



# 2024 Medium-term Business Plan

## Accelerating Towards Excellence

May 10, 2024

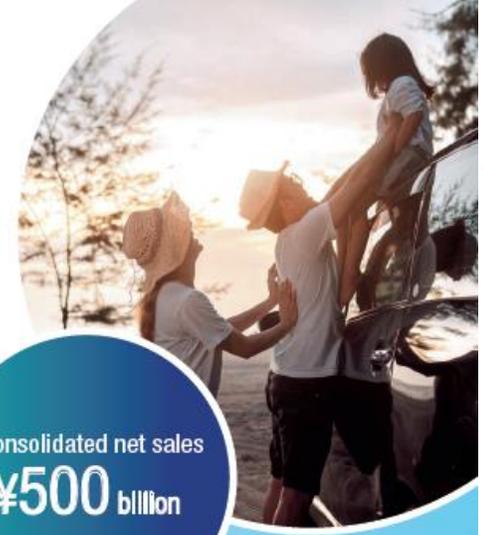
AUTOBACS SEVEN CO., LTD.

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# 1. Long-term Vision “Beyond AUTOBACS Vision 2032”

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# Beyond AUTOBACS Vision 2032



## Our Purpose

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

## Our Evolution

**To become a company that consistently offers  
the enjoyment of going out**

The environment surrounding the automotive industry has entered a once-in-a-century period of great change



Consolidated net sales  
**¥500 billion**



# Changes in the Business Environment and Direction of Our Evolution

## Changes in the environment

The environment surrounding the automotive industry

**has entered a once-in-a-century period of great change**

- 1 Greater interest in the environment
- 2 Diversification of customer needs and purchasing behavior
- 3 Advancement in automobile maintenance and shortage of certified mechanics
- 4 Increase in connected cars
- 5 Popularization of autonomous vehicles
- 6 Shift from car ownership to car sharing
- 7 Shift to carbon neutrality

## Recognizing key issues

Society, cars, and people's lifestyle will continue to change even more rapidly and dramatically in the future.

### Our Evolution

**To become a company that consistently offers the enjoyment of going out**

#### Sustainable society

Becoming a global presence that will realize a safe, secure, and gentle society in which people and cars exist harmoniously.

#### New value creation

Becoming a group of companies that satisfies customers' fundamental needs for safety and enriches their lives.

#### Connections with customers

Becoming a presence that ensures the safety of our communities while driving and continues to support mobility lifestyles throughout the lives of our customers.

#### Goods and services

Becoming a group of companies that continues to offer products and services to suit mobility lifestyles.

#### DX innovation

Becoming a mobility lifestyle innovator that will speed up enjoyment of going out with optimized, data-based services.

