

AUTOBACS SEVEN

Integrated Report

2019



Anything about cars.
you find at

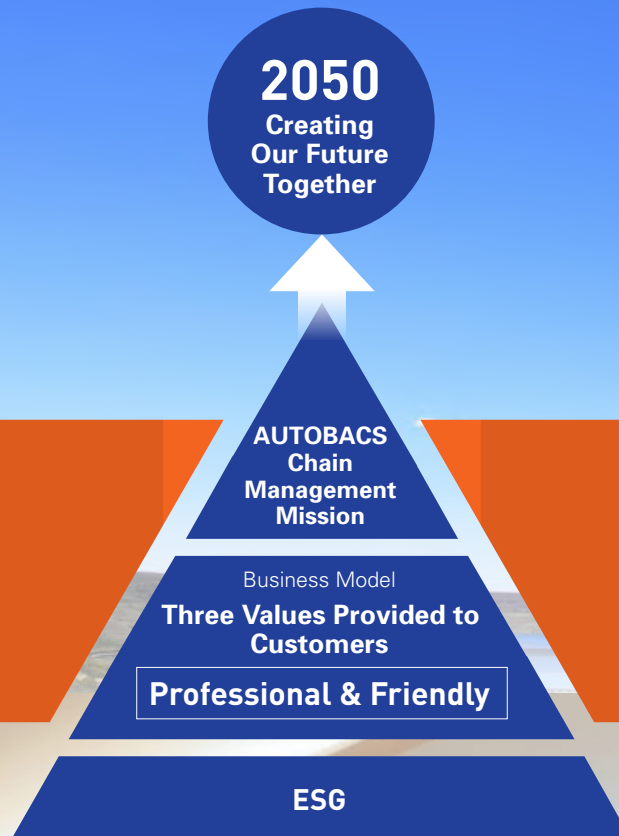


AUTOBACS

AUTOBACS SEVEN

Profile

AUTOBACS SEVEN operates the AUTOBACS retail chain, Japan's largest scale specialty retailer of goods and services for cars, and is the one-stop solution to customers' needs for everything about their car lifestyles from the purchase of cars and their goods, to daily maintenance, statutory safety inspections and maintenance, and car replacement. Buoyed by customer support over many years for its brand message "Anything about cars, you find at AUTOBACS," we maintain the biggest share of the domestic automotive goods market.



Philosophy

AUTOBACS Chain Management Mission

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

Mission

Creating a Future Automotive Society

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Cautionary Note Regarding Forward-Looking Statements

Portions of this report that are not based on historical facts — areas addressing strategy, future business developments, and other topics regarding the future — reflect information available at the time this report was prepared and management's judgment.

Explanation of Names

Within this report, "AUTOBACS SEVEN Co., Ltd.," "AUTOBACS SEVEN" and "the Company" refer to the non-consolidated entity, while "the Company Group" refers to the consolidated entity. "AUTOBACS" is a brand name, but also refers to individual retail stores and the entire retail chain of the AUTOBACS SEVEN Group.

Challenges and Growth Trajectory

AUTOBACS was founded in 1974 as Japan's first comprehensive specialty automotive goods store. After commencing sales of private brand (PB) tires and oil in 1977, we soon commanded a leading share of the domestic automotive goods market by responding to the diverse tastes and needs of our customers with proprietary products and services. As not only cars but also society changes over time, the AUTOBACS Group continuously shakes up business formats, products, and services.

1974-
AUTOBACS Begins its Development as a One-stop Provider of Automotive Goods and Services

AUTOBACS was established in 1974, following Japan's period of rapid economic development and at a time of growing consumer interest in personal car ownership. The retail distribution of automotive goods had yet to consolidate, and consumers had to go to a different source for nearly every item they wanted to purchase for their cars. AUTOBACS provided a one-stop solution for purchasing and installing automotive products and met with strong consumer support.



1989-
Enhanced Merchandise Offerings and Proactive Marketing Responding to Diversifying Preferences

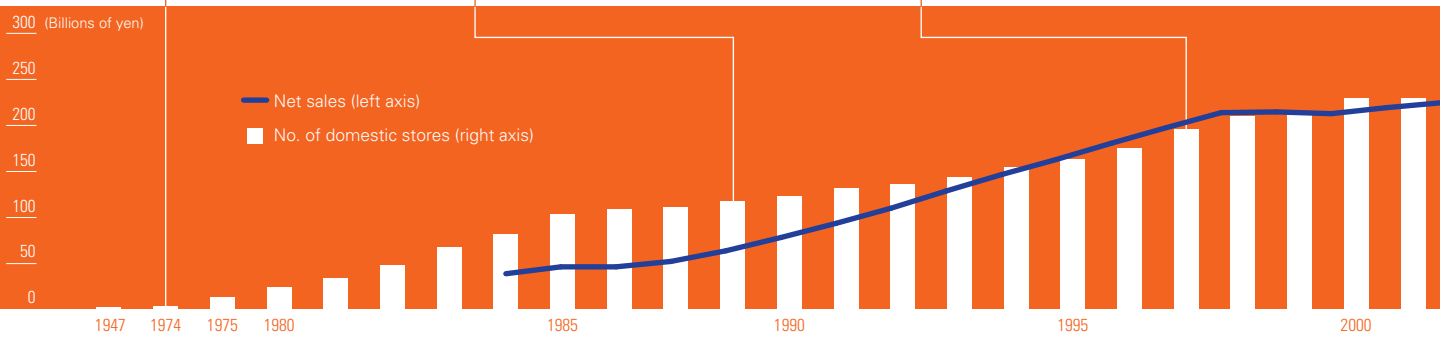
With the proliferation of personal car ownership came demand for ways to individualize cars and, as a result, expansion of the market for automotive goods. AUTOBACS responded by enhancing and enlarging its merchandise offerings, and taking innovative steps such as organizing product displays, and making product suggestions, based on lifestyle to more precisely respond to diversifying customer preferences.



1997-
Development of Super AUTOBACS and Full-Fledged Entry into Statutory Inspection Services

With the transition to super-sized retail stores in general, AUTOBACS created Super AUTOBACS megastores for car lifestyle needs. Offering expansive retail spaces, service bays for product installation and maintenance work, CDs, and even a place to get a bite, Super AUTOBACS were also developed to feature a wide variety of events and serve the needs of everyone from first-time car owners to families, and car enthusiasts. At the same time, AUTOBACS mounted a full-scale entry into the provision of statutory safety inspection services, thereby expanding its ability to support the needs of car lifestyles.





Domestic AUTOBACS Business

- 1947** Toshio Sumino established the privately-run store Suehiro Shokai in Osaka's Fukushima ward for the purpose of wholesaling auto parts
- 1977** Launch of PB merchandise "AUTOBACS Oil," "AUTOBACS Tire," "AUTOBACS Battery"
- 1980** Change in Company name to AUTOBACS SEVEN Co., Ltd.
- 1989** Listing on the second section of the Osaka Securities Exchange market
- 1993**
 - Listing on the second section of the Tokyo Stock Exchange market
 - Change in listing to the first sections of the Tokyo Stock Exchange Osaka Securities Exchange markets

Overseas Business

- 1991** Opening of first overseas store in Taiwan

Car Dealer, BtoB and Internet Business

Number of Domestic Stores

- 1974** Opening of AUTOBACS Higashi Osaka Store, the first store operated directly by AUTOBACS
- 1975** Opening of AUTOBACS Hakodate Store, the first franchise store
- 1979** Opening of 100th domestic store
- 1985** Opening of 300th domestic store
- 1996** Opening of 500th domestic store

2008-

Comprehensive Support for Car Lifestyles through Three Core Operations

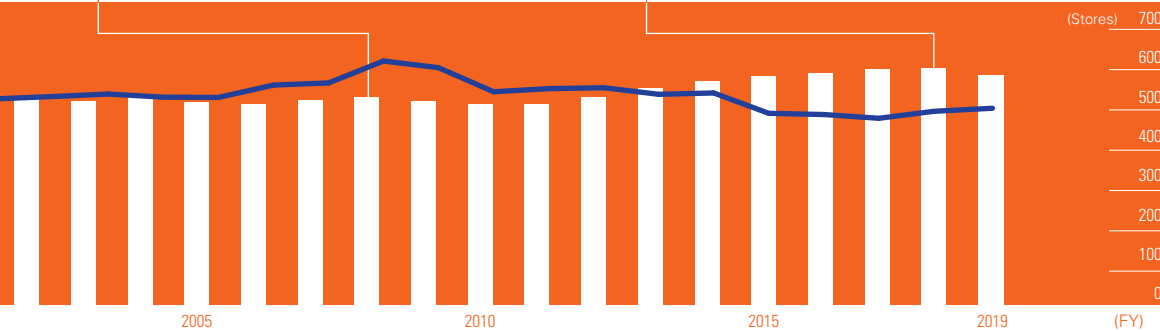
Car lifestyles have changed over the years, with developments such as the growing popularity of environmentally friendly vehicles, owners keeping their cars for longer periods of time, and more and more people continuing to drive well into their later years. Aiming to help drivers of all descriptions continue to drive safely, AUTOBACS is enhancing its statutory safety inspections and maintenance services. Through these services, used car purchasing and sales, and automotive goods businesses comprising three core operations, AUTOBACS continues to move forward with the transition to a business format that aims to provide comprehensive support for customers' car lifestyles.



2018-

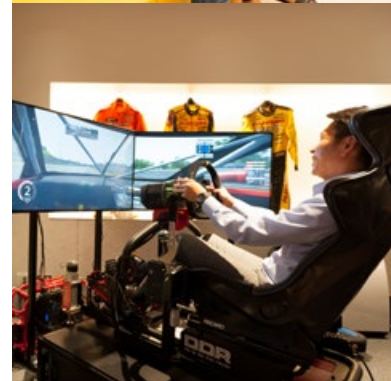
Transformation and Creation for Robust Growth

Under the 2017 Medium-term Business Plan which started in the fiscal year ended March 2018, we focused our efforts on restoring the competitive strength of the domestic AUTOBACS business and developing drivers of future growth. We also established the Five-year Rolling Plan 2019 to adapt to the dramatically changing environment from the fiscal year ending March 2020.



<p>2001 Opening of first store in France</p>	<p>2002 Launch of "C@RS" system and start of automobile sales business</p>	<p>2012 Opening of first store in Malaysia (franchise store)</p>	<p>2014 Revamp of private brand and launch of "AQ." Brand</p>	<p>2015 Opening of first store in Indonesia</p>	<p>2017 Opening of Smart+1, store with a new business format specializing in maintenance services such as hand car wash</p>	<p>2018 Debut of JACK & MARIE, Japan's first car-related lifestyle brand</p>
<p>2018 Formation of capital and business alliance with PTG Energy Public Limited, Thailand's second-largest gas station operator</p>	<p>2018 Formation of capital and business alliance with a Malaysian company engaged in tire wholesale and retail</p>	<p>2018 Opening for business of Nerima BMW/MINI Nerima</p>	<p>2018 Conversion of Australia's AudioXtra Pty Ltd. into consolidated subsidiary</p>	<p>2018 Established wholesale business company, CAP Style Co., Ltd.</p>	<p>2019 Renovation of A PIT AUTOBACS SHINONOME</p>	

As of March 31, 2019
587 domestic stores



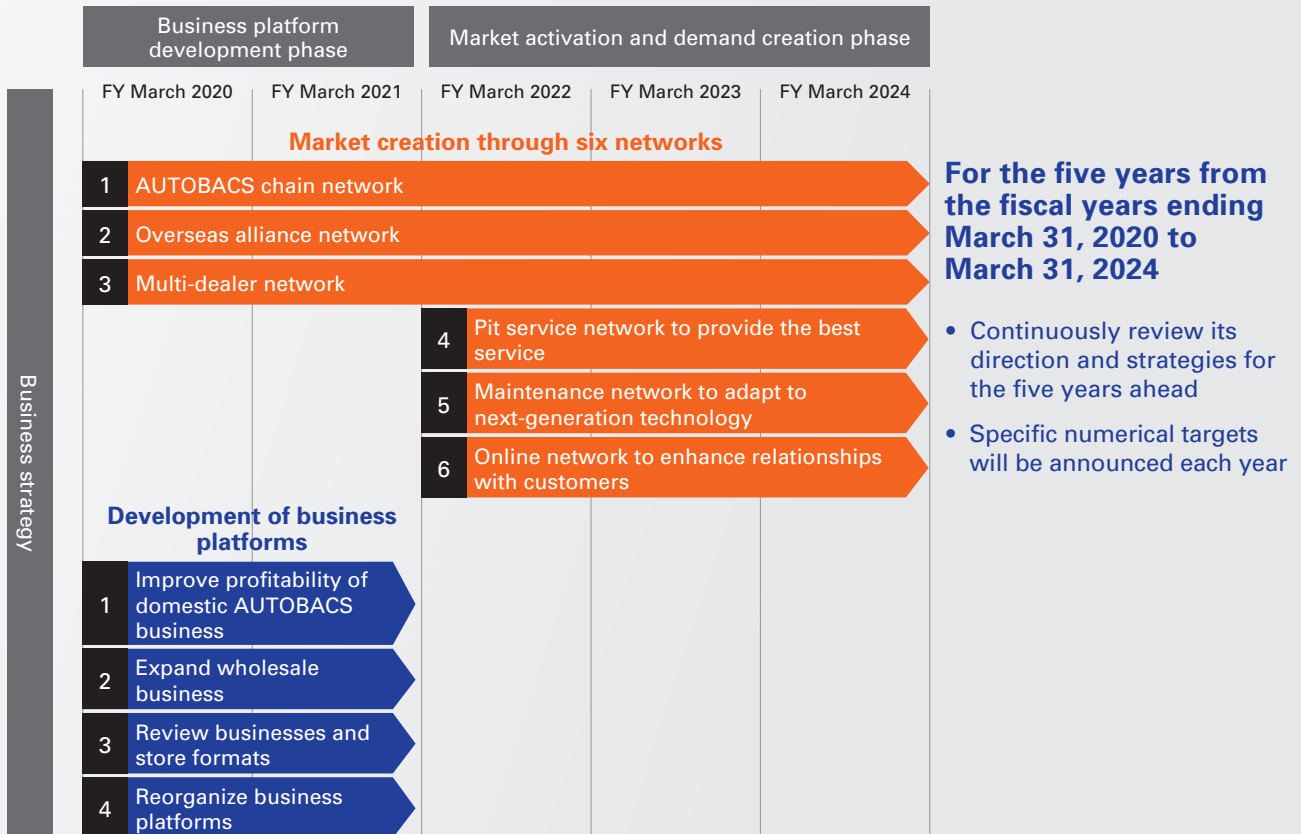
Vision

Becoming a 100-year Company

Over the past 45 years, in parallel with the advances in the motorization of Japan, AUTOBACS has provided customers with the best solutions for their car lifestyles and contributed to increasing the enjoyment of living with cars and its convenience. Based on our management philosophy, the AUTOBACS Group will aim to become a “100-year company” indispensable to society by continuing to face the issues of society, automobiles, and people’s lives, and creating a rich and healthy automotive society, contributing to finding solutions to social issues stemming from cars.



2019~2024 Five-year Rolling Plan 2019



2050 Creating Our Future Together

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

AUTOBACS Chain Management Philosophy

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

We will continue to be a company indispensable to society

Since its founding, the Company has worked to bring advancements to the automotive society and enrich the car lifestyles of customers. Cars as well as society and our lives will undergo even greater transformations against the backdrop of the changes in the global environment, further technological innovations, and diversification of people's values.

Meanwhile, the United Nations Sustainable Development Goals (SDGs) launched in January 2016 demand companies worldwide to implement solutions to development issues through their businesses. The target in which the Company can demonstrate leadership and contribute the most is "halve the number of global deaths and injuries from road traffic accidents" under "Goal 3, good health and well-being." The Company intends to contribute to other goals as well by establishing an order of priority from our business fields.

In order to face these environmental changes and turn them into new growth opportunities, we established the "2050 Creating Our Future Together" vision.

We aim to become a "100-year company" indispensable to society, by continuing to challenge ourselves to create new values while further deepening relations of trust with all stakeholders.

As a company contributing to the development of a culture of enjoying cars and a professional in the car industry, we will continue to leverage our knowledge, technological capabilities, and knowhow accumulated over 70 years to offer superior quality products and services tailored to the lifestyles and life stages of customers and realize sustainable growth.



Kiomi Kobayashi

Representative Director and Chief Executive Officer



Value

Three Values Provided to Customers

The AUTOBACS chain offers the value of safety and security to meet the “demand for comfortable use of a car,” the value of experience and discovery in outdoor and other settings to meet the needs for “enjoy going out by car,” and the value of contribution to self-expression and satisfaction through cars to meet the needs for “be more of yourself with beloved cars.” Considering these three as the core values to be provided, we promote the development of innovative products and services and of store formats.

Professional & Friendly

We aim to create the kind of stores that encourage customers to visit time and time again by having them feel at ease in relying on us as car professionals and always seeing our stores as a friendly place where they can freely seek advice.

Self-expression

Reduction of deaths and injured from global road traffic accidents

Provided value
Tires, statutory inspections and maintenance, navigation, dashboard cameras, sudden acceleration prevention devices

Safety and Security
Demand for comfortable use of a car





Contribution to cultural diversification and sustainable development of culture



Be more of yourself with beloved cars

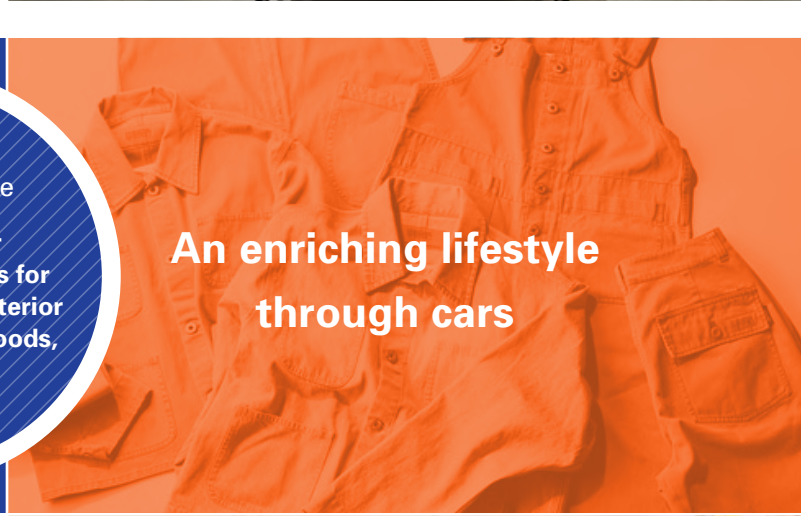
Provided value
Related to motor sports and garage



Experience and Discovery

Enjoy going out by car

Provided value
Goods for car excursions, goods for comfortable car interior spaces, storage goods, drones



Corporate Value Creation Process

The business model for the domestic AUTOBACS business, which is our mainstay, is based on a franchise organization with 593 domestic stores operated by 76 franchisees, including 16 consolidated subsidiaries. Serving as the franchise headquarters, AUTOBACS SEVEN provides the approach for providing value to customers, while franchisees deliver a sense of security and an enriched car lifestyle through interaction with customers. Accordingly, our strengths are the franchisees and suppliers that underpin our domestic AUTOBACS business and the capabilities of each and every staff member working at our stores. These strengths are the source of our industry-leading brand power.

