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT (COPY)

May 17, 2024

To the Board of Directors of
AUTOBACS SEVEN CO., LTD.:

Deloitte Touche Tohmatsu LLC
Tokyo Office

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:
Seibee Kyoshima
Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:
Toru Ikeda

Opinion

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the accompanying financial statements, which comprise the balance sheet, the statement of income, the statement of changes in net assets and the related notes, and the accompanying supplementary schedules of AUTOBACS SEVEN Co., Ltd. (the "Company") for the 77th fiscal year from April 1, 2023 to March 31, 2024.

In our opinion, the financial statements and the accompanying supplementary schedules referred to above present fairly, in all material respects, the financial position and results of operations of the Company for the period covered by the financial statements in conformity with accounting principles generally accepted in Japan.

Basis for the Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in "Auditor's Responsibility for the Audit of the Financial Statements and the Accompanying Supplementary Schedules." We are independent of the Company in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Other Information

The other information comprises the Business Report and its supplemental schedules. Management is responsible for the preparation and disclosure of the other information. The Audit and Supervisory Committee is responsible for monitoring the execution of Directors' duties related to designing and operating the reporting process for the other information.

Our audit opinion on the financial statements and the accompanying supplementary schedules does not cover the other information, and we do not provide an opinion on the other information.

In connection with our audit of the financial statements and the accompanying supplementary schedules, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the accompanying supplementary schedules or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and the Audit and Supervisory Committee for the Financial Statements and the Accompanying Supplementary Schedules

Management is responsible for the preparation and fair presentation of the financial statements and the accompanying supplementary schedules in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the financial statements and the accompanying supplementary schedules that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the accompanying supplementary schedules, management is responsible for assessing whether it is appropriate to prepare the financial statements and the accompanying supplementary schedules in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.
The Audit and Supervisory Committee is responsible for monitoring the execution of Directors' duties related to designing and operating the financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements and the Accompanying Supplementary Schedules
Our responsibility is to obtain reasonable assurance about whether the financial statements and the accompanying supplementary schedules as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the financial statements and the accompanying supplementary schedules from an independent standpoint in an audit report, based on our audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the financial statements and the accompanying supplementary schedules.

We make professional judgment in the audit process in accordance with auditing standards generally accepted in Japan, and perform the following while maintaining professional skepticism.

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.
- In making those risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the financial statements and the accompanying supplementary schedules is not to express an opinion on the effectiveness of the entity's internal control.
- Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate for management to prepare the financial statements and the accompanying supplementary schedules on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes to the financial statements and the accompanying supplementary schedules in the audit report, or if the notes to the financial statements and the accompanying supplementary schedules pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the financial statements and the accompanying supplementary schedules. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.
- Besides assessing whether the presentation of and notes to the financial statements and the accompanying supplementary schedules are in accordance with accounting principles generally accepted in Japan, assess the presentation, structure, and content of the financial statements and the accompanying supplementary schedules including related notes, and whether the financial statements and the accompanying supplementary schedules fairly present the transactions and accounting events on which they are based.

The auditor reports to the Audit and Supervisory Committee regarding the scope and timing of implementation of the planned audit, material audit findings including material weaknesses in internal control identified in the course of the audit, and other matters required under the auditing standards.
The auditor reports to the Audit and Supervisory Committee regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor's independence and any measures to eliminate obstacles or any safeguards that are in place to reduce obstacles to the acceptable level.

Interest
Our firm and engagement partners have no interests in the Company requiring disclosure under the provisions of the Certified Public Accountants Act of Japan.

END

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

Audit Report by Audit and Supervisory Committee

(TRANSLATION)

AUDIT REPORT (COPY)

The Audit and Supervisory Committee has conducted audits regarding the performance of duties by the directors of AUTOBACS SEVEN Co., Ltd. (the "Company"), for the 77th fiscal term from April 1, 2023 to March 31, 2024, and hereby reports the methods and results of the audits, as follows:

1. Methods of audits and the contents thereof

With respect to the content of resolutions made by the Board of Directors and the status of such systems (internal control systems) established by such resolutions on the matters set forth in Article 399-13, Paragraphs 1, Item 1, (ii) and (iii) of the Companies Act, the Audit and Supervisory Committee has received regular reports from Directors, General Managers, and other employees on the status of the establishment and operation of the systems, has requested explanations whenever necessary, has expressed opinions, and has conducted audits as follows.

(1) Audit and Supervisory Committee Members inspected the business and financial condition of Headquarters and major business locations by attending Board of Directors' meetings and other important meetings, receiving reports on the status of execution of duties from Directors, General Managers, and other employees, requesting explanations whenever necessary, and reading documents about managerial decision and other important documents, making efficient use of telephone lines and other means via the Internet, in accordance with the Audit and Supervisory Committee's auditing standards established by the Audit and Supervisory Committee, and in accordance with the auditing policies and division of duties for the fiscal term under review, etc., in cooperation with the Company's internal audit department and the other departments responsible for internal control. As for the subsidiaries, individual audit and supervisory committee member have worked diligently by performing audits, including remote audits, to improve communications and information exchange with directors and audit and supervisory committee member of subsidiaries and have received reports on business operations from subsidiaries as necessary, as well as receiving audit reports from the internal audit department.
With respect to internal control related to financial reports, the Audit and Supervisory Committee has received reports on assessment and audit results from the directors, employees and other staff members of the Company as well as from Deloitte Touche Tohmatsu LLC. The Audit and Supervisory Committee requested explanations from the directors, employees, other staff members and independent auditor, when such explanations were deemed necessary.