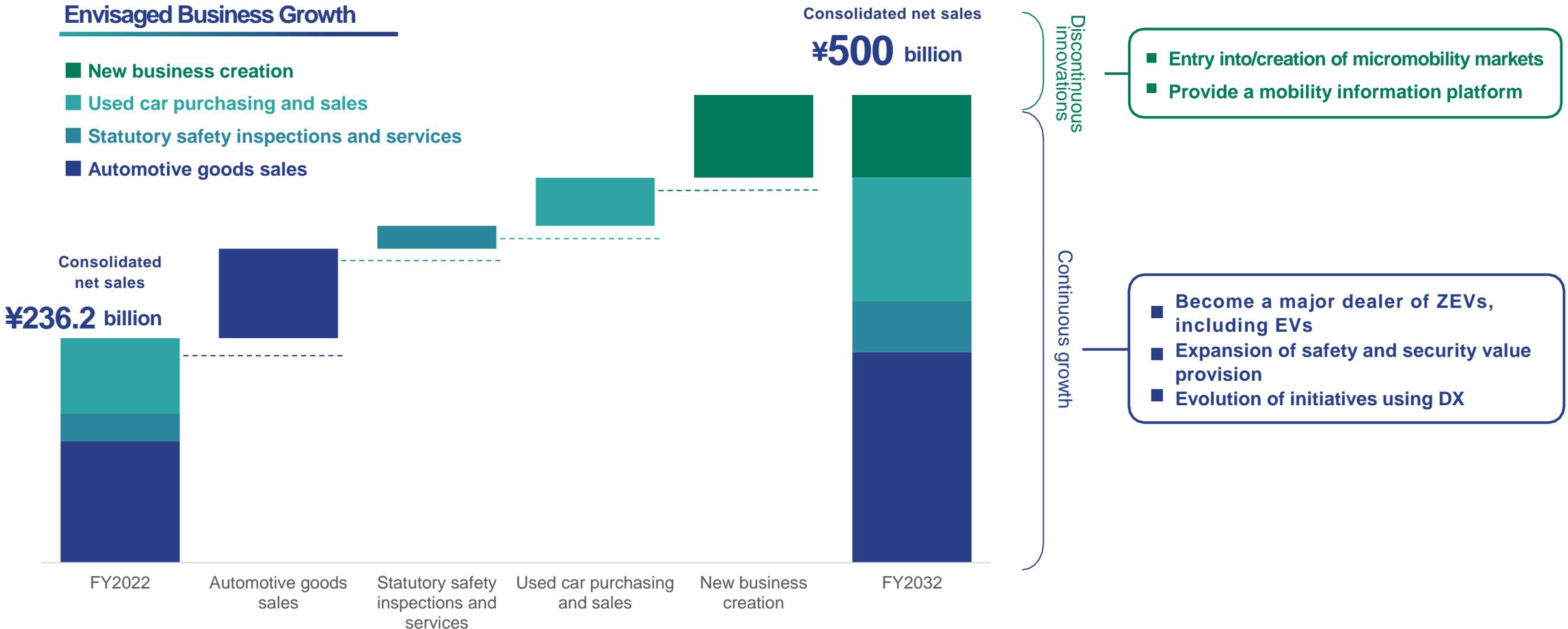
#### Diversification of channels

Becoming a place where we can forge connections with customers across all our channels.

# Envisaged Business Growth

We will adapt to environmental changes and continue to take on the challenge of expanding business areas and the creation of new businesses, and aim for consolidated net sales of 500 billion yen by FY2032.

## Envisaged Business Growth



## **2. Review of the “Five-year Rolling Plan”**

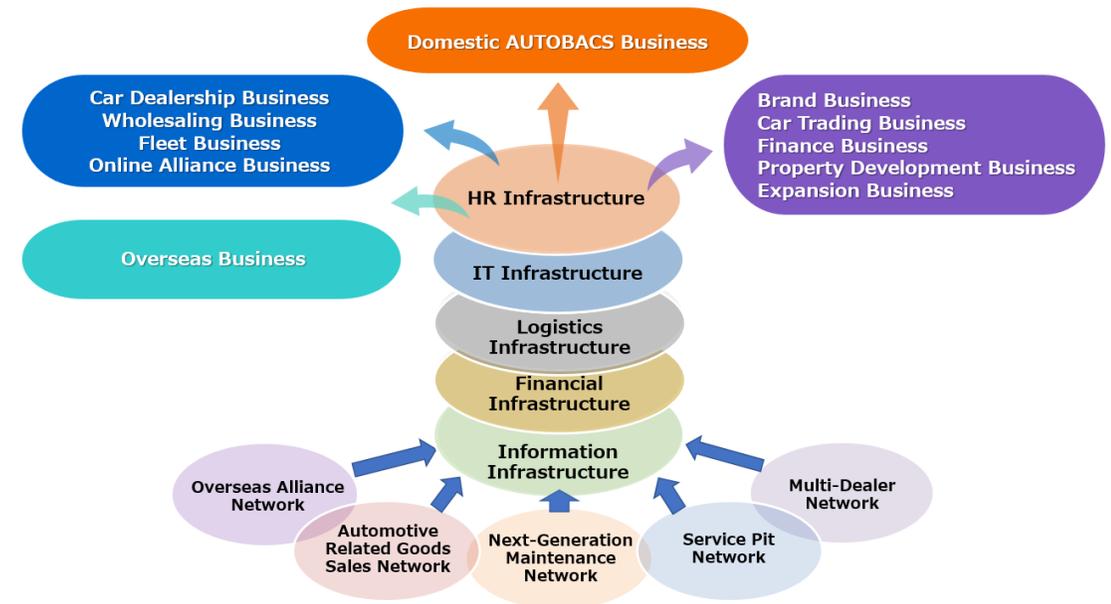
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# Review of the Five-year Rolling Plan

We established the “Five-year Rolling Plan” in 2019 to respond to rapid changes in the business environment. We have been developing our business infrastructure, while continuously adjusting our direction and strategy.