Business Environment (Opportunities and Risks)

Domestic

Opportunities

- Growth of online shopping market
- Changes in automotive goods market accompanying technological advances
- Preventing accidents from aggressive driving of others and increases in safety awareness
- Stable demand for statutory safety inspections and used car purchasing

Risks

- Declining birthrate, aging population, reduction of working population
- Intensification of competition in automotive goods retail market
- Customer retention by manufacturers and dealers
- Rise in purchase prices and distribution costs

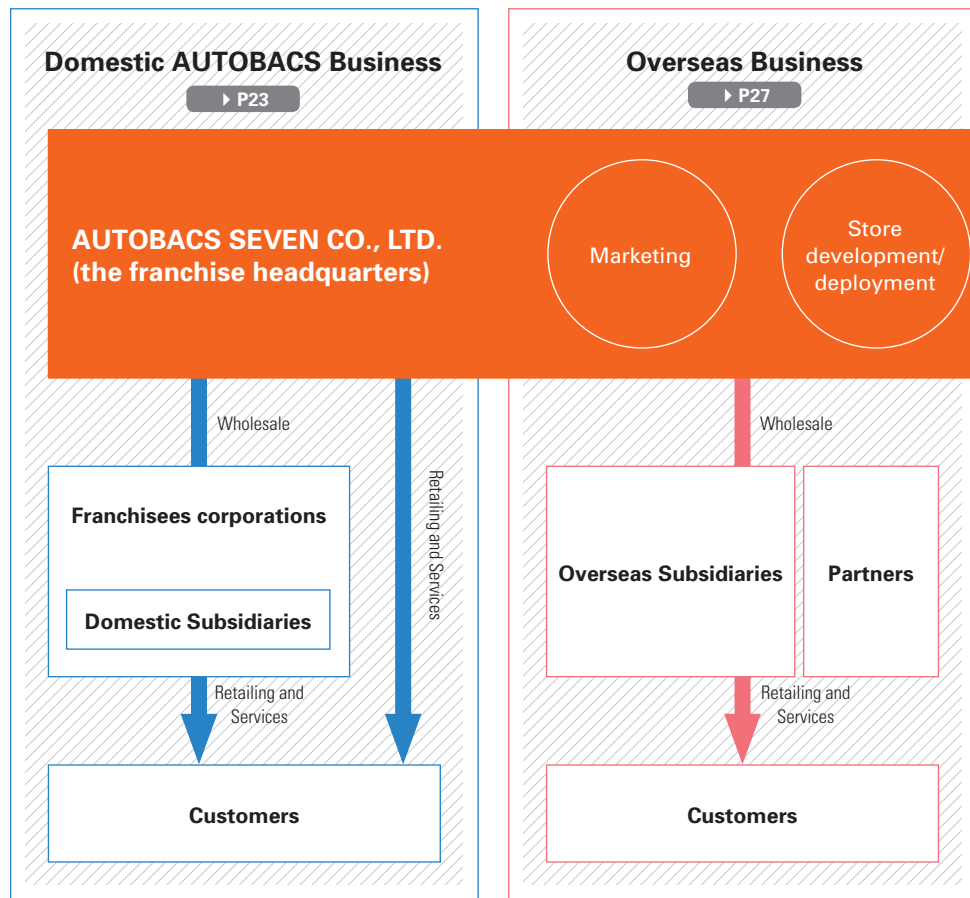
Overseas

Opportunities

- Economic growth and population increase in emerging economies
- Few major rival players
- High flexibility in service types and provision methods
- High growth risk of online shopping market

Risks

- Intense price competition
- Grasping local customer needs
- Decarbonization movement

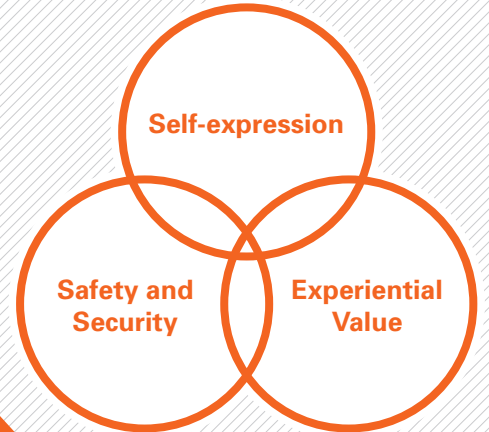


Three strengths supporting AUTOBACS brand	1	Network of franchisees and stores with strong community ties				2	Group of professional
	AUTOBACS by the Numbers	Total no. of domestic stores 587 stores	Domestic Store Sales 267.2 billion yen	Stock Keeping Units at Stores 10,000 to 30,000	Weighting of Private Brand Products 13.5%	Automobile Mechanics 3,800	

**AUTOBACS SEVEN
Vision**

2050
Creating
Our Future
Together

**The value provided by
AUTOBACS to customers**



**Social responsibility in
business processes**

Customers

We offer quality products and services tailored to customer lifestyles and life stages.

▶ P25-26

Community

We contribute to safe and secure lives of local residents.

▶ P39-40

Car Culture

We actively propose enriching lifestyles in harmony with cars.

▶ P39-40

Environment, Human Rights, Diversity

We contribute to creating a better, more beautiful, and sustainable society.

▶ P33-38

Stakeholders

We will fulfill our accountability and further increase management transparency.

▶ P43-46

New Business ▶ P29

Car Dealership

BtoB Business

Online Business

MD/product and service development

Purchasing, distribution, and wholesale

Support/guidance for franchisees

Wholesale Wholesale

Imported car dealers

Wholesale business subsidiaries

Retailing

Retailing and Services

Wholesale

Customers

Corporate Customers

Customers

3

No. 1 brand power in automotive goods

Car Lifestyle Advisors

9,400

Active Members

7.16
million

Statutory Inspections Performed

648,000

Automobiles Sold

31,000

Share of Domestic Automotive Goods Market

No.1

**diverse
nals**

Financial & Non-financial Highlights

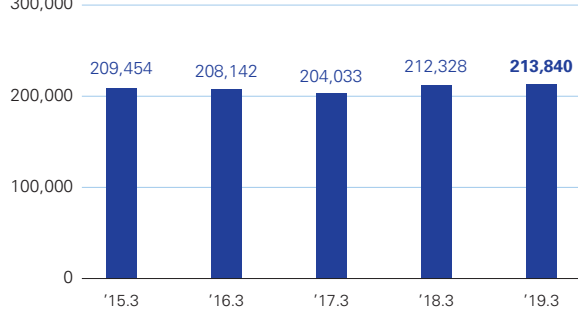
For more detail of financial reports (graphs and data) for the past 10 years, please visit our website.
<https://www.autobacs.co.jp/en/ir/finance/pl.html>

AUTOBACS SEVEN Co., Ltd. and Consolidated Subsidiaries Fiscal year ended on March 31 for each displayed year	Millions of yen			
	2016	2017	2018	2019
Fiscal Year:				
Net sales	¥ 208,142	¥ 204,033	¥ 212,328	¥ 213,840
Wholesale	117,848	115,637	121,081	124,214
Retail	87,310	85,566	87,357	86,018
Others	2,983	2,830	3,889	3,607
Operating income	6,701	5,829	7,789	7,478
Income before income taxes and minority interests	7,780	7,120	8,226	8,203
Profit attributable to owners of parent	4,371	3,015	5,403	5,485
Net cash provided by operating activities	10,564	9,488	16,394	4,447
Net cash used in investing activities	(4,984)	(7,147)	(2,915)	(3,078)
Net cash used in financing activities	(11,154)	(7,457)	(5,840)	(9,876)
Free cash flows	5,580	2,341	13,479	1,369
Capital expenditures	5,895	4,842	3,587	4,618
Depreciation and amortization	4,012	4,384	4,131	4,045
At Year-End:				
Total assets	¥ 180,454	¥ 176,708	¥ 187,354	¥ 181,391
Equity	131,455	127,079	126,866	123,582
Interest-bearing liabilities	6,296	8,282	6,896	4,991
Per Share Data (Yen and Dollars (Note 1)):				
Basic net income	¥ 51.60	¥ 36.00	¥ 65.49	¥ 66.58
Cash dividends	60.00	60.00	60.00	60.00
Dividend payout ratio (%)	116.3	166.7	91.6	90.1
Dividend on equity (DOE) (%)	3.8	3.9	3.9	3.9
Total shareholder return ratio (%)	235.4	255.7	91.6	90.1
Management Indicators:				
Operating income margin (%)	3.2	2.9	3.7	3.5
Return on equity (%)	3.2	2.3	4.3	4.4
Return on assets (%)	4.2	4.0	4.5	4.4
Equity ratio (%)	72.8	71.9	67.7	68.1
Non-Financial Data:				
Number of domestic stores	599	601	603	593
Domestic stores operated by franchisees	433	444	468	573
Number of overseas stores	33	38	41	46
Overseas stores operated by franchisees	12	17	15	15
Active Members (1,000) (Note 1)	8,541	8,301	7,637	7,169
Number of automobile mechanics (Note 2)	3,781	3,788	3,745	3,739
Number of employees	4,347	4,200	4,009	4,171
Number of directors (of which, outside directors)	8(3)	8(3)	8(3)	8(3)
Number of auditors (of which, outside auditors)	4(3)	4(3)	4(3)	4(3)
Electricity usage (MW) (Note 3)	6,810	7,076	7,042	6,773
CO ₂ emissions (t-CO ₂) (Note 3)	4,060	4,489	4,106	3,365

(Notes) 1. Beginning with the fiscal year ended March 31, 2015, "active members" is defined as the number of customers who made a purchase within the past year.
2. All chain employees who have obtained the Automobile Mechanic (Level 1, 2, or 3) national qualification.
3. Total for AUTOBACS SEVEN Co., Ltd.'s headquarters, regional business locations, directly managed stores, and logistics centers. (Does not include subsidiaries)

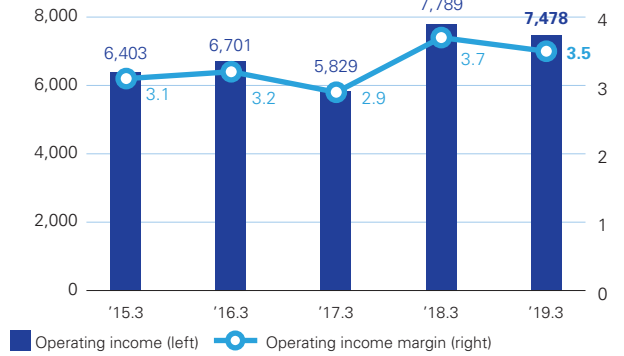
Net sales

(Millions of yen)
300,000



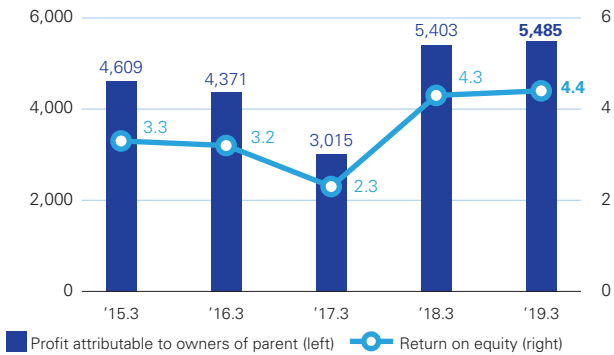
Operating income/Operating income margin

(Millions of yen) (%)



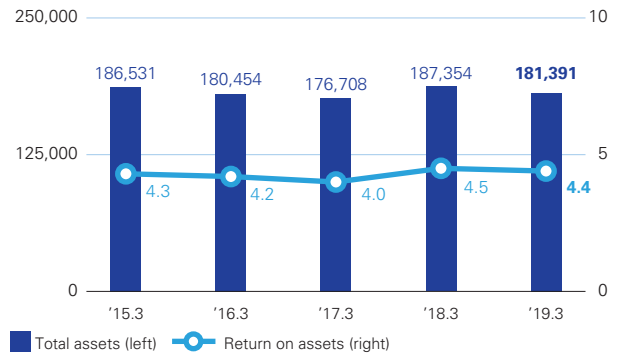
Profit attributable to owners of parent/Return on equity

(Millions of yen) (%)



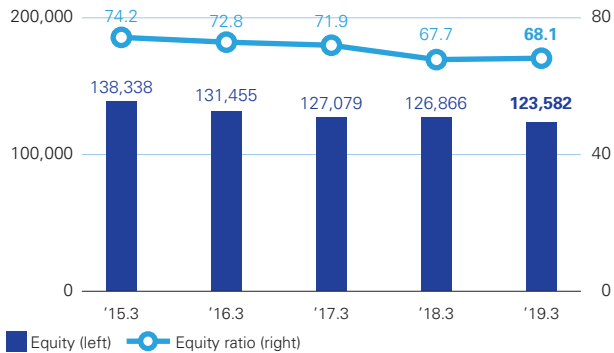
Total assets/Return on assets

(Millions of yen) (%)



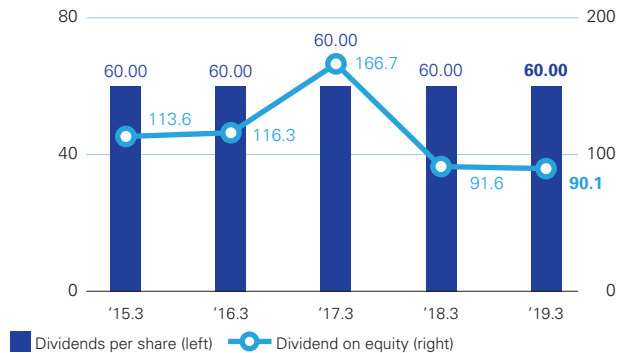
Equity/Equity ratio

(Millions of yen) (%)



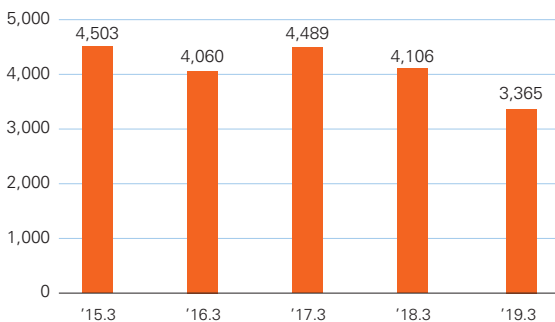
Dividends per Share/Dividend on Equity

(Yen) (%)



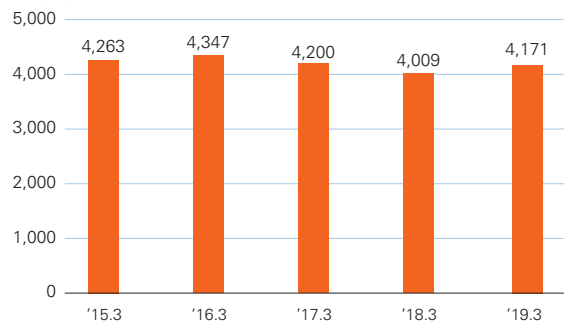
CO₂ Emissions

(t-CO₂)



Number of Employees

(Employees)



CEO Q&A

Under our mission of “We constantly create a new car lifestyle culture,” we will aim to achieve sustainable growth by promoting the newly formulated Five-year Rolling Plan 2019 and establishing and linking networks that transcend conventional barriers.



Kiomi Kobayashi

Representative Director
and Chief Executive Officer

The Group has set forth three values to be provided into the future: “Demand for comfortable use of a car (safety and security)”; “Enjoy going out by car (experience and discovery)”; and “Be more of yourself with beloved cars (self-expression).” Under the 2017 Medium-term Business Plan, we promoted product development and experimentation with new store formats as well as improved the profitability of AUTOBACS stores.

Meanwhile, competition with not only companies in the same industry but also in different industries is intensifying further, amid population decreases due to a declining birthrate and aging population and changes in customer needs. At the same time, as customers’ car lifestyles become increasingly diverse, new markets are expanding with the spread of electrification and automation of cars and of car-sharing

services. We expect the business environment of the Group to undergo even greater and more rapid changes. Under such circumstances, we determined that it will be difficult to increase earnings continuously under the existing plan and newly established the Five-year Rolling Plan 2019 which outlines the direction of the Group for the next five years.

Under this plan, the Group intends to turn future significant changes into new growth opportunities. To this end, we will develop business networks that cut across conventional barriers and create a new car lifestyle culture. We look forward to the ongoing support of our shareholders and other investors as we push ahead with this effort.

A Look Back at the 2017 Medium-term Business Plan

Q1 Please give an overview of the results for the fiscal year ended March 2019, the second year of the 2017 Medium-term Business Plan.

In addition to improvements in the earnings of domestic stores, we increased statutory safety inspections and maintenance services.

Under the 2017 Medium-term Business Plan, the Group has taken a variety of measures based on two pillars: 1) restoring the competitive strength of the domestic AUTOBACS business by increasing the attractiveness of stores and products; and 2) developing new future businesses through overseas and new businesses.

As a result, the Group's results for the fiscal year ended March 2019 were as follows. Net sales was ¥213.8 billion, up 0.7% year on year, operating income was ¥7.4 billion, down 4.0%, and net profit attributable to owners of parent was ¥5.4 billion, up 1.5%.

By segment, the domestic AUTOBACS business recorded decreases in net sales and operating income due to store subsidiaries' business transfer to a franchisee. Nevertheless, net sales of the domestic AUTOBACS chain was up 0.5% year on year. In fiscal March 2019, the wholesale gross margin for franchisees was restored to its original level. The wholesale gross margin had been lowered only during the previous fiscal year as a measure to boost store results. Even then, for the chain as a whole, the gross margin continued to improve, thanks to more efficient store inventories and increases in service sales, including statutory safety inspection and maintenance. In turn, the earning power of stores improved dramatically. On the sales side, tire sales decreased due to factors such as rebound decline following the previous fiscal year's demand increase as a result of snowfall in the Kanto area. However, sales of dashboard cameras rose owing to customers' heightened awareness of safety.

Net sales for the overseas business grew, thanks to more stores in France and Thailand and increases in wholesale sales of oil and other products. In order to accelerate the global expansion of the wholesale business, we made AudioXtra Pty Ltd. in Australia a new subsidiary. Meanwhile, the retail business recorded higher operating loss. The car dealer, BtoB and internet business also faced challenges in securing profits.

Results for the Fiscal Year Ended March 31, 2019		(Billions of yen)	
	Fiscal March 2019	YoY Chg.	
Net sales	213.8	+0.7%	
Operating income	7.4	(4.0%)	
Net profit attributable to owners of parent	5.4	+1.5%	
ROE (%)	4.4%	+0.1pt.	

* From FY March 2019, net sales includes revenue from the credit business, etc.

Net Sales of Domestic AUTOBACS Chain Stores (All operations)*		(Billions of yen)	
	Fiscal March 2019	YoY Chg.	
Automotive goods	214.6	+0.2%	
Statutory safety inspection and maintenance	19.6	+4.4%	
Used car purchasing and sales	27.7	(0.1%)	
Other	5.2	+5.6%	
Total for all stores	267.2	+0.5%	

* Includes net sales attributable to franchise stores.

Results by Segment			(Billions of yen)	
		Fiscal March 2019	YoY Chg.	
Domestic AUTOBACS business	Net sales	179.0	(1.2%)	
	Operating income	14.8	(6.2%)	
Overseas business	Net sales	11.2	+18.0%	
	Operating income	(0.7)	—	
Car dealer, BtoB and internet business	Net sales	30.0	+5.6%	
	Operating income	(1.0)	—	
Other business	Net sales	2.2	(6.1%)	
	Operating income	0.4	(1.4%)	

Q2 What achievements were made in restoring the competitive strength of the domestic AUTOBACS business?

We advanced efforts in five broad areas.

Number of purchases and purchase unit price increased

First is development of attractive products. We significantly expanded the lineup of our highly profitable private brand "AQ." We also sought to create entirely new markets by launching car-related lifestyle brands "JKM" and "GORDON MILLER." In response to increases in senior drivers, we enhanced the selection of dashboard cameras and put efforts into sales of original products, such as the sudden acceleration prevention device "pedal watcher." We also endeavored to propose new car experiences through sales of drones and electric motorcycles with pedals. Such efforts have contributed to increasing the number of purchases and the purchase unit price per customer.

While the renovation of existing stores had some effects, the number of new low-cost format stores did not increase as anticipated

Second is development of effective sales and operations that meet customer demand. We primarily promoted development of new store formats and reform of existing stores.