(2) In respect of the basic policies described in the Company's Business Report in accordance with Article 118, Item 3, (i) of the Companies Act Enforcement Regulations, and each of the efforts in accordance with (ii) of the same Item, the Audit and Supervisory Committee has further examined the contents in consideration of the status of deliberations at the Board of Directors' meetings and other meetings.

(3) Audit and supervisory committee members received a prior explanation about the audit plan from independent auditor and had a discussion as well as received the audit report and exchanged opinions. In addition, the Audit and Supervisory Committee has supervised and confirmed that independent auditor maintained their independent positions and performed fair and appropriate audits. At the same time, the Audit and Supervisory Committee has received from these independent auditor reports on the status of the provided assignments and responsibilities and requested explanations, when such explanations were necessary. Each audit and supervisory committee member also received a notification from the independent auditor that they have taken steps to improve the "System to Ensure Appropriate Execution of the Duties" (as enumerated in each Item of Article 131 of the Company Calculation Regulations) in compliance with the "Quality Control Standards Relating to Auditing" (adopted by the Business Accounting Deliberation Council), etc. When deemed necessary, each audit and supervisory committee member requested explanations on such notification.

Based on the foregoing method, each audit and supervisory committee member reviewed the Company's Business Report and the Supplementary Schedules thereto, Non-Consolidated Financial Statements (the Non-Consolidated Balance Sheet, the Non-Consolidated Statement of Income, the Non-Consolidated Statement of Changes in Equity and Notes to the Non-Consolidated Financial Statements) and the Supplementary Schedules thereto and the Consolidated Financial Statements (the Consolidated Balance Sheet, the Consolidated Statement of Income, the Consolidated Statement of Changes in Shareholders' Equities and Notes to the Consolidated Financial Statements) for the fiscal term under review.

2. Audit Results

(1) Results of audits of the Business Report and other documents

1) The Audit and Supervisory Committee hereby acknowledges that the Company's Business Report and the Supplementary Schedules thereto are in compliance with the applicable laws, acts, ordinances and the Company's articles of incorporation, and that these documents fairly present the Company's financial position and the status of the Company's business operations.

2) The Audit and Supervisory Committee has recognized no vital findings indicating any fraud or any breach of the applicable laws, acts, ordinances and the company's articles of incorporation that may relate to the directors' performance of the provided assignment and responsibilities.

3) The Audit and Supervisory Committee acknowledges that the content of the resolutions adopted by the Board of Directors' meeting regarding the internal control systems is appropriate. The Audit and Supervisory Committee has not recognized any matter that should be pointed out in this Audit Report with respect to the content of the Business Report and the Directors' performance of the assignments and responsibilities provided in relation to internal control systems.

4) In respect of the basic policies specifying the requirements of decision makers responsible for the company's financial position and business operation policies, which are described in the Business Report, the Audit and Supervisory Committee considers those policies to be appropriate and sufficient. Regarding the efforts taken in accordance with Article 118, Item 3, (ii) of the Companies Act Enforcement Regulations, which are described in the Business Report, the Audit and Supervisory Committee considers that those efforts have been made in accordance with the basic policies, that they do not adversely affect the common interest of the shareholders of the Company, and that they are not aimed at preserving the present status of the directors of the Company.

(2) Audit results of the Non-Consolidated Financial Statements and the Supplementary Schedules Thereto
The Audit and Supervisory Committee considers that the auditing methods adopted by Deloitte Touche Tohmatsu LLC, an independent auditor, and the results thereof to be appropriate and sufficient.

(3) Audit results of the Consolidated Financial Statements Thereto
The Audit and Supervisory Committee considers that the auditing methods adopted by Deloitte Touche Tohmatsu LLC, an independent auditor, and the results thereof to be appropriate and sufficient.

Date: May 27, 2024

The Audit and Supervisory Committee of AUTOBACS SEVEN CO., LTD.

Tomoaki Ikeda	Audit and Supervisory Committee Member (Full-time)
Masami Koizumi	Outside Audit and Supervisory Committee Member (Full-time)
Ayako Kanamaru	Outside Audit and Supervisory Committee Member

(Note) Mr. Masami Koizumi and Ms. Ayako Kanamaru, Audit and Supervisory Committee Members, are Outside Directors set forth in Article 2, Item 15 and Article 331, Paragraph 6 of the Companies Act.

Notes to the Reader of the Audit Report:
The above represents a translation, for convenience only, of the original report issued in the Japanese language.