- Mission: Continue to develop new car lifestyle cultures
- Method: Continuously adjust our direction and strategy for the next five years in light of current trends
- Vision: Establish and connect six networks designed to offer a variety of services tailored to customers’ car-use needs
- Targets: Announce specific numerical targets for each year

Conceptual diagram: Six Networks, Five Business Infrastructures, and Eleven Businesses



# Review of the Five-year Rolling Plan



Promoted initiatives to advance each business and developed business infrastructure. In addition, embarked on a structural transformation of the Group to increase the implementation speed of these initiatives and improve profitability.

## Initiatives for businesses and business infrastructures

### Strengthening of points of contact with customers

- Increase in the number of business bases
- Establishment of a customer information platform
- Greater convenience

### Active response to changes in the environment

- All stores capable of performing statutory safety inspections in the AUTOBACS Group acquired Specific Maintenance Certifications

### Human resource development initiatives

- Promoting of reskilling

## Structural transformation

### Reform of the management structure

- Restructuring Head Office operations
- Abolition of the officer system
- Development of executive candidates
- Promotion of DX strategy
- Revision of the personnel system

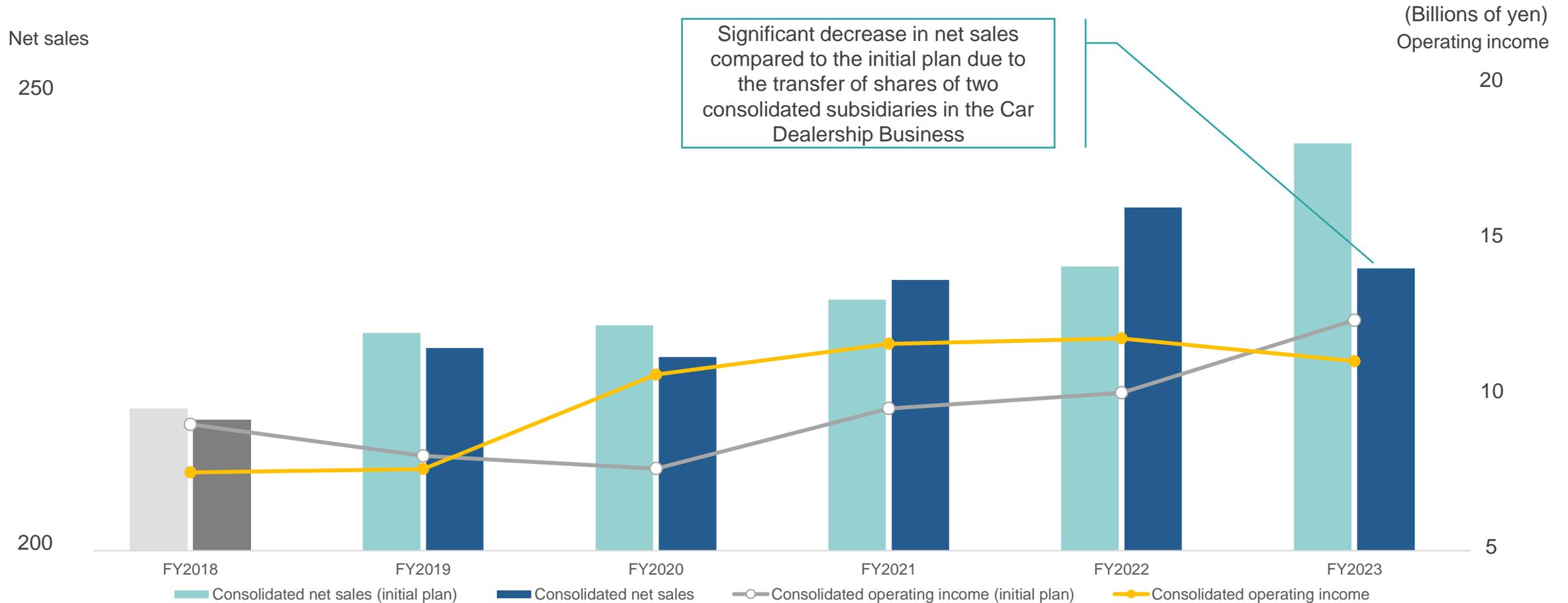
### Strengthening of the earnings base

- Review of the business portfolio
- Change of the franchise chain package
- Promotion of management using ROIC

# Review of the Five-year Rolling Plan



Leveraging the business infrastructure cultivated by the Domestic AUTOBACS Business, consolidated net sales other than the Domestic AUTOBACS Business increased by about 27 billion yen.  
 Consolidated operating income improved\* compared to FY2018 before the launch of the Five-year Rolling Plan.