With regard to development of new store formats, we opened Japan's first car-oriented lifestyle shop, JACK & MARIE Yokohama Bay Quarter, in March 2018. We now have four physical stores of the JACK & MARIE brand. We also renovated the Group's flagship store, Super AUTOBACS Tokyo Bay Shinonome. In November 2018, it was reopened as A PIT AUTOBACS SHINONOME, which offers new discoveries and experiences by providing a comfortable space to spend with car goods and offering proposals tailored to different lifestyles. Based on local needs, we renovated Super AUTOBACS Toyama-minami, targeted at customers who enjoy spending time in a garage, and Super AUTOBACS Morioka-minami, a store that all family members can enjoy. On the other hand, while we developed new store formats that provide a fewer selection of products and services and can be operated at low cost, we could not increase them as initially anticipated and are reviewing our plan.

As for reform of existing stores, based on analyses of customer service efficiency at each store, we made improvements in operations, including sales floor staff assignments and management of employee hours. We also made changes to sales floor zonings and carried out renovations to provide enhanced service bays and restrooms. Store reforms including renovation were implemented at 127 stores, equivalent to approx. 20% of all stores. Both sales and gross margin of each store staff are improving, and we intend to continue with the reforms at our other stores.

Increasing the number of store visitors remains a challenge

Third is inclusion of families and young customers. On top of the declining birthrate and aging population, car ownership is decreasing among young people. It is a top priority of the Group to increase the number of store visitors, mainly by increasing visitors in their 20s and 30s and tapping into the family market. Accordingly, we have gone beyond developing products and store formats. We also make use of the Customer Voice Program that feeds back customer opinions to the stores to improve their operations and have thereby enhanced our guidance for the stores. Furthermore, we integrated our AUTOBACS shopping point with T-Point for greater convenience. However, competition with car dealers and other industries, such as online retailers, is becoming more intense by the day, and the number of store visitors still has not increased. We will introduce membership programs to increase loyal customers and review effective allocation of marketing expenses, including social media and other digital advertising.

Developed system for training and securing mechanics

Fourth is securing, developing, and activating energizing human resources. Personnel shortage is becoming increasingly serious in Japan. As personnel are indispensable at AUTOBACS stores, we started by taking initiatives focused on retaining our employees. Specifically, we enhanced career supports and improved the workplace environment. We also heightened personnel motivation by actively awarding staff and stores selected by customer opinion and strengthened our personnel evaluation system.

To secure mechanics, which has been a particularly significant issue, we established Chain Growth Co., Ltd. in March 2017 to serve as an institution for fostering and training mechanics who will be dispatched within the chain. We also developed schemes for them to acquire mechanic certification in a short period of time. In addition, we train overseas technical trainees as mechanics, albeit their permitted length of stay in Japan is stipulated, and they are actively accepted at AUTOBACS stores.

Furthermore, every year, from a pool of approx. 3,700 mechanics at all our stores, we select "AUTOBACS GUYS" to serve as role models embodying "Professional & Friendly" and they appear in a TV commercial. As a result of such initiatives, women mechanics' active roles stand out in recent years, and diversity is steadily improving.

Cutting logistics costs and other issues still remain

Fifth is strengthening the business platform. Some achievements were made in this connection, including increases in operational efficiency, decreases in IT costs, and purchasing reforms at administrative departments. However, we still struggle with reducing logistics costs which are rising due to external factors and with making store operations less labor-intensive.

Q3 What progress was made in the development of new future businesses?

We put efforts into our overseas and new businesses to establish drivers of future growth.

Achieved an earnings model for global wholesale services

In the overseas business, we provide wholesale service as well as retail and maintenance services at stores, according to the different needs of each country. In the wholesale business, with the AUTOBACS brand having a high reputation and trust as a Japanese brand, we proceeded to develop products in each region and expanded sales routes in China, Russia, the ASEAN region, and elsewhere. We further expanded sales routes by making Australia's wholesale company AudioXtra Pty Ltd. a subsidiary. We have thus achieved an earnings model for global wholesale services. In the retail business, on the other hand, we view improving the earnings of especially our stores in France and Thailand as an urgent matter.

In parallel with advance investments, commenced structural reforms of earnings

For new business, we are focusing our efforts on the car dealer, BtoB and internet business. In the car dealer business, we increased dealerships. At the same time, in order to strengthen inventory management among stores and increase earnings from services such as maintenance, we established a subsidiary to oversee the car dealer business and renewed the management structure.

In the BtoB business, we integrated two subsidiaries that promote wholesale and other services to non-AUTOBACS chain stores: Cores International Inc. and Palstar K.K. Their businesses were restructured into CAP Style Co., Ltd. This company is working to improve earnings, aiming to become a general trading company for automotive goods with both product development and merchandising consulting functions. In the internet business, we are working with franchisees to accelerate the co-creation of a system that fuses internet and physical shopping.



Five-year Rolling Plan 2019

Q4 Why did you newly establish the Five-year Rolling Plan 2019?

Establish networks that meet various car lifestyle needs

The 2017 Medium-term Business Plan promoted product development and experiments with new store formats and improved store profitability. However, when we took into account the future business environment, we determined that it would be difficult to increase earnings into the future under the existing plan. Therefore, we reviewed the 2017 Medium-term Business Plan and established the new Five-year Rolling Plan 2019 which outlines the direction of the Group over the next five years.

Under its mission, “We constantly create a new car lifestyle culture,” the Group transcended conventional barriers and developed the AUTOBACS business format, which is Japan’s first one-stop shopping store for automotive goods. Nonetheless, the 2017 Medium-term Business Plan initiatives made us realize that we had actually confined ourselves to the AUTOBACS business format and put ourselves on the defensive by establishing barriers ourselves. So long as this is the case, we will not be able to continue growing in the present era and beyond.

The new Five-year Rolling Plan 2019 is based on a firm recognition that business does not end with selling products. Notably, it gets rid of the retail business framework. The Plan establishes broad networks that connect to markets which have not been accessed before or markets that will be newly created. We will develop networks that address the various needs of customers related to car lifestyle.

Specifically, we will aim to realize medium- to long-term growth by establishing and linking six networks: AUTOBACS chain network; overseas alliance network; multi-dealer network; pit service network to provide the best service; maintenance network to adapt to next-generation technology; and online network to enhance relationships with customers.

While this will be centered on a business model comprised of headquarters, directly managed stores, and community-based franchisees, we will expand the network on multiple fronts if necessary without limiting ourselves to the AUTOBACS name. Rather than strengthening what we currently have, it aims to evolve them into something new.

Q5 Please elaborate on the six networks.

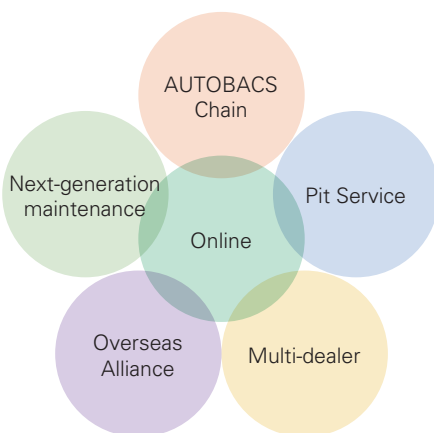
Organically fused networks that offer services to customers while using existing stores and the internet

Establishing and linking six networks does not mean building physical infrastructure such as new store networks. It means building organically fused networks that can offer the best products and services needed by customers while making use of existing stores and the internet.

The first network, AUTOBACS chain network, will provide three values at the stores in Japan: “safety and security”; “experience and discovery”; and “self-expression.” The second one, overseas alliance network, is a network for overseas development, sales, and service provision centered around the wholesale business.

The third network, multi-dealer network, encompasses not only the accommodation of multiple vehicle types, including both domestic and imported cars, but also leasing and car sharing services that do not require car ownership. Rather than simply selling cars, it will link with other networks to increase added value such as maintenance.

The fourth network, pit service network to provide the best service, single-handedly accepts installation and replacement services even for products purchased online or at other stores. The fifth network, maintenance network to adapt to next-generation technology, is a maintenance network requiring next-generation technology, such as the advanced safety



technology “aiming” (function adjustment) and on-board diagnostics (OBD) statutory safety inspection. These two networks are designed to ready ourselves for automobile management that will change significantly going forward.

The last or sixth network is online network to enhance relationships with customers. So far, the Group has been engaged in primarily services of physical stores. This network will secure means to access new customers through e-commerce, online reservations, and more. It is also expected to create great synergies by closely linking with other physical networks.

Q6 How will the new plan be implemented?

Transformed to execution and monitoring system that assures effectiveness of strategy promotion

While the Rolling Plan that was established is a five-year plan covering the fiscal years ending March 31, 2020 to March 31, 2024, the timeframe will not be treated as fixed. The five-year vision will be examined every fiscal year based on changes in the environment. We will review the strategy and add revisions to the initial plan as needed. Focus will be placed on developing a platform for sustainable growth for the future. Numerical targets will be announced each year.

At the same time, we fundamentally transformed our execution and monitoring system to ensure that business is executed. First, based on our transition to a company with an Audit and Supervisory Committee, three of seven directors are independent outside directors. This will increase the feasibility and pace of strategy promotion as well as enhance external monitoring. We also reviewed evaluation of executive officers, and introduced a stock-based remuneration system for those who concurrently serve as directors and officers. By promoting value sharing with our shareholders, the Group will be managed in a way that seeks to increase corporate value continuously from a medium- to long-term perspective. For new business, we established a system that enhances coordination across departments. For the BtoB and internet businesses that are key to future growth, we assigned officers in charge, and carved them out as businesses for them to gain momentum. Additionally, we will continue to step up efforts to create a company-wide culture that encourages people to embark on challenges.

Q7 Lastly, what are your priority measures and results plan for the fiscal year ending March 2020?

Expect improvements in store earnings to continue and to achieve increases in revenue and profit

Aim for 100% five-year cumulative total shareholder return ratio

In the fiscal year ending March 2020, we are planning consolidated net sales of ¥223.0 billion, up 4.3%, operating income of ¥8.0 billion, up 7.0%, and net profit attributable to owners of parent of ¥5.8 billion, up 5.7%. Although the effects of the consumption tax hike are unclear, and the year also falls on a cycle when the number of cars subject to statutory safety inspections will decrease, we forecast that improvements in store earnings will continue, resulting in increases in revenue and profit.

As for priority measures, in parallel with advancing the Five-year Rolling Plan 2019, we aim to make further progress with developing the business platform and shift to a leaner earnings structure to support immediate earnings. Specifically, taking into consideration the insight and challenges we became aware of from the 2017 Medium-term Business Plan, we will seek to optimize management resources in the domestic AUTOBACS business, expand retail earnings, review experimental store formats, downsize overseas retail businesses, and reconstruct IT and logistics platforms. The current financial base is firm. We intend to return all of the cumulative profits over the next five years to our shareholders.

Finance & Accounting Officer Q&A

We will steadily increase our earning power and aim to achieve 100% shareholder returns in total over the next five years.

Noritaka Hiraga

Officer (Finance & Accounting, Legal and IR & PR)

Q1 What efforts are you making to improve profitability indicators such as ROE?

Rigorous monitoring and clear-cut growth investments

The return on equity (ROE) for the fiscal year ended March 31, 2019 improved moderately to 4.4% from 4.3% of the previous fiscal year. We are of course aware that this figure falls far short of the expectations of our shareholders and consider closing the gap as our major management challenge. To improve capital efficiency, we will promote earnings reforms of existing businesses and improvement of resource efficiency with greater speed, while at the same time making active investments in growth.

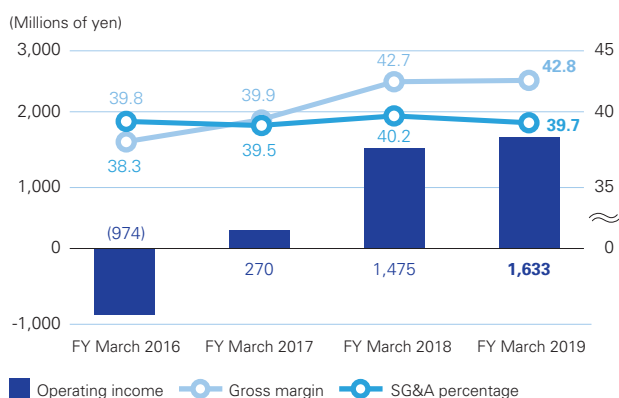
With regard to growth investment, now that renovation investment in A PIT AUTOBACS SHINONOME has been completed, we will increase investment in store renovations. In addition, in order to establish six networks

in line with the Five-year Rolling Plan 2019, we will carry out bold business investments, including M&A. However, it would be pointless if hasty investments lead to deterioration in profitability. We will therefore implement these initiatives carefully without rushing, with a clear image of our future growth.

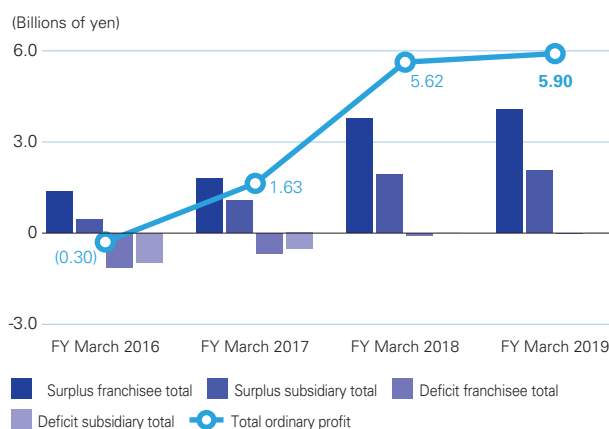
For the Group's business investments and in the M&A decision-making process, we set appropriate hurdle rates and make investment decisions based on the type of business.

Under the 2017 Medium-term Business Plan, we have also actively invested in pilot store development and new businesses. We will thus conduct rigorous monitoring including a study of such investments. We will steadily raise our earning power through a clear-cut finance strategy, making prompt investments in areas that need investment, while quickly terminating investments that should be suspended.

Improvements in earnings and improvements in indicators for store subsidiaries



Ordinary profit of franchisees



Q2 Could you provide an update on the progress of the earnings improvement measures taken so far? What concrete measures will you take going forward?

Further improve business platform and create a lean business structure

Under the 2017 Medium-term Business Plan, a particularly noteworthy achievement was the improvement in store earnings of the domestic AUTOBACS business. Two fiscal years ago, we lowered the wholesale gross margin as part of the measures to boost franchisees, and this has led to improvements in earnings.

In fiscal March 2019, we undid this special measure. Even then, franchisees as a whole including store subsidiaries achieved record high earnings for the second consecutive year. This is primarily attributed to improvement in the inventory turnover rate due to reduction of excess inventory and increase in the works ratio at highly profitable service bays. In fiscal March 2020, we aim to further improve store earnings by further improving inventory management, along with increasing our share in the statutory safety inspection market of which we still only have about a 3% share.

Meanwhile, improving wholesale profitability centered on product sales remains an issue. We are considering enhancing our lineup of tires and private brand "AQ." products and promoting their sales, as well as fundamentally reducing logistics costs and headquarters costs.

As regards Company-wide initiatives, we aim to increase our overall earnings power and create a lean business structure. We will do this by further raising the efficiency of our fixed businesses through adoption of robotic process automation (RPA) and deploying it to stores with a staff shortage and to development departments. Furthermore, we have cut the IT costs of headquarters' administrative departments by shifting to cloud-based systems and increasing maintenance efficiency.

We intend to create a more centralized system and ensure that this is reflected in cost benefits in three to four years.

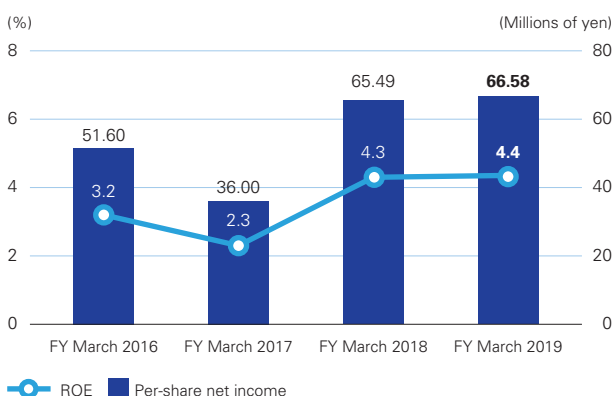
In the overseas business, we intend to increase wholesale by strengthening our tie-ups with local partners and switching to a local capital-led approach for expanding overseas stores.

Q3 Can you explain your policy on shareholder returns?

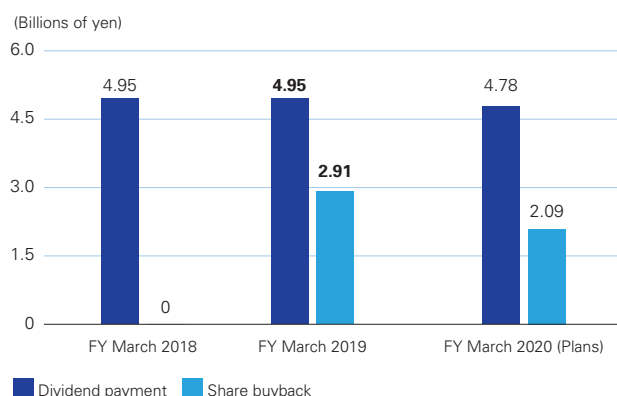
Combining share buyback and dividend, aim for a cumulative 100% total return ratio over five years

The financial policy in the 2017 Medium-term Business Plan outlines that the consolidated dividend payout ratio will be 50% to 100% in principle for realizing proper shareholder returns based on business performance. According to this policy, in fiscal March 2019, we maintained a high dividend, paying out a per-share annual dividend of 60 yen (consolidated dividend payout ratio of 90.1%). Regarding future shareholder returns, we intend to achieve cumulative total return ratio of 100% over the five years of the plan and realize stable and adequate shareholder returns. In fiscal March 2020, we plan to pay the same amount of dividend as the previous fiscal year. We have an adequately solid financial base and consider that equity need not be increased any further during the five-year period.

ROE and per-share net income

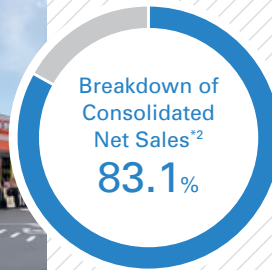


Dividend and share buyback

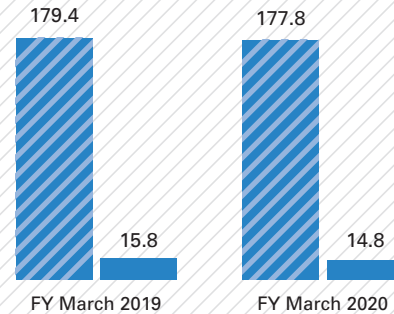


At a Glance

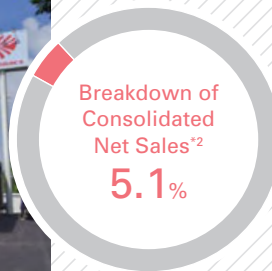
Domestic AUTOBACS Business



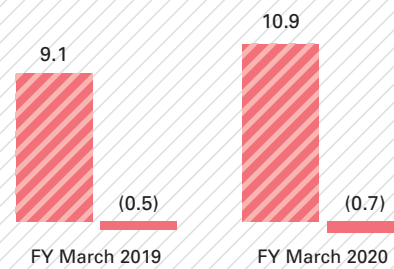
Net Sales ■ Operating Income*¹ (Billions of yen)



Overseas Business



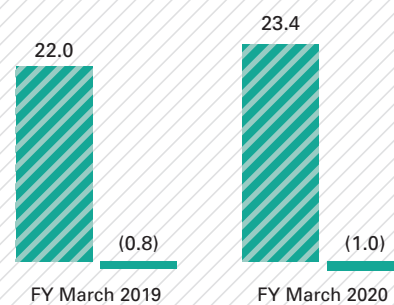
Net Sales ■ Operating Income*¹ (Billions of yen)



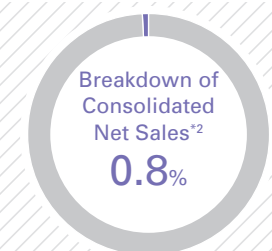
Car Dealer, BtoB and Internet Business



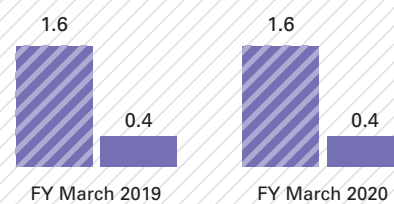
Net Sales ■ Operating Income*¹ (Billions of yen)



Other Business



Net Sales ■ Operating Income*¹ (Billions of yen)



*1 Adjustments are not included. *2 Calculated by net sales in which the transactions between segments are not included.

Summary of Fiscal March 2019

Net sales of the domestic AUTOBACS business dipped 1.2% year on year due to the effects of transferring the business of store subsidiaries to a franchisee. Segment profit dipped 6.2% year on year. However, groupwide net sales for the domestic AUTOBACS chain increased 0.5% on both a same store basis and total store basis. With regard to sales, sales of dashboard cameras increased. The number of statutory safety inspections performed also increased by tapping into the cyclical demand since September. In addition, the total number of automobiles sold increased due to targeted strengthening of sales activities in used car purchasing and sales.

Future Key Initiatives

- Boost tire sales
- Strengthen the development and sales of private brand merchandise
- Expand sales of statutory safety inspections
- Improve profitability of used car purchasing and sales business
- Improve store operations
- Renovate stores
- Improve earnings at store subsidiaries
- Expand profits in new store formats

Summary of Fiscal March 2019

Net sales of our overseas business increased 18.0% year on year; however, segment loss grew. In the retailing and services business, sales increased in Thailand where we have made active efforts to deploy small stores to gas station malls. In Singapore, while maintenance service for car sharing registered steady sales, store sales decreased. In France, operating loss rose due to the effects of inclement weather and protests. In the wholesale business, operating surplus was recorded in China. In Australia, AudioXtra Pty Ltd. became a consolidated subsidiary.

Future Key Initiatives

- Expand wholesale business
- Step up new store openings
- Offer new services

Summary of Fiscal March 2019

Net sales of the car dealer, BtoB and internet business increased 5.6% year on year; however, segment loss grew. In the imported car dealer business, sales rose thanks to increases in dealerships and strengthening of our sales structure. However, profits worsened due to factors such as inventory devaluation at some dealerships. Profits of the BtoB business improved through raising oil wholesale prices and enhancing the lineup of private brand merchandise. In the internet business, we carried out structure reforms, while at the same time constructing online shopping platforms for the BtoB business.

Future Key Initiatives

Car Dealer Business

- Remodel existing stores and bolster earnings
- Expand dealerships

BtoB Business

- Switch to best-selling products and those with high profit margins
- Secure new suppliers

Internet Business

- Upfront investment in platform construction
- Improve existing online shopping website

Summary of Fiscal March 2019

Net sales of other business decreased 6.1% year on year, and segment profit decreased 1.4% year on year. This is primarily due to decreased revenue from insurance-related fees.

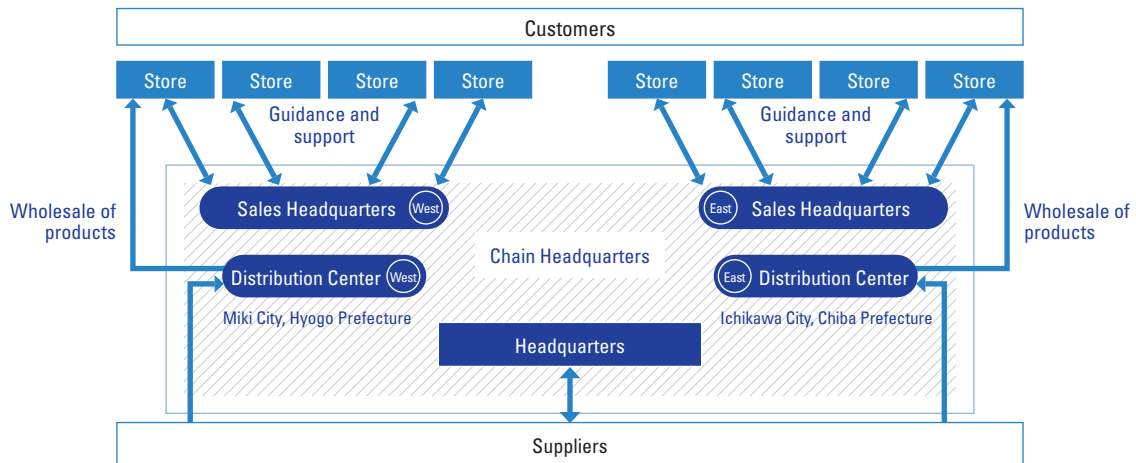
Domestic AUTOBACS Business

To differentiate ourselves from competitors in the maturing automotive goods market and tap into new customer segments, we offer the three values of “safety and security,” “experience and discovery,” and “self-expression,” along with promoting product development and store format development.

Value Provision Platform Centered on a Franchise System

In the domestic AUTOBACS business, the Company serves various roles as the franchise headquarters, including providing system and infrastructure related to product/service development and store operations,

proposing sales measures, and wholesaling products. As of March 31, 2019, 573 stores are operated by 76 franchisees (including 16 subsidiaries), while 20 are operated directly by AUTOBACS SEVEN all over Japan.



Store Support Under Franchise System

1 Sales/ Marketing Support

As the franchise headquarters, the Company helps propose and implement store reforms based on headquarters policy. This is done by assigning over 100 supervisors to sales divisions in 12 areas across Japan under the sales headquarters, one for east Japan and one for west Japan, while making store visits once or twice a week. Counselors offer guidance on sales floor composition and product lineup, taking into account changes in local customer needs and competition. In addition, supervisors study and standardize success cases in an effort to enhance the strengths of individual stores. Meetings attended by the management, executives, and store managers of franchisees are also held regularly to ensure close coordination with the Company.

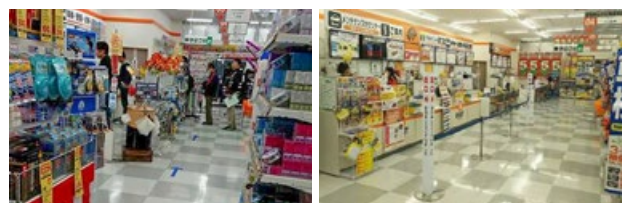
2 Human Resource Training Support/Dispatch of Mechanics

The franchise headquarters provides supports for stores' planning of OJT and human resource development. Furthermore, it holds seminars for store executives to

learn about proposing strategies for individual stores and management for improving performance. The Company also trains mechanics and dispatches them within the chain through its subsidiary, Chain Growth Co., Ltd.

3 Operation Reform/Renovation Support

With the aim of creating attractive stores, we support store renovations and operation reform through our Customer Voice Program, drawing on the opinions of customers who visited the stores. In the fiscal year ended March 2019, 127 stores were renovated, including improving in-store navigation and beautifying service bay restrooms.



Before

After



Earnings Improvement by Store Subsidiaries

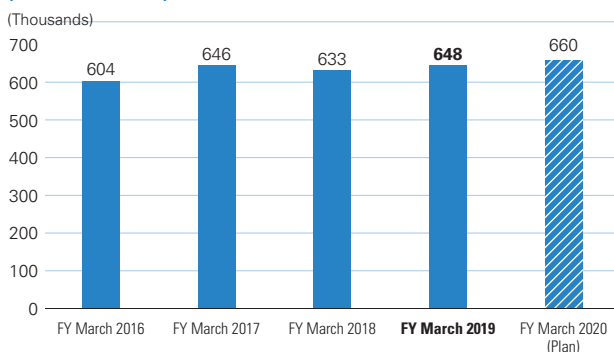
In the fiscal year ended March 2019, store earnings of the domestic AUTOBACS business improved. For franchisees as a whole, including store subsidiaries, earnings exceeded that of the strong performance registered in the previous fiscal year. For the second consecutive year, a record high profit was set. This was thanks to increased sales of products, such as tires and dashboard cameras, and expanded share of service sales, such as statutory safety inspections and maintenance. At domestic store subsidiaries, ongoing efforts were made to improve the gross margin, including by managing inventory, such as reduction of immobile inventory, and refraining from unnecessary changes in selling price. The earnings improvement is also attributed to increases in efficiency due to reforming store operations based on analyses of store customer service, including revising sales floor staff assignments and reviewing employee work content to allocate more time for customer service.

Statutory Safety Inspections and Maintenance

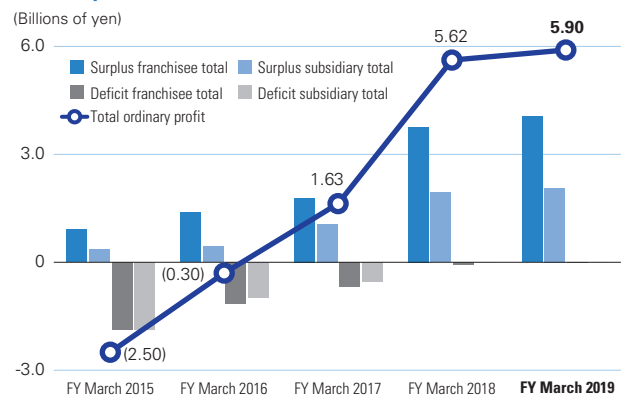
Number of statutory safety inspections performed increased due to cyclical demand

In the fiscal year ended March 2019, the number of statutory inspections performed rose 2.3% year on year to approximately 648,000, partly owing to the increase in the number of vehicles subject to inspections in Japan since the second half of the year. Following on from the previous year, we kicked off the second round of "AUTOBACS GUYS" in which we select a number of mechanics working at our stores to be involved in our advertising campaign to convey their technical skills and passion for automobile maintenance.

Number of Statutory Safety Inspections Performed (all-stores basis)



Ordinary Profit of Franchisees

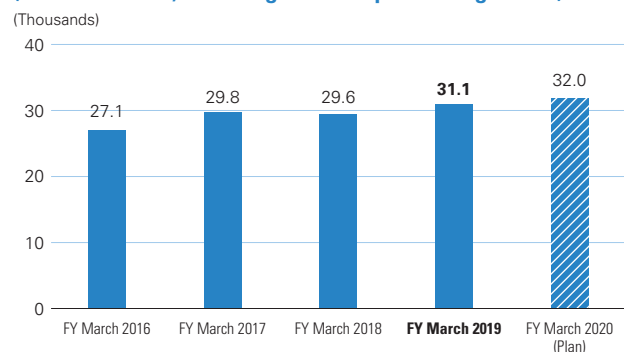


Used Car Purchasing and Sales

Structural shift to operating model for curbing costs

At the end of March 2018, we revised the CARS franchise chain agreement to enhance used car purchasing and reduce costs of CARS stores. We also closed five unprofitable used car purchasing stores in order to intensify our sales activities. As a result, the number of automobiles sold in Fiscal March 2018 increased to a record of approximately 310,000.

Used Cars Purchased and Automobiles Sold (all-stores basis, including used car purchasing stores)



Domestic AUTOBACS Business

Strategy Based on Three Values

Automotive Goods

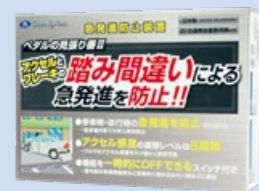
Enhancing the lineup of private brand merchandise and tires, and increasing demand for safe driving assistance products

To meet the basic “safety and security” needs of our customers, we are endeavoring to expand our selection of maintenance products that need replacing regularly, like tires and engine oil, centered around the development of private brand merchandise. Furthermore, the recent social situation has led to rises in demand for safe driving assistance products, such as “pedal watcher” sudden acceleration prevention device and dashboard cameras that can record front and rear views. We are leading the way in the industry to expand

our offering of such products. We are also focusing on selling tires, our key item, as a set with wheels, and are enhancing our lineup, including all-season tires.



Dashboard camera



Pedal Watcher II

Safety
Security

Expanding JKM's lineup

The “JKM” brand offers a new lifestyle to meet the needs of customers who want to enjoy trips and the outdoors on their vehicles. JKM actively develops items, such as products that come in handy when driving, goods for car interiors, and fragrances. We are also engaged in sales of products to be used once customers reach their destinations, such as electric motorcycles with pedals and drones, as well as campers.



JKM

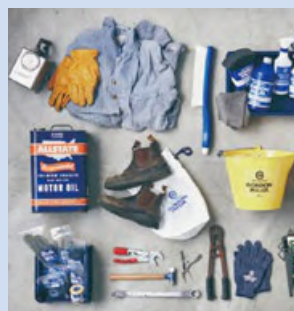


Drone

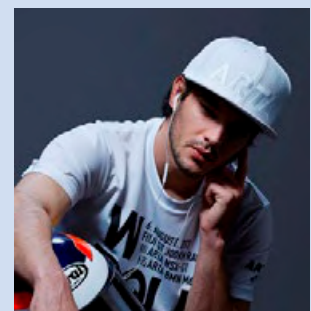
Expansion
and
Discovery

Promoting product development by GORDON MILLER and ARTA

“GORDON MILLER” is a highly specialized brand that focuses on self-expression through cars. We are expanding the lineup of its original items for use in the garage, such as car-washing products, DIY goods, storage, and pit stop tools. Furthermore, we are newly marketing ARTA (AUTOBACS RACING TEAM AGURI) as a racing sports brand and promoting the development of products, such as racing goods and sportswear under this label.



GORDON MILLER



ARTA

Self-expression

Store Format Strategy

Opening of second Smart+1 store in the Kanto area

We have continued to develop and open new store formats that offer only certain products and services and can be operated at low cost. As part of this, the second Maintenance Members-only "Smart+1" store, which specializes in car maintenance services centering on hand car wash and is accessible by appointment only, was opened in Utsunomiya-shi, Tochigi Prefecture, the first store in the Kanto area. As it is members-only, the store offers only basic products needed by customers. Customers can wait and relax in the store's cafe lounge until work is completed.



Increasing JACK & MARIE's physical stores to four

In the fiscal year ended March 2019, JACK & MARIE, Japan's first car-oriented lifestyle shop, sought to increase its brand value by newly opening physical stores in Nagoya, Yokohama, and Fukuoka, increasing the number of physical stores to four. The brand proposes exciting outdoor uses of automobiles, based on the concept of a stylish Australian lifestyle surrounded by nature.



JACK & MARIE
MARK IS Fukuoka Momochi



JACK & MARIE
LaLaport NAGOYA Minato AQUUS

Addressing specialized needs at Super AUTOBACS stores

We meet the highly specialized needs of self-expression through cars, mainly through our Super AUTOBACS stores which aim to provide our customers with comprehensive car-related goods and services. Super AUTOBACS stores offer customers a wealth of information about top-selling products and new products through their overwhelming product lineup and display. The general counter also has professional staff members at all times, servicing customers in a friendly manner.

Opening of renovated A PIT AUTOBACS SHINONOME flagship store

The flagship store, Super AUTOBACS Tokyo Bay Shinonome, was renovated and reopened as A PIT AUTOBACS SHINONOME offering new experiences and discoveries to customers. In addition to the installation of an authentic racing simulator cherished by professionals, the store offers a large selection of special parts. Professional and friendly staff are also available to provide major tuning services.





Overseas Business



We are engaged in wholesale and retailing and services mainly in the ASEAN region, which continues to enjoy economic growth, through capital and business tie-ups with leading local firms and joint venture operations.

Retailing and Services Business



As of March 31, 2019, the Group operates 46 stores in seven countries and regions excluding Japan, tailoring services to the car culture of each region. For example, we are strengthening works at service bays in France, which is seeing a growth in sales of tires from online



shopping. In Thailand, we are partnering with the PTG Group, which ranks second in the number of gas stations in the country, and operate small stores in the company's gas station malls. In Singapore, we are focusing efforts on maintenance of car-sharing vehicles.

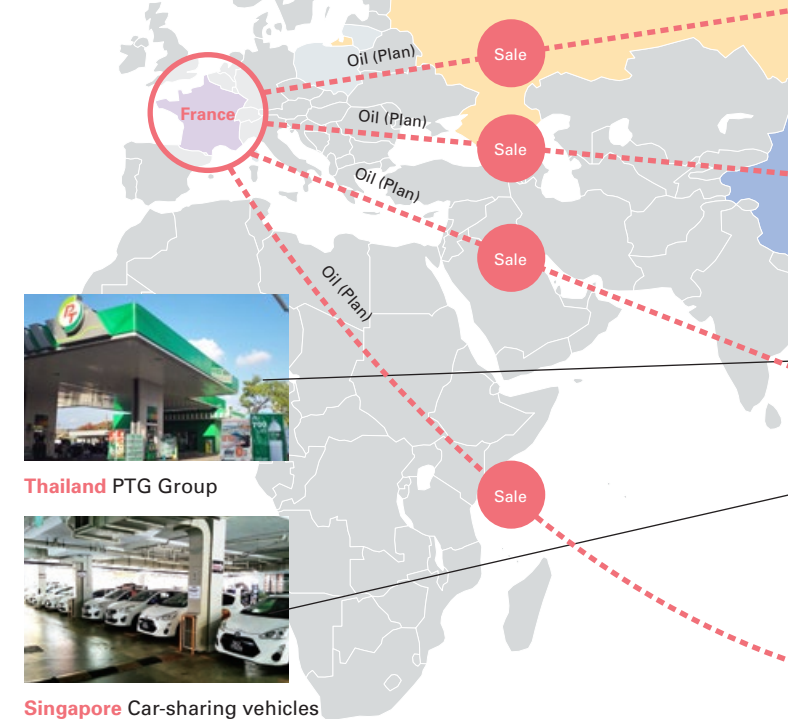
	France	
Number of stores	11 (Subsidiary: 11)	
First store opened in	2001	
Operating company	AUTOBACS FRANCE S.A.S.	
Ownership percentage	AUTOBACS SEVEN: 100%	
Operating loss	¥93 million (FY ended March 2019)	



	Indonesia	
Number of stores	3 (Franchise: 3)	
First store opened in	2015	
Operating company	PT. AUTOBACS INDOMOBIL INDONESIA	
Ownership percentage	AUTOBACS SEVEN: 49.00%	



	Taiwan	
Number of stores	7 (Franchise: 7)	
First store opened in	1991	
Operating company	Franchisee	
Ownership percentage	—	

	Philippines	
Number of stores	3 (Franchise: 3)	
First store opened in	2017	
Operating company	Magnificent 7 Automotive and Franchising Company, Inc.	
Ownership percentage	AUTOBACS SEVEN: 9.90%	

	Thailand	
Number of stores	15 (Subsidiary: 15)	
First store opened in	2000	
Operating company	SIAM AUTOBACS Co., Ltd.	
Ownership percentage	AUTOBACS SEVEN: 49.87%	
Operating loss	¥139 million (FY ended March 2019)	



	Singapore	
Number of stores	3 (Subsidiary: 3)	
First store opened in	1995	
Operating company	AUTOBACS VENTURE SINGAPORE PTE. LTD.	
Ownership percentage	AUTOBACS SEVEN: 93.75%	
Operating income	¥25 million (FY ended March 2019)	

	Malaysia	
Number of stores	4 (Subsidiary: 2)	
First store opened in	2012*	
Operating company	AUTOBACS MALAYSIA SDN. BHD.	
Ownership percentage	AUTOBACS SEVEN: 100%	
Operating loss	¥38 million (FY ended March 2019)	

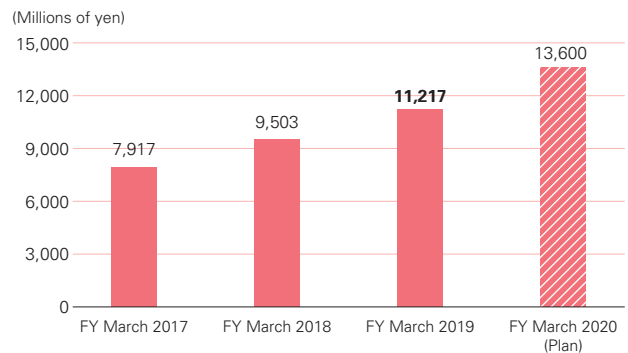
*Opened by a Japan-based franchisee



Wholesale Business

With an increasing need for the products of the Japanese brand AUTOBACS, we have actively expanded sales channels by making Australia's AudioXtra Pty Ltd. our new consolidated subsidiary in October 2018. We also develop and produce not only Made in Japan products, but also products competitive in each region and distribute them across countries. We currently sell oil produced in Japan in Russia, China, and the ASEAN region, while maintenance products such as brake pads produced in China are sold in Indonesia. We aim to expand operations by making wholesale a core part of our overseas business.