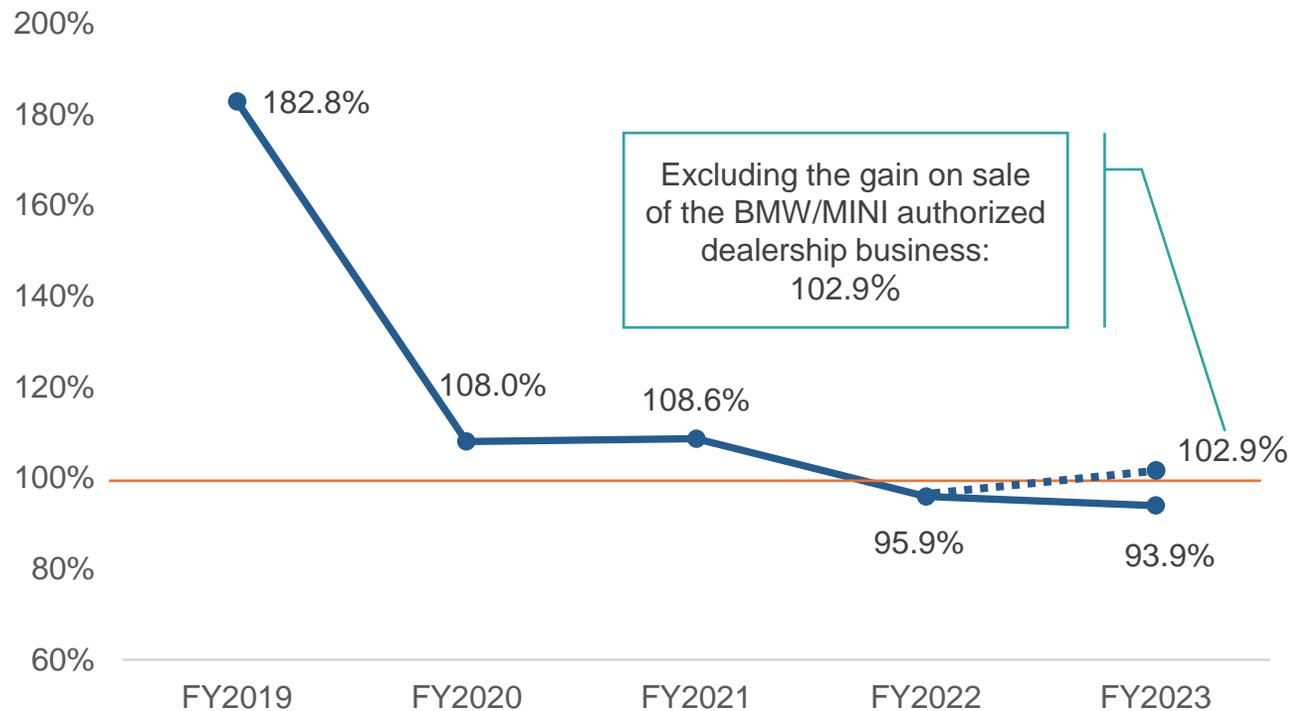
\*Operating income in FY2023: excluding the temporary decrease (about 3.0 billion yen) due to the change in FC chain package

# Review of the Five-year Rolling Plan

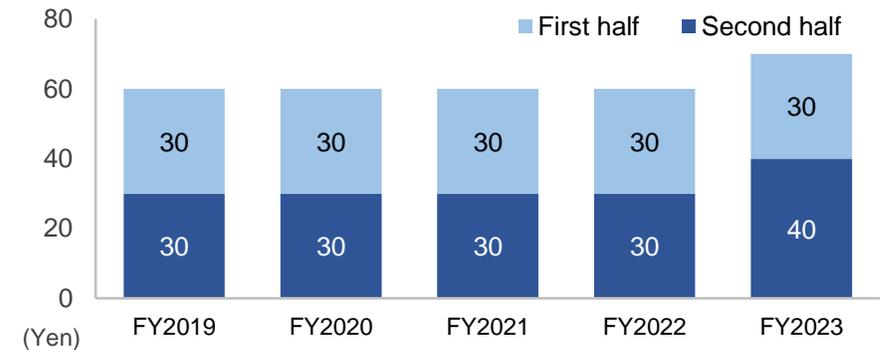


Building upon the policy established in FY2019 to achieve a five-year cumulative total return ratio of 100%, we implemented stable and flexible shareholder returns. Excluding one-time profits from the transfer of the BMW/MINI authorized dealership business, the five-year cumulative total return ratio is 102.9%.