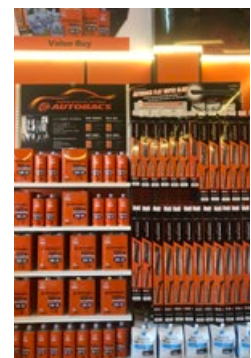
Net Sales of Overseas Business



Strategic Elements of Overseas Wholesale Business

- Promoting businesses that harness local characteristics and quality unique to a Japanese brand
- Strengthening alliances with local partners
- Improving profitability through low cost, low risk, and diverse earnings sources

We promote businesses that leverage the knowhow we have accumulated through our domestic AUTOBACS business. For example, we not only wholesale products to local hypermarkets, home improvement stores, and convenience stores, but also propose suggestions for product and POP displays.



Australia
AudioXtra Pty Ltd. (Ownership percentage: 70%)
 Manufacturing and sale of car electronics devices

Car Dealer, BtoB and Internet Business

We are nurturing and strengthening our imported car dealer, BtoB and internet businesses as new growth drivers – areas in which we expect to realize synergies with the domestic AUTOBACS business in the future.

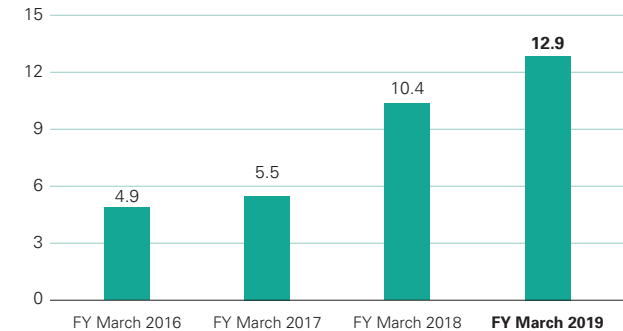
Imported Car Dealer Business

Developing a greater earnings structure by establishing a presiding company

The business of a dealership in Suginami-ku, Tokyo was newly transferred to the Group. We have acquired trading rights to BMW/MINI and are their official dealer with a total of ten locations in Japan, five of which are in Tokyo and the other five in Tochigi Prefecture. Against this background, in April 2019, we established AUTOBACS DEALER GROUP HOLDINGS Co., Ltd., a subsidiary overseeing the imported car dealer business. Accordingly, we intend to rebuild our inventory management system, strengthen the earnings structure by promoting higher earnings in maintenance which is expected to have synergies with the AUTOBACS Group. At the same time, we will seek to further increase the number of dealerships.

Net Sales at Two Imported Car Dealer Subsidiaries

(Billions of yen)



BtoB Business

Improving the earnings structure by restructuring wholesale business companies

In the fiscal year ended March 2019, we raised oil wholesale prices amid the ongoing severe environment, including surging costs of oil and distribution. In addition, we integrated two subsidiaries engaged in the wholesale business, Cores International Inc. and Palstar K.K. We established CAP Style Co., Ltd., a general trading company for automotive goods having the functions of both product development and merchandising consulting. This business merger has resulted in some positive impacts, including enhanced lineup of private brand merchandise, which has helped to improve the earnings structure of the BtoB business. We are also strengthening our sales structure and increasing distribution efficiency for selling replacement parts and automotive goods to corporate customers.

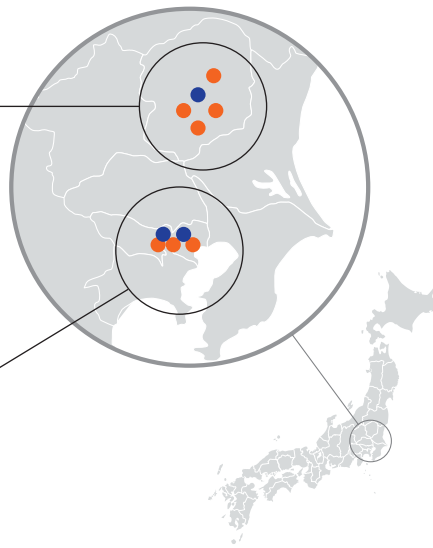




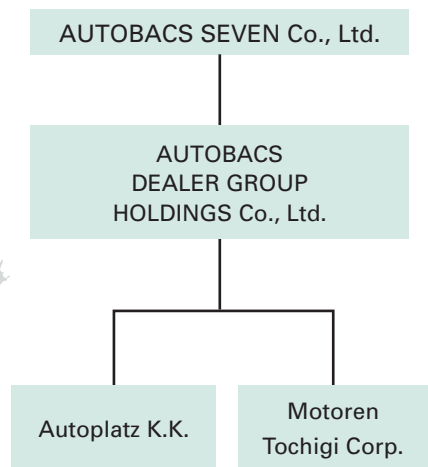
Motoren Tochigi Corp.



Autoplatz K.K.

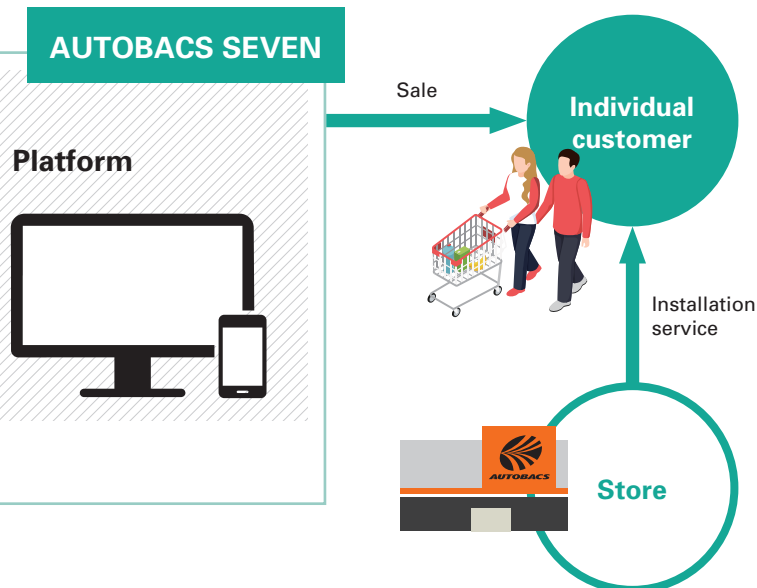


New Organizational Structure



Internet Business

Building a platform for the BtoB business



In the fiscal year ended March 2019, the internet business was separated from the domestic AUTOBACS business. Efficiency was further increased by integrating the internet business into a single online mall. In addition, we strengthened package sales of tires and dashboard cameras on our online shopping website. An online shopping platform for the BtoB business has also been developed and commenced pilot operations.



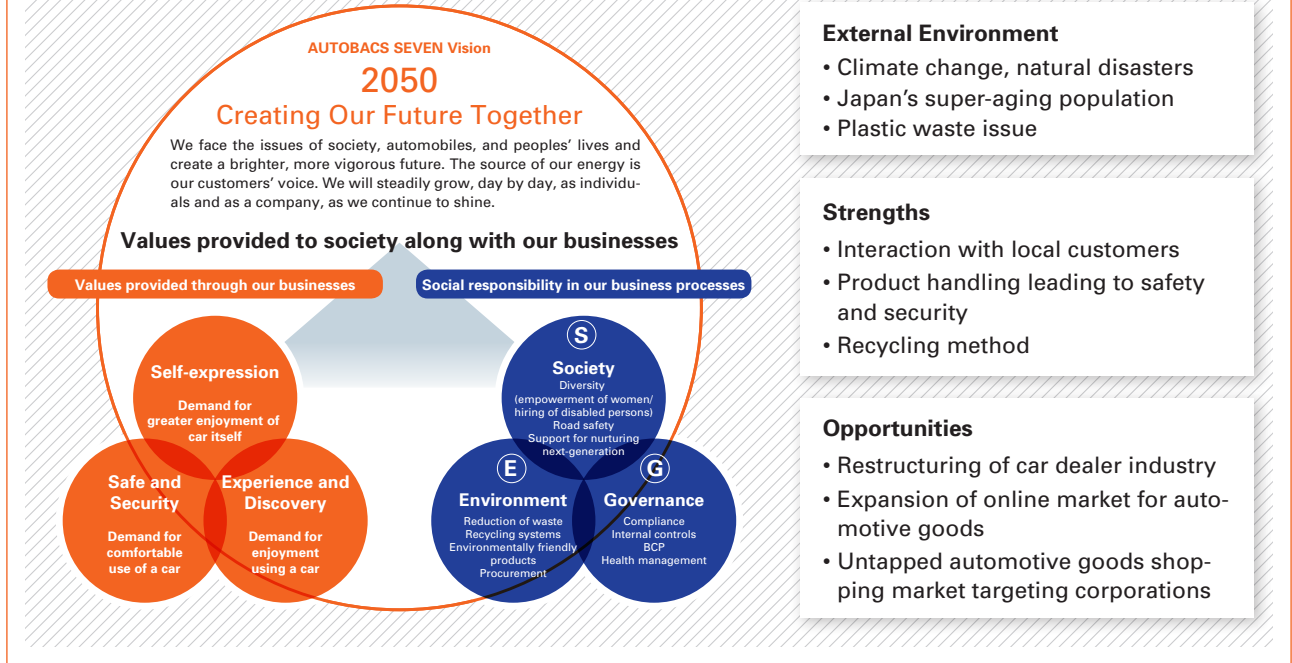
AUTOBACS.COM



<https://www.autobacs.com/shop/c/c>

Our Approach to ESG

We take a broad view of the issues of society and constantly take into account the social impacts of our business activities. In this manner, we carry out CSR initiatives to meet society's expectations and demands for ESG (environmental, social and governance) which are changing ceaselessly. We take actions with the understanding that contributing to a sustainable society leads to our long-term growth.



CSR Policies

As part of our business processes, we undertake various activities that deepen our relationship of trust with all our stakeholders and contribute to society in order to create an enriched and sound motorized society.

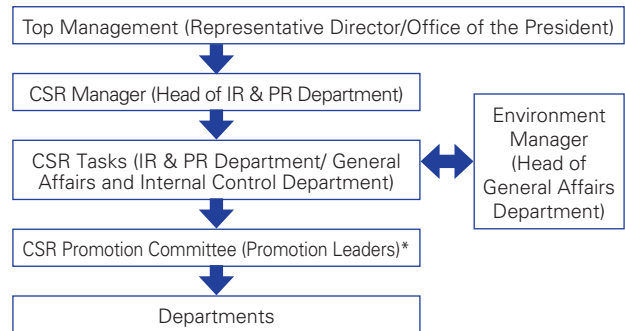


[CSR Initiatives >](https://www.autobacs.co.jp/en/sustainability/concept.html)

<https://www.autobacs.co.jp/en/sustainability/concept.html>

CSR Management System

At the CSR Promotion Committee, we discuss on how to respond to the demands of society from ESG perspectives among its members. We are promoting CSR which is integrated with management through dialogue with top management, in addition to the initiatives focusing on both the business of the Company and its corporate social responsibility.



* CSR Promotion Leaders are selected from each department. Four committee meetings were held in FY March 2019.



CSR Promotion Committee meeting

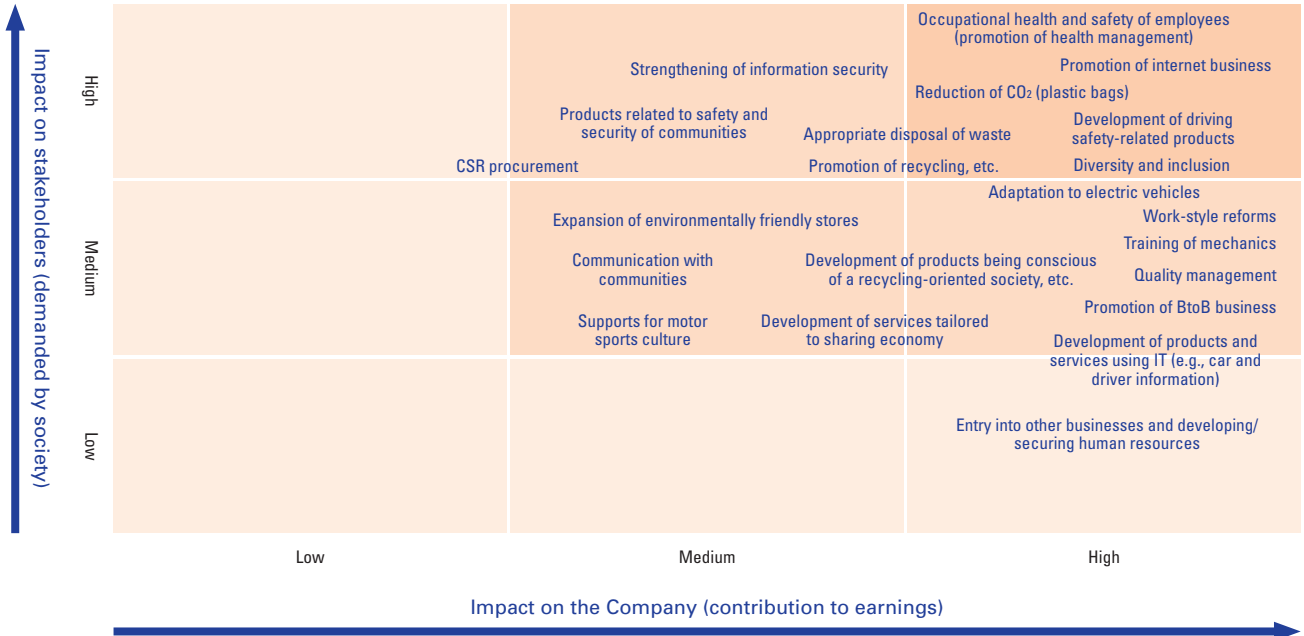


Visit the official AUTOBACS Facebook page for details of our CSR activities.



<https://www.facebook.com/autobacs.seven/>

Selection of Key Issues of the AUTOBACS Group



* CSR tasks and materiality selected by officers in charge

Main Key Issues

Key Issues	Related SDG Goals and Targets
Provision of products and services contributing to safe and secure motorized society	3-6 11-3 12-5
Provision of enjoyable and enriching car use opportunities and car-related experiences	4-4 4-7 12-5
Reduction of environmental impacts deriving from motorized society and environmental footprint related to business activities	7-2 12-5 13-1
Diversity promotion (work-style reforms, empowerment of women)	5-5 8-5
Revitalization of franchisee store communities	3-6 11-3
Common issues	17-17

Relationship between SDGs and Our Business

With a view to achieving the SDG goals, we identify the goals having a higher correlation with our operations as our key themes, and aim to contribute to the achievement of the SDGs.



SDGs (Sustainable Development Goals)

SDGs are the concrete action guidelines for developed and developing countries adopted at a UN Summit in September 2015 as "the 2030 Agenda for Sustainable Development" to succeed and build on the Millennium Development Goals that ended in 2015. The agenda comprises 17 goals and 169 targets.

HR Development and Work-style Reforms

Our Vision

As a company that solves the issues of local communities through our business operations, we focus on nurturing personnel that possess expert knowledge and know-how. We recognize human resources to be the source of value we provide to society and we continually seek to enrich our workplaces so each and every employee can remain healthy and safe.

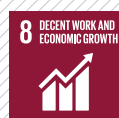
Key Themes

Fostering the corporate culture where diversified human resources can work comfortably.

SDG Targets



Target 5.5: Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life



Target 8.5: By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value

Category	Subcategory	Evaluation Indicator	FY March 2018	FY March 2019	Note
HR Development	Free agent system	Number (People)	15	9	Number transferred
	Recommended training	Number (People)	458	215	Number who completed training through internal system
Work-style Reforms	Overtime hours	Avg. no. of hours per month per person	4.7	8.37	
	Paid leave	Take-up rate (%)	48.0	49.8	Target value: 50.0 by 2022
	Telecommuting	Total number of days	747	1747	Headquarters employees, introduced November 2017
Corporate Culture Reforms	CEO dialogue session	No. of times held	21	10	Launched in FY March 2017
		No. attended	192	112	
	Value award	No. received	—	104	Excludes overlapping recipients, launched FY March 2019
Diversity	Female manager	Ratio (%)	2.3	1.4	Among section chief or higher; target value: 5.0 by 2022
	Female childcare leave	Take-up rate (%)	100	100	Among those who took leave before and after childbirth
	Working shorter hours for childcare	Ratio (%)	23.0	21.5	Among female full-time employees
	No. of foreigners hired	Ratio (%)	1.3	1.2	Among full-time employees
	No. of disabled persons hired	Ratio of disabled persons hired (%)	1.61	1.62	Among full-time employees
	No. of employees re-employed after retiring at 60	Ratio (%)	3.7	4.1	Among total of full-time employees and re-employed employees
Health Management	Periodic health examination	Ratio undertaken (%)	99.8	100.0	Among those eligible for primary health examination
	Training sessions and seminars	Number of times	26	26	
	Training sessions and seminars	Number of employees	254	328	
Basic Data	Total no. of full-time employees * Only for AUTOBACS SEVEN Co., Ltd.	Total no. at end of FY	1021	993	
		No. of males at end of FY	886	858	
		No. of females at end of FY	135	135	
		Ratio of females at end of FY (%)	13.2	13.5	Target value: 20.0 by 2022

Activities in Fiscal March 2019

1 Educational Training to Enhance Strength of Human Resources at AUTOBACS Chain Stores

For the purpose of improving the value the AUTOBACS chain delivers to customers, we have put in place more than thirty stratified educations and training systems for mainly store staff. We offer a multitude of different group training sessions on topics such as leadership, sales skill improvement, or wheels and undercarriage, and with a total of 91 sessions held in fiscal March 2019, together with e-learning and other initiatives like OJT at stores, we hope to see significant benefits. We are also striving

to enhance the quality of in-store services by boosting staff knowledge, technical skills, and motivation, with an assessment system linked to our internal Group qualifications, such as Car Lifestyle Advisor and Car Lifestyle Consultant. We also focus on training that assists employees in acquiring automobile mechanic, automobile inspector, or other public licenses, and we are seeing a steady increase in the number of qualified employees.

2 Career Support

Based on the concept that “employees build their own careers by themselves,” at AUTOBACS we have a number of schemes to support the career formation of employees.

Career rotations and skill enhancements

Our personnel system is based on a combination of job rotations and the enhancement of skill levels every few years so that all employees can accumulate knowledge and experience. We have also established an internal job posting and free agent system and implemented personnel movement within the Company. Under this system, employees who meet certain conditions can aspire to work in a position they have set their sights on. Moreover, we have established a course for specialist workers which takes into account the orientation and aptitude of each and every employee and assists their career formation in line with individual characteristics and aspirations.

Personnel development program

We have in place a so-called “cafeteria plan” through which employees can choose to take any of the roughly

160 courses offered by external organizations. Some courses are offered in the form of correspondence learning, or public seminars, while others promise public qualification. The plan assists the voluntary career development of our employees and we provide monetary assistance with subsidies up to ¥100,000 per person per year. So far, 1,193 employees have utilized this plan. As an incentive for skills development, we also provide a bonus to employees that have acquired certain public qualifications designated by the Company.

Internship

Our summer internship program was held ten times for three days at a time and offers students that are beginning to choose potential employers a chance to work on-site in a variety of job roles, visit our facilities, and participate in various workshops so that they can be convinced when making decisions. This program gives us the opportunity to hear the opinions of the younger, next-generation, while students get the chance to start thinking about their future career paths.

3 Work-style Reforms

In addition to promoting the creation of a workplace where each and every employee can work safely and remain healthy, we are working to establish an environment in which our employees can feel enriched, fulfilled, and safe at work.

Supporting various working styles

In the midst of mounting societal demands to tackle issues such as an ageing society, work-life balance, and globalization, we are implementing a number of initiatives to provide various work-style options to employees with the goal of establishing an environment in which our employees can work energetically. Such options include shorter working hours, half-day paid leave, telecommuting (with no limitations on frequency or reason), satellite office-based work, staggered starting times, and the enhancement of ICT-based communication tools.

Open Days for employee’s children

Since August 2015 we have hosted a Open Days for employee’s children every year. This event affords a rare opportunity for children to see their parents at work and not only deepens their understanding of what their parents do for a living, but aims to encourage employees to think about their work and family life. In fiscal year 2019, 27 mainly elementary school students had fun taking part in a road safety quiz, cash register roleplaying, and Company facility tour.



HR Development and Work-style Reforms

4 Promoting Diversity and Inclusion

Making AUTOBACS an easier place for women to work

Based on our belief in no corporate growth without diversity, the Company's view is that "an easier place to work for women is a better place for everyone." To this end, we are endeavoring to establish a workplace environment where women can easily return to work following various life events such as marriage, childbirth, and child-rearing.



Initiatives for fostering female executives

The Company has partly launched a mentoring system for female employees, and as part of our career development activities, we host an interactive workshop for female executives and regular employees. In addition, as part of efforts to create a workplace culture where women can thrive, we implement a program regarding diversity acceptance in our management trainings. We also provide individual counseling on work and home life compatibility and career formation.

A workplace where employees can keep working after maternity and childcare leave

At the Company we have many female employees of parenting generation that emphasize the importance of both family and career, and 100% of them return to work after maternity and childcare leave. We attribute this to various initiatives, such as a longer timeframe during which employees with children (up to sixth year at elementary school) can work shorter hours, as well as the implementation of the "Female Tasks" career assistance project.

Creating a workplace full of diversity

In the globally expanding businesses of the AUTOBACS Group, there are more and more opportunities for foreign employees, both in Japan and overseas. As part of our hiring of disabled persons, we are also working hard to create an environment in which people with disabilities can find it easy to work by establishing a system that offers a choice of flexible working styles.



Comment from male employee that took childcare leave

Yuki Tanaka (Legal Department)
Childcare leave: Two months

I did not take childcare leave for my first child. For my second child, however, as my first child was still young and a handful, I was set from the start to take advantage of the system. While I had concerns about work, I was able to devote myself to childcare with the understanding of my department. As many things happen unexpectedly with childcare, I was conscious about using time more efficiently. Taking childcare leave also gave me a good opportunity to be more attuned to my community and broaden my horizons. The time I spent face to face with the growth of my child during this period is irreplaceable. I encourage any male employee who is considering childcare leave to take a longer one than I did.



Takuya Nanjo (A PIT AUTOBACS SHINONOME)
Childcare leave: One and a half months

I took childcare leave due to concerns about my wife's physical condition. Although I was the first male to take childcare leave at my store, the store manager thought it was a great idea and was supportive when I consulted him. Consequently, I was able to take childcare leave feeling relieved. During my leave, my wife and I overcame difficulties by working together while enjoying the experience, and we are now even closer. I also had more opportunities to talk with people in the community with whom I had no contact before. This has enabled me to carry on a range of conversations with customers at my workplace and helped me grow personally. I hope to contribute to the Company by supporting men who are thinking of taking childcare leave.



5 Health Initiatives

We focus on health-promoting initiatives based on our statement on health, which declares that we recognize health is the utmost management foundation indispensable for our broad-ranging corporate activities. We aim to be a company that contributes widely to society by promoting “health management” to foster human resources with a strong awareness of what it means to be healthy, both physically and mentally.

 [Autobacs Seven Health Management >](https://www.autobacs.co.jp/en/company/healthycompany.html)

<https://www.autobacs.co.jp/en/company/healthycompany.html>

Health management training

If an employee is found to have a lifestyle disease-related condition at their periodic health examination, they must follow the instructions of the occupational physician and undergo dietary and exercise training in order to



Health management training

improve their health condition. Depending on the severity of their health condition, improvement measures will be separately prescribed, while follow-up examinations will also continue for a certain period.

Meal improvement program “Office Okan”

In fiscal March 2019, we launched “Office Okan” at the headquarters and some other places, with the aim of improving the meals of employees and preventing lifestyle diseases. The service offers dishes that allow employees to eat a balanced lunch at a reasonable “one coin” price. Starchy dishes, protein dishes, vegetable dishes, and salads selected monthly are delivered to the designated refrigerator in the office and can be purchased from 100 yen a dish.



Mental healthcare, health counseling

Every year all employees at the Company undergo a mental health check performed by external specialists for the purpose of mental care. We also have in place a system whereby employees can seek counseling at a designated institution and our occupational physician provides regular health consultation and mental health counseling sessions.

DBJ Employees’ Health Management Rating

Our health initiatives have been rated the highest rank three times (2015, 2017, 2019) under the DBJ Employees’ Health Management Rating, which is used by the Development Bank of Japan to determine lending terms.



No Smoking Promotion Business Consortium

The Company is a member of the No Smoking Promotion Business Consortium, a consortium established in partnership by the Tokyo Medical Association and Japan Cancer Society and comprised mainly of companies with headquarters and offices in Tokyo.



禁煙推進企業
コンソーシアム

Certified as 2019 Health and Productivity Management Organization (White 500)

The Company has been certified as a 2019 Health and Productivity Management Organization (White 500) by a program sponsored by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi. Specifically, in 2014 we set forth a statement on health and established the Health Management Office at the Company, as an effort to make health counseling easily accessible to employees. Furthermore, we promote the Data Health Plans, in addition to holding seminars and disseminating information on health internally.



Comment from Head of Human Resources and General Affairs Department

The Company, since its founding, has identified “the health of employees is a company asset” as one of the three main pillars of its management, and considered that the health of employees and corporate management are interlinked. Currently, as a structure for realizing health management, the Health Promotion Council chaired by the CEO is in charge of health management planning, while the Health Management Office led by myself as the Head of Human Resources and General Affairs Department is in charge of its execution. Occupational physicians and health nurses actively collaborate with the Company to promote health by sharing information as necessary, while being affiliated with the Health Management Office. We will continue to advance initiatives that promote the mental and physical health of employees, which in turn will further strengthen the foundation of the Company.



General Manager, Human Resources & General Affairs Department
Hiroyuki Furuta

Environmental Conservation

Our Vision

The Company takes into account the impacts our business activities have on the environment and aims to realize a sustainable society by ensuring proper waste disposal and reducing our environmental burdens at our stores and during distribution.

Key Themes

Reduction of CO₂ emissions in our business processes and recycling of used products SDGs

SDG Targets



Target 7.2: By 2030, ensure that all learners acquire the knowledge and skills needed to promote sustainable development, including, among others, through education for sustainable development and sustainable lifestyles, human rights, gender equality, promotion of a culture of peace and non-violence, global citizenship and appreciation of cultural diversity and of culture's contribution to sustainable development



Target 12.5: By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse



Target 13.1: Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries



Target 17.17: Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships

AUTOBACS SEVEN Environmental Policy

In September 2011 the Company established the AUTOBACS SEVEN Environmental Policy, and promotes environmentally friendly business operations as a franchise chain headquarters.



[AUTOBACS SEVEN Environmental Policy >](https://www.autobacs.co.jp/en/sustainability/environment.html)

<https://www.autobacs.co.jp/en/sustainability/environment.html>

Initiatives in distribution

When transporting products not requiring express delivery, we make use of rail freight containers instead of trucks to reduce CO₂ emissions. We also utilize reusable folding containers in various sizes to deliver products to stores in an effort to reduce waste in the form of cardboard boxes.

Reducing CO₂ emissions with mega solar projects

In 2013 we installed solar power generation panels using areas of the roof and other unused sections of our West Japan Logistics Center (Miki City, Hyogo Prefecture). This initiative reduces our emissions of CO₂. Total power generated in fiscal March 2019 was approximately 1.4 million kWh.



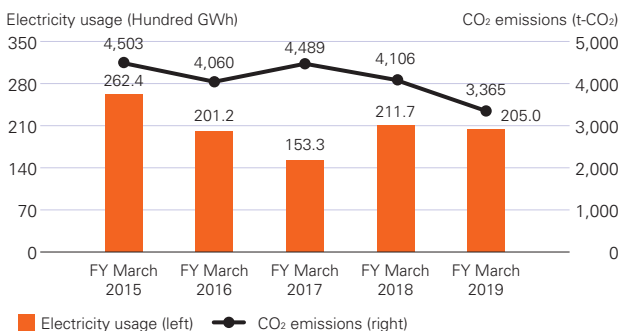
Activities in Fiscal March 2019

1 Reduction of CO₂ Emissions

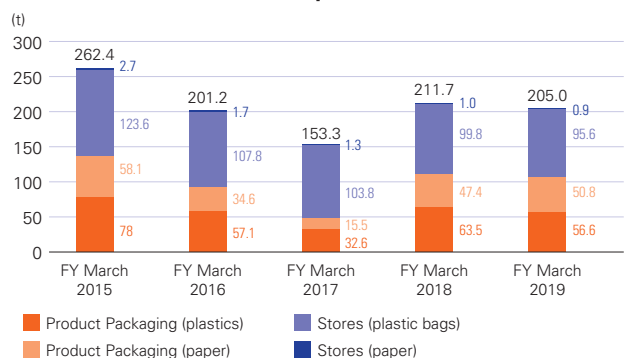
Electric vehicle charging stations

We have installed electric vehicle charging stations at 100 AUTOBACS Group stores (as of March 31, 2019). On top of enhancing convenience for our EV and PHV customers, we promote environmental conservation activities across the entire Group.

Electricity Usage and CO₂ Emissions



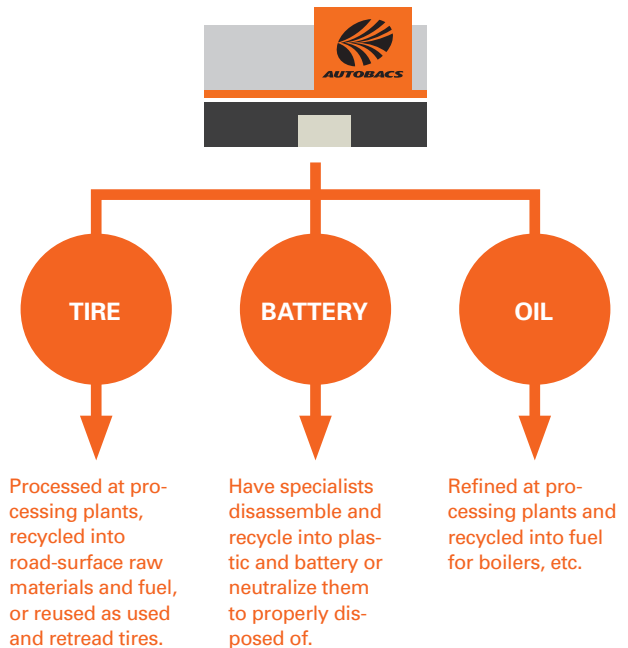
Volume of Packaging Used at AUTOBACS Chains and Headquarters



2 Product Recycling and Proper Disposal

In Japan, approximately 100 million tires, equivalent to 1 million tons, are disposed of every year. Used tires collected from customers at AUTOBACS Group stores are pulverized and processed into chips by specialists and are recycled as a source of thermal energy. At the factories of such specialists collecting used tires from AUTOBACS Group stores in Kanto's vicinity, over 100 tons of used tires are brought in, selected, broken, and transformed into sources of energies every day. Used oils and batteries are also separated by material and processed correctly by designated operators and are then recycled.

In addition, radiator liquids, bumpers, and aluminum wheels are separated by material and reused. Through recycling them by material, approximately 90% of an entire automobile's parts are recycled. Recycling fees are used for transforming parts into different materials and for processing airbags and CFC gas that are cumbersome to process.



3 Recycling Car Freshener Packaging

Collecting and reusing

Since October 2017 we have been collecting empty car freshener products that we sell in Japan. Part of the packaging is recycled and made into road safety reflectors.

This project is composed of the Company, Febreze deodorizer and air freshener manufacturer Proctor & Gamble, and TerraCycle Japan, a firm that provides assistance to corporate recycling activities, and leverages the respective strengths in cooperation. The reflectors are donated to local elementary schools and associations that promote road safety.



4 Donations of Emergency Food Provisions and Addressing Food Waste

In addition to securing emergency provisions for employees in preparation for the possibility of a large-scale disaster, we donate food and drink yet to expire to the NPO Second Harvest Japan, which runs food banking operations. We also participate in the Kyu-Can-Cho Project. This project involves the collection of emergency ration canned bread before its expiry date and the subsequent delivery to famine-stricken regions around the world as part of charity goods. We will continue to implement these initiatives given that they solve food waste and environmental issues, and also contribute to lower disposal costs.



Mt. Fuji Cleanup Activities

Environmental conservation activities with various stakeholders

Mt. Fuji is registered on the World Heritage List. However, the foothills of the mountain unfortunately see a lot of unauthorized dumping of rubbish, including many tires. Every autumn we take part in a cleanup operation with the NPO Fujisan Club, employees, former employees, and foreign trainees working at franchisees. In October 2018, approximately 40 volunteers participated in the 18th cleanup.



Community and Society

Our Vision

We see cars as more than just a form of transport; they support the affluent lifestyles of people and serve as their partner providing fulfillment. Car-centric lifestyles will continue to generate safe, secure, and fun situations for everyone.

Key Themes

Contributing to safe and secure social infrastructure and aiding the development of the next generation

SDG Targets



Target 3.6: By 2020, halve the number of global deaths and injuries from road traffic accidents



Target 4.7: By 2030, ensure that all learners acquire the knowledge and skills needed to promote sustainable development, including, among others, through education for sustainable development and sustainable lifestyles, human rights, gender equality, promotion of a culture of peace and non-violence, global citizenship and appreciation of cultural diversity and of culture's contribution to sustainable development



Target 11.3: By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries



Target 17.17: Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships

Activities in Fiscal March 2019

1 ARTA School Visits

Communicating the appeal of motorsports and the challenge to the dreams to children

In fiscal March 2019, in cooperation between the Company and ARTA (AUTOBACS RACING TEAM AGURI), a team driver and engineer visited elementary schools in Suzuka, Mie Prefecture and Haga, Tochigi Prefecture to talk about the joys, rigors, and importance of holding a dream. These interactions not only stimulate an interest in motorsports and racing cars, but they also aim to spark the first step towards realizing future dreams of children and students.



2 Junior High and High School Student Visits

As a company with roots in the community, we accept student visits from neighboring junior high and high schools to some of our stores, and to our east and west Japan logistics centers respectively located in Ichikawa, Chiba Prefecture and Miki, Hyogo Prefecture. As part of their career education, the students get to feel firsthand the teamwork that takes place at our stores and actually experience behind-the-scenes logistics operations alongside our employees.

3 Supporting Development of the Next Generation Children

Kodomobacs

Our in-store event "Kodomobacs" gives children the chance to try their hand at a number of activities, including a working experience at service bays where they get to wear AUTOBACS overalls and change a car tire, taking souvenir photographs wearing a car racing suit, and decorating cars with drawings. The purpose of this event is to have children interact with our employees to cultivate a view of occupation, and also have them experience the appeal of making a living together with cars, the wonderful life partner.



KidZania

As an official sponsor of KidZania, a small city where kids can have fun role-playing jobs and learning about how society works, AUTOBACS runs Car Lifestyle Support Center pavilions at both KidZania Tokyo and KidZania Koshien. Through their experiences at our pavilions, our goal



is to have kids learn how fun it is to work with cars, gain an understanding of car safety and mechanisms, and contribute to a safe motorized society in the future.

4 Assisting Student “Monozukuri” Design

Supporting the Student Formula Japan competition

As an official competition sponsor, AUTOBACS has participated in the Student Formula Japan, “Monozukuri (manufacturing)” design competition where students themselves plan, design, and build vehicles to compete “comprehensive capability of Monozukuri” since fiscal March 2015 and provided support to the contesting teams. In Fiscal March 2019 we supported ten teams by providing racing suits, shoes, and other items. We also invited the team members to a SUPER GT race, which AUTOBACS sponsors, as part of our efforts to contribute to the sustainable development of car culture by giving the students a professional trackside experience.



5 Community Monitoring Services Using IoT Technology

In November 2017, we began new initiatives and demonstration tests using IoT technology for ensuring the safety and security of the elderly and their families. In March 2019, we entered into a Comprehensive Cooperation Agreement with Oita Prefecture. Using the IoT platform “WEAR+i” developed by the Company under the theme of safety and security, the agreement aims to revitalize the region and improve services for people in the prefecture in eight areas, including road safety and environmental protection.



6 Aid Stations for People Stranded During Disasters

We have entered into Agreements on Aid for People Stranded During Disasters with local governments to let our stores (345 as of June 30, 2019) be used as aid stations during times of disasters to help people stranded get back home. Under the agreement, stores provide running water and toilets, maps and traffic information, and information about road closures obtained via radio announcements and the like.



https://www.autobacs.co.jp/en/sustainability/activity/disaster_response.html#a01

7 Assisting Safe Driving through Our Products

We sell the “Pedal Watcher” sudden acceleration prevention device, in order to prevent accidents caused by drivers who are elderly or are not used to driving and mistake the accelerator for the brake. In addition, we support safety and security by offering dashboard cameras and car navigation devices designed to assist safe driving.



8 Raising Traffic Safety Awareness through a Picture Book

Through industry-academia collaboration with BAIKA Women’s University, we published a picture book on traffic safety entitled *Mugi-chan no Pan* (Mugi’s Bread). Based on the theme of “traffic safety,” a story unfolds about a bear named Mugi who is riding a mobile catering trailer with his father to town to sell bread, and along the way, interacts with various animals. Some of the proceeds from the picture book were donated to Kotsuiji Ikueikai (Scholarship Foundation for Traffic Accident Orphans). Some stores hold storytelling events and read the picture book to local children.



Brand Management

Our Vision (Policy)

The AUTOBACS Group strives to offer values to society, as a strength of our corporate brand developed since its founding. At the same time, we have established systems to guard against the following critical risks which could harm the brand through business activities.

Product Quality Management

Product Quality Guidelines

Recognizing that the products and services we provide customers are directly linked to their safety, AUTOBACS SEVEN strives to maintain and further improve quality by establishing the AUTOBACS Group Product Quality Guidelines.



Autobacs Group Product Quality Guidelines >

<https://www.autobacs.co.jp/en/sustainability/society/quality.html>

1 Product Quality Standards

We manage product quality according to the Product Quality Control Regulations. We carry out multifaceted quality control of the private brand products we sell, along with national brand products. This includes working with manufacturers and suppliers to ensure the legality of the products and their uses and protect consumers based on the Product Liability Act.

2 AQL Standards

We outsource the production of many private brand products to overseas factories. With the aim of stabilizing quality, we conduct audits and provide advice at such manufacturing sites. In addition, private brand products are inspected based on the globally adopted Acceptable Quality Level (AQL) immediately before factory shipment or at the time of arrival at the logistics centers.

3 Product Failure Hotline

Defective products may be mixed in with national brand products, albeit rarely. In such cases, we oblige our suppliers to submit a corrective action report, and review and propose preventative measures involving the quality control system and the manufacturing process. Furthermore, we have introduced a Group online bulletin board called the "Product Failure Hotline" to share information with Group stores in a timely manner.

Service Quality Management

1 Quality Management of Works at Service Bays

At the Group stores, customer safety is given foremost priority at all times when changing tires and carrying out other works. To this end, we have developed manuals on works at service bays and manuals for preventing wheel detachment. We also strive to enhance the staff's skills by establishing a mechanic certification system, and through technical training and e-learning. For statutory safety inspections, 15-minute inspections are conducted with guidance provided from the Company to the stores, in order to unify the Group's work, improve quality, and increase work efficiency.

2 Certification of Hybrid Car Compatible Stores

To perform maintenance on hybrid car batteries, laws and regulations require taking a special seminar on handling low voltages. In addition to offering "hybrid training" for Group employees, the Group certifies stores as "hybrid car compatible stores" if they have the following: special seminar on handling low voltages; insulation equipment; diagnostic machinery; and hybrid training. Certified stores have signboards by their entrance. As of the end of April 2019, 391 stores have been certified.

3 Personal Information Risks

For protecting personal information, the Group implements optimum measures to ensure information security and publishes its private policy to inform those inside and outside the Group. In case of personal information leakage, we have established an internal communication system to minimize the impacts on the holders of personal information and ensure that the business activities of the Group are unaffected.

Certified by Third Party Inspection Body, TÜV Rheinland Japan

Since July 2017, the Company has a business alliance with TÜV Rheinland Japan, a third party that excels in audits of the automobile after-sales market. Under this alliance, we have taken steps to redevelop the facility and environmental standards of service bays at automotive goods stores, while offering higher quality works at service bays. As a result, in July 2018, the "Automobile Goods Retailer Maintenance Factory Certification" was conferred in Japan for the first time to two stores of the AUTOBACS Group, Super AUTOBACS KUKI (Kuki City, Saitama Prefecture) and AUTOBACS Fujiidera (Fujiidera City, Osaka Prefecture).

Corporate Governance

We strive to constantly strengthen our corporate governance in order to maintain the support and trust of all our stakeholders.



Corporate Governance >

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

Basic Concepts

Based on the AUTOBACS SEVEN Vision, the AUTOBACS Chain Management Mission, and the Code of Conduct and Guidelines for Action of the AUTOBACS SEVEN Group, we operate our business with consideration to all stakeholders. As a public entity of society, we will achieve sustainable growth and improve corporate value over the medium-to-long term, and will continue striving to strengthen corporate

governance to contribute to society.

Based on these basic concepts, we will build a system to achieve fair and transparent management, including separation of business execution and supervision, together with swift and bold decision-making and proper monitoring, and strive to make the system function practically and sufficiently.

Changes to the Governance System

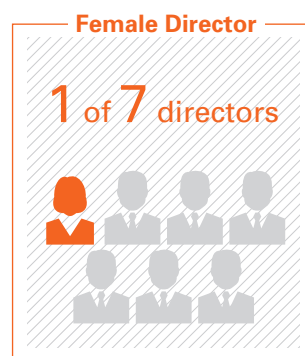
The Company has transitioned from a company with an Audit and Supervisory Board to a company with an Audit and Supervisory Committee, with approval received at the 72nd ordinary meeting of general shareholders held on June 21, 2019. The Company aims to have a more effective corporate governance system by separating business execution and supervision to pursue both swift and decisive decision-making and appropriate monitoring, along with sustainable growth and the further improvement of the medium-to-long-term corporate value. To this end, while harnessing the characteristics of a company with an Audit and Supervisory Committee, the Company is reinforcing the corporate governance system through the following measures:

- (1) Appointment of one-third or more of independent outside directors: enhancement of the supervisory function, protection of general shareholders' interest
- (2) Establishment of committees as advisory bodies to the Board of Directors: ensuring of transparency, objectivity, and appropriateness
- (3) Selection of full-time Audit and Supervisory Committee members and selected Audit and Supervisory Committee members: ensuring effectiveness of the activities of Audit and Supervisory Committee, enhancement of the audit function
- (4) Adoption of an officer system: Separation of business execution and supervision, clarification of management responsibilities
- (5) Regular meetings with officers by Audit and Supervisory Committee members: enhancement and reinforcement of monitoring

Composition of Directors



All 3 are independent outside directors

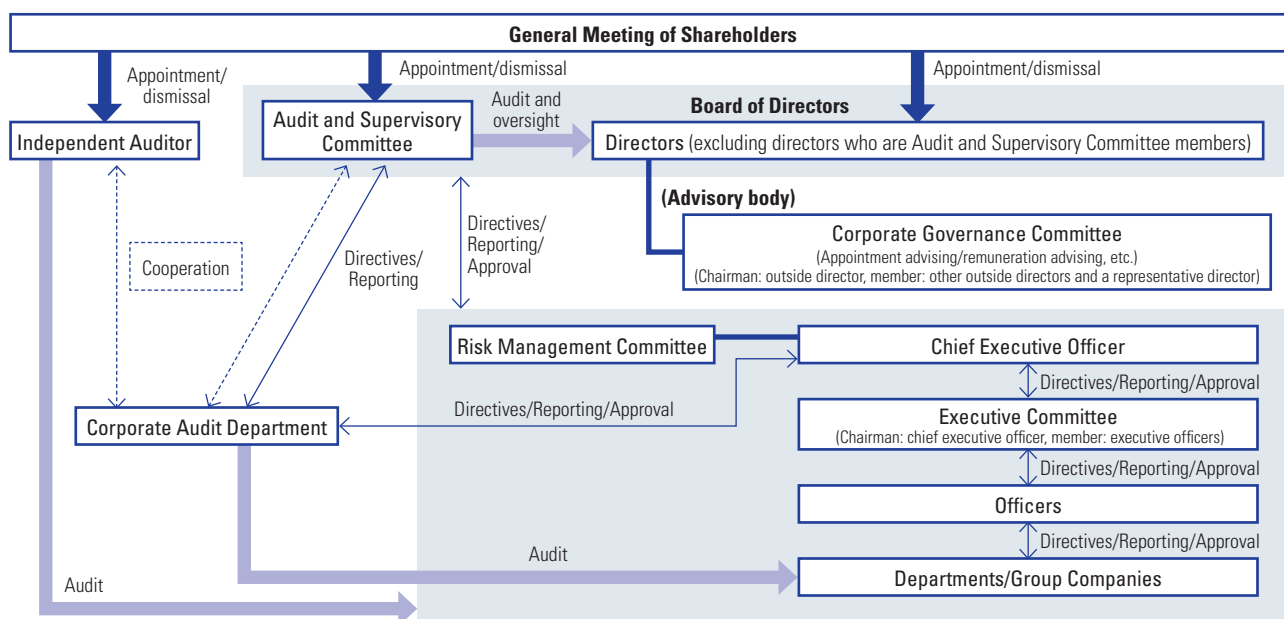


2 of 3 are independent outside directors

Corporate Governance

Corporate Governance System

Governance Organizational Structure



Name		Board of Directors	Audit and Supervisory Committee	Executive Committee	Risk Management Committee	Corporate Governance Committee
Held regularly		Once a month	In principle, once a month	Once a month	In principle, once a year	In principle, once a month
Chair		Representative director	Appointed from Audit and Supervisory Committee members by mutual election	Chief Executive Officer	Representative director	Appointed from Audit and Supervisory Committee members by mutual election
Directors (Excl. Audit and Supervisory Committee member directors)	Inside director	●	—	○	●	● (Only representative director)
	Outside director	●	—	○	○	●
Audit and Supervisory Committee member directors	Inside directors	●	●	○	●	—
	Outside directors	●	●	○	●	●
Officers	Executive officers	—	—	● (CEO, Vice CEO, senior managing/ senior/ executive officers)	—	—
	Other officers	○ (Management planning) ○ (Accounting/ finance) ○ Others nominated by directors and authorized by chair	—	○ (Management planning) ○ (Accounting/ finance) ○ Others authorized by chair	—	—

● Attendee ○ Observer — Not required to attend, not applicable

Board of Directors

The Board of Directors is chaired by the representative director, and consists of 7 directors (3 of whom are directors who are members of the Audit and Supervisory Committee), 3 of whom are independent outside directors (2 of whom are directors who are members of the Audit and Supervisory Committee) and, in principle, meets once a month. In light of the fiduciary responsibility and accountability to shareholders, in order to aim for the sustainable growth of the Company and medium-to-long term improvements in corporate value, the Board of Directors makes decisions on the medium-to-long term direction and fiscal year business plan, as well as matters specified in laws and regulations or in the articles of incorporation, and important matters concerning the Company's business activities. It also supervises the execution of duties of directors.

Audit and Supervisory Committee

The Audit and Supervisory Committee consists of three directors who are members, two of whom are independent

outside directors. In light of the fiduciary responsibility to shareholders, in order to ensure the soundness of management for the sustainable growth of the Company and medium-to-long term improvements in corporate value, the Committee carries out audits of the execution of duties of directors through audits by selected Audit and Supervisory Committee members, as well as monitoring and verifications using internal control systems.

Full-time Audit and Supervisory Committee members strive to improve the audit environment. In addition, they collect internal information by attending important meetings and other methods, and share information regarding key matters with other Audit and Supervisory Committee members.

Corporate Governance Committee

The Corporate Governance Committee is chaired by an outside director and consists of all the outside directors and the representative director, and in principle, meets once a month.

The Corporate Governance Committee submits its

findings and recommendations regarding the Board of Directors to enhance the independence, objectivity and accountability of the functions of the Board and increase its supervisory function, and thereby, seeks to further reinforce corporate governance.

Risk Management Committee

The Risk Management Committee is chaired by the representative director and chief executive officer, and is comprised of executive directors and officers responsible for internal control functions. In principle, the Committee meets once a year to set out policies that will promote efficient, proper pursuit of risk management in the fiscal year.

Executive Committee

The Executive Committee, which is chaired by the chief executive officer and comprised of executive officers, meets, in principle, once a month. Positioned as a forum for executives to deliberate and build consensus on matters, the Executive Committee preliminarily discusses inherent risks, possible responses, and other aspects of matters to be taken up by the Board of Directors and reports on these discussions and their results to the Board. It also develops company-wide policies and plans.

Non-executive directors, acting as observers, attend meetings of the Executive Committee and express their opinions on deliberation of matters as necessary.

Appointment and Dismissal of Directors

In nominating directors, only those who understand the importance of trust-based relationships with franchise stores, suppliers, employees and others involved in the AUTOBACS franchise chain, and who have the will and capabilities to increase corporate value and the common benefit of shareholders over the medium-to-long term are considered.

A candidate for inside director shall be familiar with the Company's business, while a candidate for outside director shall have experience in corporate management, or expertise and experience in areas such as laws and regulations, finance, governance, and risk management, and also satisfy the conditions set forth in Rule 436-2 of the Securities Listing Regulations of the Tokyo Stock Exchange, Inc., as

well as other requirements for independence stipulated by the Company. Furthermore, efforts are made to ensure that at least one of the directors who are members of the Audit and Supervisory Committee has considerable insight on finance and accounting.

The Company has established the Corporate Governance Committee as an advisory body for the Board of Directors, chaired by an outside director and comprised of all the outside directors and a representative director. When deciding on resolutions of the general shareholders' meetings regarding selection of director candidates and dismissal of directors, the Board of Directors makes a decision after obtaining the advice and findings of the Corporate Governance Committee.

Outside Directors

Appointment

The Company's outside directors are comprised of individuals, including one woman, with diverse experiences. All directors meet the standards for the independence prescribed by the Tokyo Stock Exchange, Inc. and the requirements specified in the Company's own rules. Each of the outside directors possesses experience and knowledge in various fields and actively contributes to the discussions at the Board of Directors meetings, etc. from his or her own independent, objective perspectives.

Appointment of a Leading Independent Outside Director

The Company has appointed a leading independent outside director with the aim of promoting constructive dialogue with shareholders and other investors and strengthening mutual information-sharing and communication between outside directors.

Establishment of a Liaison Group for Independent Outside Directors

The Company holds meetings of the Liaison Group for Independent Outside Directors, which is chaired by the leading independent outside director and includes only independent outside directors among its participants.

The Liaison Group is intended to be a vehicle for outside directors to share information and enhance communication among themselves, and it is expected to be a venue for the development of a common understanding of, and information exchange on, governance and other management matters at the Company. The Liaison Group, in principle, meets several times a year.

Independence Requirements for Outside Directors *Excerpted

The Company's independent directors are outside directors as defined in Japan's Companies Act and Ordinance for Enforcement of the Companies Act. They also fulfill the following requirements for independence. Independence shall be considered to have been lost at the time any of the following requirements for independence are violated.

1. No conflict of interest with the Company nor any affiliate of the Company (referred to below as "the Group" or "Group"), nor with specified companies.
2. During the most recent five fiscal years, including the current fiscal year, no marital relationship to, no relatives within the second degree of kinship of, nor person sharing a household with a Group director with executive or management responsibilities or a Group executive of similar authority.
3. No marital relationship to, no relatives within the second degree of kinship of, nor person sharing a household with someone having a conflict of interest with the Group or with specified companies.
4. No other circumstances that would prevent the fulfillment of the duties of an independent director.

Full text

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

Corporate Governance

Remuneration

Director Remuneration

1) Basic Policy

The basic policy on determining director remuneration is to secure as AUTOBACS SEVEN directors outstanding individuals who will work to maintain and increase the corporate value of the Group, which comprises a franchise system, and contribute to the effective functioning of the business supervisory function.

2) Remuneration Standards

Standards for remuneration shall be set by considering third-party survey data on executive remuneration, and taking into account the Company's position in the industry and factors such as difficulty of achieving targets and specific roles of individuals.

3) Composition and Basic Concept of Remuneration

Remuneration for executive directors and officers consists of fixed basic remuneration, an annual incentive that is determined in accordance with the degree of achievement such as performance in a single year, and a medium-to-long term incentive aimed at giving medium-to-long term incentives. Outside directors and directors who are Audit and Supervisory Committee members are paid only fixed remuneration which is set according to their role.

a. Basic remuneration

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

b. Annual incentive

Individuals' assessment items are set based on the evaluation criteria, namely, a single-year consolidated ordinary profit target which is an evaluation indicator common to all executive directors and officers, financial performance figures such as evaluation indicators tailored to an individual's area of responsibility, and the degree of achievement of a strategic target which cannot be measured by financial performance figures alone. The annual incentive is designed to fluctuate within 0-180% of the remuneration standard amount, according to the degree of target achievement.

c. Medium-to-long term incentive

To improve performance and corporate value over the medium-and-long term and better share values with shareholders, shares with restrictions on transfer will be issued in advance in accordance with the amount set for each remuneration table.

4) Remuneration Determination Process

The objectivity and transparency of the Company's remuneration system for directors (excluding directors who are Audit and Supervisory Committee members) and officers are secured by having the Corporate Governance Committee deliberate and provide input on these matters. The remuneration of directors who are Audit and Supervisory Committee members is decided by the Audit and Supervisory Committee, within the limit of the remuneration amount resolved in advance at a general shareholders' meeting.

Total Remuneration for the Fiscal Year ended March 2019 (Before change in governance structure)

Category	Total Remuneration Amount (Millions of yen)	Fixed Remuneration		Performance-based Remuneration	
		Recipients (Individuals)	Amount (Millions of yen)	Recipients (Individuals)	Amount (Millions of yen)
Directors	205	9	205	—	—
Subtotal for Outside Directors	36	4	36	—	—
Audit and Supervisory Board Members	71	5	71	—	—
Subtotal for Outside Audit and Supervisory Board Members	46	4	46	—	—
Total	276	14	276	—	—

(Notes)

1. Remuneration limit for directors: ¥480 million/year (resolved at June 28, 2006 ordinary general shareholders' meeting)
2. Remuneration limit for Audit and Supervisory Board member: ¥120 million/year (resolved at June 28, 2006 ordinary general shareholders' meeting)
3. The above includes one outside director and one outside Audit and Supervisory Board member who resigned as of the end of the 71st ordinary meeting of general shareholders held on June 21, 2018.
4. In addition to the above, ¥124 million yen was paid to internal directors as performance-based remuneration for the 71st term.

Dialogue with Investors

The Company engages in constructive dialogue with shareholders through venues such as the general shareholders' meetings and financial results briefings, and discloses information in a timely, appropriate manner on the Company's corporate website. For institutional investors, the Company engages in dialogue by, for example, participating in financial results briefings arranged by investment securities firms and holding briefings when interim and full-year results are announced.

Disclosure policy of the Company

https://www.autobacs.co.jp/en/ir/policy/disclosure_policy.html

Status of Dialogue with Investors

For Analysts and Institutional Investors

- Regular briefings: Held after announcements of interim and year-end results
- Small group meetings and one-on-one meetings: Held basically every quarter

* Includes presentations by the representative director



[Financial Results Briefing >](#)

<https://www.autobacs.co.jp/en/ir/library/analystmeeting.html>

For Overseas Investors

- Meetings in U.S.: Held once during FY March 2019

* Includes presentations by the representative director

Compliance

The Company is moving forward with the strengthening of its compliance system and is stressing to employees of the parent company, subsidiaries, and all AUTOBACS Group stores, including franchise stores, the importance of pursuing business activities that are legally and ethically irreproachable.

Respect for the law and corporate ethics is a given. With that as a fundamental premise, the Code of Conduct and Guidelines for Action have been established in

response to the legitimate expectations of all stakeholders and serve as fundamental principles in efforts to reinforce compliance understanding and conduct education initiatives for employees of not only the Company but also franchisees. Checks are carried out once a year to determine whether any activities inconsistent with the Code of Conduct or Guidelines for Action have taken place, while a system for rapidly responding to any problems that come to light has also been established.

Risk Management

The Company, in addition to a risk management system for properly identifying and evaluating risks and implementing proper controls, has also adopted a comprehensive risk management structure integrating crisis management focused on limiting the extent of damage, and minimizing damage and losses, caused by a serious incident.

The Risk Management Committee, which is chaired by the representative director and chief executive officer, sets the risk management policies for the fiscal year and, based on the policies and provisions concerning risk management, takes steps to smoothly and appropriately advance risk management activities.

The Risk Management Committee identifies key risk-related issues for each fiscal year and monitors measures to address them. The General Affairs and Internal Control Department, Legal Department, Corporate Audit Department and Customer Services Department cooperate to assist monitoring by the Risk Management Committee.

In addition, the officer in charge of general affairs reports to the Board of Directors on serious incidents and responses to them, as set forth in the rules for reporting on serious incidents, and shares these reports with the Audit and Supervisory Committee and other relevant departments within the Company.

Evaluating the Board of Directors

The Company analyzes and evaluates the effectiveness of the Board of Directors to examine whether it is properly fulfilling its roles, find the issues at the Board of Directors, and promote its ongoing improvements.

In this fiscal year's effectiveness evaluation, all directors and Audit and Supervisory Committee members answered, in the format of multiple choice or short answer, evaluation items, including "operation of Board of Directors," "agenda of Board of Directors," "composition of Board of Directors," "system of supports for outside directors," "role of Audit and Supervisory Committee members and expectations of them," "operation of the Corporate Governance Committee," "relations with investors and shareholders," and "initiatives in response to issues indicated in the previous fiscal year's evaluation." The Corporate Governance Committee analyzed the responses and identified the issues, and the findings were then shared with and discussed in-depth by the Board of Directors.

As a result of such evaluations, it was confirmed that the Company's Board of Directors and the Corporate Governance Committee are for the most part functioning properly. As for the issue found from the evaluation that took place in the previous fiscal year of "a need to improve monitoring, including status of the Medium-term Business Plan," it was evaluated that improvements were made compared to the previous fiscal year. However, it was confirmed that more active discussions were needed regarding measures in response to the monitoring. In regard to "debate on long-term visions, policies, and strategies," it was evaluated that there was still room for improvement.

Based on the above evaluation findings, it was confirmed that an issue to be addressed was enhancing discussions at the Board of Directors, along with implementing the PDCA cycle by, improving the system of the monitoring of agenda items not only to share the results but also to conduct studies and consider measures as needed.

Conversation Between CEO and Outside Director



Kiomi Kobayashi

Representative Director and Chief Executive Officer

We aim for corporate management that meets the expectations of shareholders from a medium- to long-term perspective.

Yoshiko Takayama

Outside Director (Independent Director)

What are you particularly mindful of in your role as outside director?

Takayama I personally am very conscious of two aspects: the medium- to long-term aspect; and securing shareholder profits. With regard to the medium- to long-term aspect, there are no differences in view between internal and outside directors. Therefore, I believe my important mission is to check how the expectations of shareholders are incorporated into corporate management. The management at the Company interacts with customers, suppliers, and employees on a daily basis and knows their opinions firsthand. However, they have few opportunities to interact directly with shareholders. In this regard, it is one of the essential roles of outside directors to supervise to ensure that the shareholder perspective is not lacking from corporate management. In my case especially, I have interacted with shareholders and investors for many years. Based on such background, I believe I am expected to draw on my experience and insight to contribute to increasing the Company's medium- to long-term corporate value.

What do you consider as the expectations of shareholders and investors?

Takayama Shareholders would like the Company to be managed such that it generates returns exceeding capital costs over the long-term and in a stable manner. They assess management policies and business strategies from this standpoint. To this end, the Company is asked to make the necessary changes. However, when making an important internal decision, many challenges arise as one would expect. As a result, the Company may hesitate to carry out bold transformations. In such times, it is my role to ask whether the capital market will positively evaluate the measure in question and encourage the Company to address priority issues.

Kobayashi You indeed are the voice of the shareholders who support our corporate management from a medium- to long-term perspective. As you say, with internal discussions alone, our attention may become focused on customers, franchisees, and employees and we may not notice that the shareholders' viewpoint is missing. I expect you will supervise us rigorously on such fronts.

What is your assessment of the current structure of the Board of Directors?

Takayama As to whether it has the size and composition to fully fulfill its supervisory functions, with regard to size, the Company transitioned to a company with an Audit and Supervisory Committee this fiscal year, and as a result, the number of directors changed from eight to seven. I think this is an appropriate number, neither too many nor too few, for adequately discussing critical management issues and making speedy decisions. As for composition, three of the seven directors are outside directors, which is to say outside directors make up 43% of the Board of Directors. Furthermore, the outside directors are a diverse group with members having various backgrounds. I believe they, as a team, can study and analyze management from many angles and provide objective advice and supervision. In addition, the Corporate Governance Committee is set up to select director candidates and deliberate remuneration for members of the Board of Directors, Audit and Supervisory Committee members, and officers. The Committee is comprised of three outside directors and one president, and the chair is an outside director. It discusses important issues of corporate governance, and I view that both independence and objectivity are secured.

What are your thoughts on the effectiveness of the Board of Directors?

Takayama "Effectiveness" is an abstract term. With respect to the actual operations of the Board of Directors, specifically there are three requirements that are essential elements for raising the effectiveness of the Board of Directors. Do the members, including outside directors, fully understand the content and background of the agenda items? Is adequate time being spent on discussing important items? Are the items being analyzed, studied, and discussed from multiple perspectives? With regard to whether there is full understanding and whether adequate time is being spent, the Company has quite a unique arrangement. At the Company, the Executive Committee meets before the Board of Directors. Unlike the executive committees of other companies, it is a forum for discussion among all directors and Audit and Supervisory Committee Members,

including outside directors and Audit and Supervisory Committee Members. It is not simply for providing prior explanations. All members express their frank opinions and hold in-depth discussions regarding matters that officers intend to raise to the Board of Directors. Many matters not fit for discussion at the Board of Directors are also raised at the Executive Committee, and heated discussions take place involving both internal and outside members. This arrangement enables outside directors to deepen their understanding of the Company's issues and carry out efficient and effective deliberations on important agenda items at meetings of the Board of Directors.

Kobayashi We are in the process of transitioning from top-down management, which dates back to the years when car ownership soared and automotive goods were flying off the shelves, to a system of promoting changes in store format, products, and services through a bottom-up approach. For this process, communication between officers and supervisors is extremely important, and we are thus consciously promoting open communication at the Board of Directors. The meetings of the Executive Committee held beforehand also have an atmosphere supporting exchanges of various views. The Company has always had a culture of taking outside opinions seriously.

What is your view on developing a succession plan?

Takayama A succession plan is about establishing a long-term system for fully training professionals with the credentials to lead the Company. I have an understanding of the issue that a succession plan needs to be fully developed. Now that the transition to a company with an Audit and Supervisory Committee has been completed, the Corporate Governance Committee will further delve into the discussions on programs for training top management.

Kobayashi The succession plan is a key management issue. We need to carefully consider what credentials and abilities are needed by top management, bearing in mind the changes in the times in the long-term. They must be able to lead franchise stores, demonstrate leadership internally, and beyond capabilities and skills, have the human qualities to be respected by those around them. While deepening discussion with outside directors on such matters, we hope to create a system for fostering management professionals and selecting them based on appropriate procedures.

Are there any challenges with human resources which are fundamental for providing the AUTOBACS values?

Kobayashi The trust that has been built up over many years has given AUTOBACS its reputation and created the value of the Group. The AUTOBACS name is supported by the actions taken by each of the over 14,000 employees of the Group. In this sense, we are working to secure and train human resources as a key management issue. A major issue in particular is the decline in certified car maintenance personnel. The Company has an institution within the Group to train certified mechanics in a short period of time. Even

then, there are not enough, and we are accepting over 100 technical trainees from overseas. With the birthrate declining and population aging at an accelerated pace in Japan, we will need even more overseas human resources. We are therefore currently putting efforts into enhancing the environment for accepting overseas human resources, including living supports.

Takayama As regards women's empowerment, the Company has an environment that enables women to continue working for a long time, including childcare leave. However, there aren't role models in the Company. This is an issue to be addressed. The Company has many outstanding women employees, and many women are certain to assume key positions in the medium- to long-term. The Board of Directors makes a point of regularly discussing the arrangements for promoting women's empowerment and how they are reflected in the number of women in managerial positions.

What are you mindful of in terms of contributing to the common global theme of the SDGs?

Takayama Adapting to the SDGs involves two aspects: the Company's responsibility as a corporate citizen; and growth opportunities. Both are important. Since management resources are limited, the Company should engage in efforts upon making clear what can be done effectively in line with its businesses. It is very important under the Company's management strategy that the Company provides safety and security in a motorized society, and thereby, contributes to good health and well-being which is one of the SDGs. Gender equality as well as decent work and economic growth are also items that the Company should address with priority for its future growth. All stakeholders will no doubt be facing the same direction in the medium- to long-term, and I am confident that implementing corporate management that satisfies customers and employees will lead to increasing shareholder returns.

Kobayashi We are also making steady efforts in the area of environment. For example, we conduct activities to promote recycling of used tires collected from customers. We are also developing a system for tracking whether waste disposal operators have disposed of waste appropriately, including batteries. With Japan expected to start introducing mandatory fees for plastic shopping bags, we will need to consider measures even more than before.

Our business does not end with selling products. We provide services that go beyond the statutory safety inspection system in terms of maintaining a certain level of car functions at all times. We take pride in fulfilling a certain role in providing safety and security. Recent years have seen rapid advances in technological innovations of cars. For example, more cars are equipped with a system that maintains a certain distance between vehicles using a sensor, as well as a system that brakes automatically. Conversely, it means that if such high-tech equipment fails to function, there would be a higher risk of causing a tragic accident. In response to such needs, we consider it our responsibility to create high quality support services to achieve target 6 of SDGs 3, good health and well-being.

Directors and Audit and Supervisory Board Members

(As of the end of June, 2019)

The figures in "Attendance at Board of Directors" below represent the attendance in FY March 2019.

Directors



Kiomi Kobayashi

Representative Director and Chief Executive Officer,
Chief AUTOBACS Chain Officer

Term of office at the conclusion of this general meeting: 9 years

Attendance at Board of Directors' meetings: 100% (16 of 16 meetings)

Achievement in the past and whose knowledge

Mr. Kobayashi has led the AUTOBACS Group by placing emphasis on being an organization that always takes on new challenges and focusing on the development of human resources and the cultivation of its culture. Also, with the aim of becoming a 100-year company, Mr. Kobayashi, as chief executive officer, formulated the vision "2050 Creating Our Future Together". Mr. Kobayashi has decided important issues after presenting adequate and appropriate explanations at the Board of Directors' meetings and has fully demonstrated the role of business execution, while supervising the execution of duties by the other directors.



Yugo Horii

Director and Senior Executive Officer,
Office of the President and Business Planning, and
AUTOBACS Business Planning

Term of office at the conclusion of this general meeting: 3 years

Attendance at Board of Directors' meetings: 100% (16 of 16 meetings)

Achievement in the past and whose knowledge

Mr. Horii has contributed to the establishment of the foundations for business administration over many years. He has also contributed to building the business foundations for operation of the retail/service business and wholesale business through partnerships with local companies in the overseas business. In recent years he has endeavored to build the business portfolio as an officer in charge of company-wide Business Planning while contributing to the promotion of business strategies as well as the development of business foundations including logistics as an officer in charge of domestic AUTOBACS Business Planning.



Eiichi Kumakura

Director and Senior Executive Officer,
Western Japan Region Headquarters

Term of office at the conclusion of this general meeting: 3 years

Attendance at Board of Directors' meetings: 100% (16 of 16 meetings)

Achievement in the past and whose knowledge

Mr. Kumakura has significant achievements in the fields of merchandising and marketing in the domestic AUTOBACS business, and has contributed to building relationships with franchisee corporations over many years. Furthermore, Mr. Kumakura has played his role as a Director in deciding important issues, supervising the execution of duties by the other Directors.



Yoshiko Takayama

Director (Outside, Independent Officer)

Term of office at the conclusion of this general meeting: 4 years

Attendance at Board of Directors' meetings: 100% (16 of 16 meetings)

Achievement in the past and whose knowledge

Ms. Takayama has experience in providing consulting services in finance and M&As, and is also familiar with the fields of IR and corporate governance.

Based on such extensive experience and knowledge, Ms. Takayama has actively provided comments as an outside director and independent officer from the viewpoint of general shareholder protection. She has also contributed to the reinforcement of corporate governance, including advisory on compliance with the Corporate Governance Code.

Directors



Kozo Sumino

Director (Audit Committee Member)

Term of office at the conclusion of this general meeting:	—
Attendance at Board of Directors' meetings:	100% (16 of 16 meetings)

* Attendance as an audit and supervisory board member

Achievement in the past and whose knowledge

During his many years participating in management as a director at the Company and group companies, Mr. Sumino has knowledge and experience in a wide variety of fields, including the marketing and merchandising fields of the AUTOBACS business, as well as executive management, the development of new businesses and overseas operations.



Yukio Kakegai

Director (Audit Committee Member)
(outside, independent Officer)

Term of office at the conclusion of this general meeting:	—
Attendance at Board of Directors' meetings:	100% (12 of 12 meetings)

* Attendance as an audit and supervisory board member

Achievement in the past and whose knowledge

Mr. Kakegai has experience in fund procurement and financial account settlement operations at business corporations, as well as internal audit services and auditing as an audit and supervisory board member in associated companies in Japan and overseas. Based on such extensive experience and insights, he has contributed strengthening the auditing function by providing comments in a timely manner as an outside audit and supervisory board member (full-time) and independent officer from the viewpoint of general shareholder protection.



Minesaburo Miyake

Director (Audit Committee Member)
(outside, independent Officer)

Term of office at the conclusion of this general meeting:	1 year
Attendance at Board of Directors' meetings:	100% (12 of 12 meetings)

Achievement in the past and whose knowledge

Mr. Miyake has extensive and considerable experience and achievements in corporate management, such as strengthening the control function of group companies and driving corporate growth through active investment conscious of the business portfolio, as a member of management of business corporations.

Officer

Senior Executive Officer

Masaru Sasaki

Merchandising

Senior Executive Officer

Shinichi Fujiwara

Eastern Japan Region Headquarters

Officer

Shinya Kurahayashi

Statutory Safety Inspection and Services, CARS Business

Officer

Kazushige Hojo

Officer of Merchandise Management, Distribution and Store Development, and General Manager Store Development Department

Officer

Noritaka Hiraga

Finance & Accounting, Legal and IR & PR

Officer

Ken Ozone

Marketing

Officer

Ryutaro Yamazoe

A PIT AUTOBACS SHINONOME

Officer

Toshio Kitamura

Overseas Business

Officer

Yukihiro Kitagawa

BtoB Business

Officer

Nobuo Norisue

IT strategy, Internet Business

Officer

Mitsuya Minatogawa

Corporate Planning, Human Resources & General Affairs

AUTOBACS Chain Store Formats and Network

Domestic (As of March 31, 2019)

AUTOBACS



Position	Standard-type store
Annual sales per store	Approx. ¥330 million
Floor space	From 400m ²
Commercial area	5 km radius

Super AUTOBACS Type I



Position	Large format store (Flagship store)
Annual sales per store	Approx. ¥1,550 million
Floor space	From 1,650m ²
Commercial area	20 km radius

Super AUTOBACS Type II



Position	Large format store
Annual sales per store	Approx. ¥760 million
Floor space	From 990m ²
Commercial area	10 km radius

AUTOBACS Secohan Ichiba



AUTOBACS Secohan Ichiba deals in used automotive goods, which are purchased from customers at AUTOBACS Chain stores and resold to retail customers. It also handles outlet products from manufacturers.

AUTOBACS EXPRESS



The AUTOBACS EXPRESS is a gas station type store. The Group expects that many points of driver contact inherent to service stations will send new customers to neighboring AUTOBACS stores.

AUTOBACS CARS



Stores that purchase used cars and sell new and used cars, and stores that specialize in appraisal and purchasing of used cars either at the store or at the customer's location. Stores specializing in the purchase of used cars are opened primarily in urban areas.

Smart+1



Smart+1 stores provide services on a reservation-only basis, specializing in car washing and other forms of maintenance. They also have a café in which customers can relax while they wait.

AUTOBACS Mini



These stores, located inside shopping centers, mainly refer customers to a nearby store for statutory safety inspections, and also sell automotive goods.

AUTOBACS GARAGE



These stores propose lifestyle goods mainly for cars and also serve as a place for customers unfamiliar with cars to easily drop in and seek advice.

JACK & MARIE



Based on the key concepts of cafés, nature, and car life, these specialist stores are the first in Japan to offer car-centric lifestyles to people who enjoy the outdoors.

Overseas (As of March 31, 2019)

France



Stores operated by consolidated subsidiary 11

Thailand



Stores operated by consolidated subsidiary 15

Singapore



Stores operated by consolidated subsidiary 3

Taiwan



Stores operated by franchisees 7

Malaysia



Stores operated by consolidated subsidiary 4
Stores operated by franchisees 2

Indonesia



Stores operated by franchisees 3

Philippines



Stores operated by franchisees 3

Number of Stores

	2015.3	2016.3	2017.3	2018.3	2019.3
Domestic	586	599	601	603	593
AUTOBACS	492	498	495	497	493
Super AUTOBACS	75	75	74	74	74
AUTOBACS Secohan Ichiba	10	9	9	8	7
AUTOBACS EXPRESS	8	12	11	11	11
AUTOBACS CARS	1	5	12	13	8
Overseas	27	33	38	41	46
Total	613	632	639	644	639

Corporate Profile/Share Information

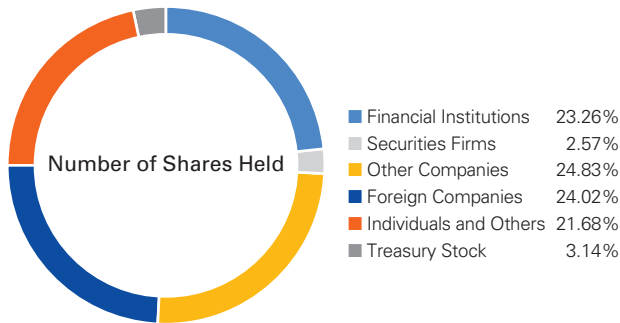
Corporate Profile (As of March 31, 2019)

Name	AUTOBACS SEVEN Co., Ltd.	Main Business	East Japan Sales Headquarters (Ichikawa, Chiba)
Headquarters	6-52, Toyosu 5-chome, Koto-ku, Tokyo, Japan	Offices	West Japan Sales Headquarters (Kita-ku, Osaka City)
Date of Foundation	August 1948		East Japan Logistics Center (Ichikawa, Chiba)
Paid-in Capital	¥33,998 million		West Japan Logistics Center (Miki, Hyogo)
Number of Employees (Consolidated)	4,171		

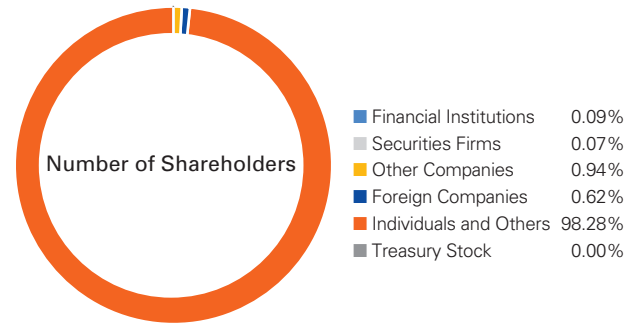
Share Information (As of March 31, 2019)

Total Number of Authorized Shares	328,206,900 shares	Stock Listings	First Section of the Tokyo Stock Exchange
Common Stock Issued	84,050,105 shares (including 3,062,492 of treasury stock)	Independent Auditor	Deloitte Touche Tohmatsu LLC
Number of Shareholders	43,033	Transfer Agent	The Sumitomo Mitsui Trust Bank, Limited 4-1, Marunouchi 1-chome, Chiyoda-ku
Share Trading Unit	100 shares		

Breakdown of Shareholders (by Size of Shareholding)



Breakdown of Shareholders (by Type)



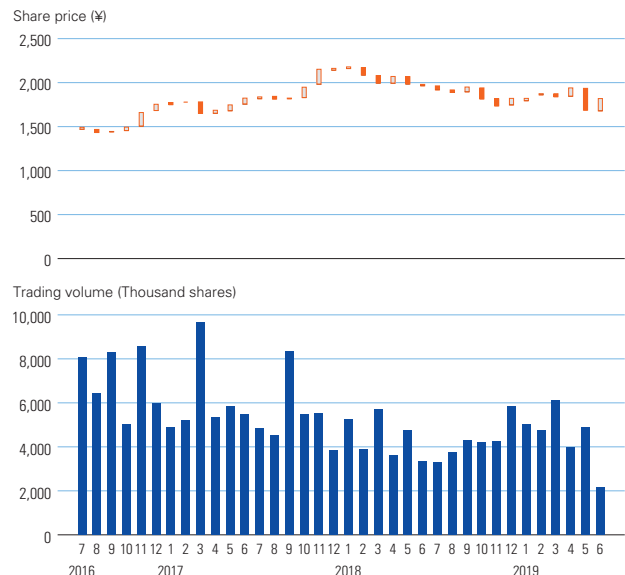
Major Shareholders

Name	Number of Shares Held (Thousands)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,731	5.84
Northern Trust Company (AVFC) Re Silchester International Investors International Value Equity Trust	4,374	5.40
Sumino Holdings, Ltd.	4,243	5.23
The Yuumi Memorial Foundation for Home Health Care	3,990	4.92
Japan Trustee Services Bank, Ltd. (Trust Account)	3,266	4.03
K Holdings, Ltd.	2,750	3.39
Northern Trust Company (AVFC) Re U.S. Tax Exempted Pension Funds	2,316	2.86
The Master Trust Bank of Japan, Ltd. (Retail Trust account 820079252)	1,800	2.22
Foreman Kyoei, Ltd.	1,560	1.92
Japan Trustee Services Bank, Ltd. (trust account 5)	1,533	1.89

Notes:

- Shareholding ratio is calculated after deducting treasury stock.
- The number of shares held is less than one thousand shares, and the shareholding ratio is rounded down to three decimal places.
- Silchester International Investors LLP From Financial Instruments and Exchange Act in accordance with Article 27-25, paragraph 1, amended document Has been submitted to the Kanto AUTOBACS SEVEN, the Company as the number of shares owned as of March 31, 2019 can not be confirmed, Major Shareholders It is not included in.

Share Price



External Recognition

- MSCI Japan ESG Select Leaders Index
- MSCI Japan Empowering Women Index (WIN)

Reporting Period

FY March 2019
As necessary, the report includes some information about the time period just before and after this fiscal period.

Guidelines Referred to

- International Integrated Reporting Framework
- GRI Standards
- Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation, The Ministry of Economy, Trade and Industry of Japan



AUTOBACS SEVEN CO., LTD.

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