Five-year cumulative total return ratio



Dividends per share



Dividends and share buybacks



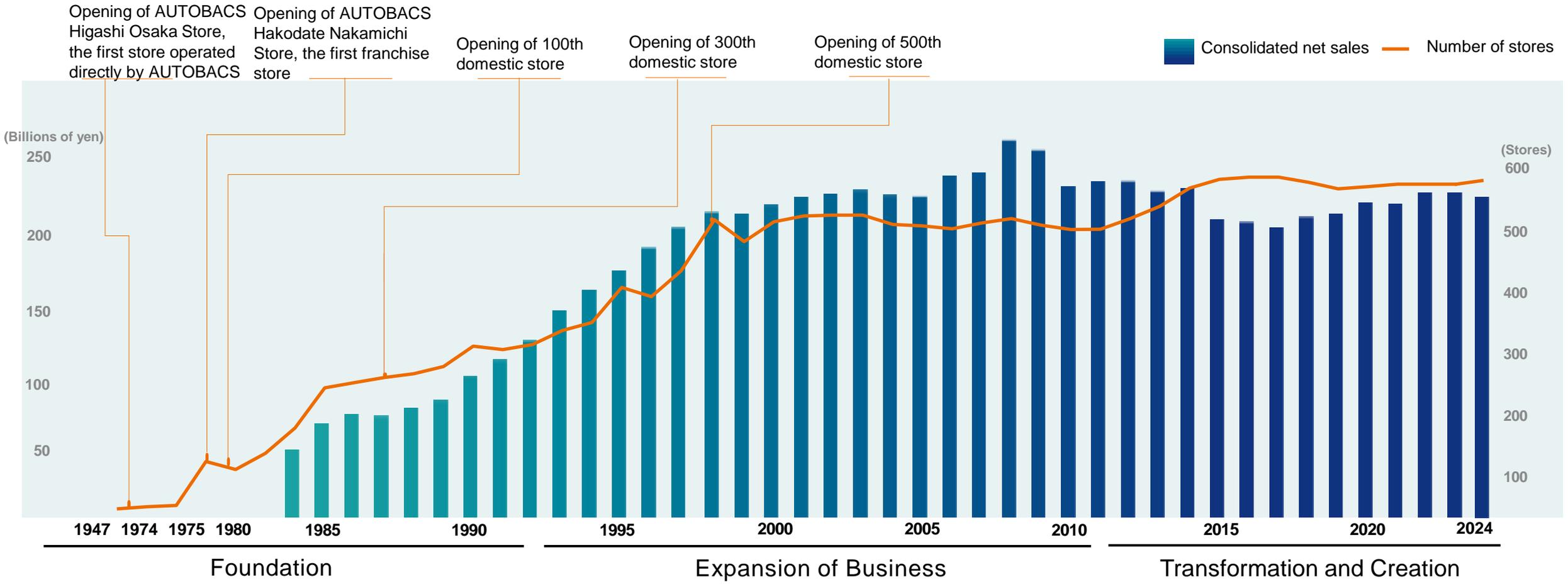
## **3. 2024 Medium-term Business Plan**

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# AUTOBACS Group's History



Since 2000, the Group has maintained the status quo due to the shrinking automotive aftermarket and has not achieved significant growth for about 20 years. However, the Group embarked on a structural transformation with the Five-year Rolling Plan to lay the foundation for renewed growth.



# Awareness of Business Environment

## Changes in the Business Environment



### Automotive industry

- Rapid technological innovations, such as electrification and autonomous driving
- Emergence of new services, such as car subscription services
- “2024 problem” in logistics
- EV promotion measures
- Increase in demand for hybrid cars



### Society

- Changes in customer purchasing behavior
- Further intensification of competition across industry boundaries
- Changes in customer composition due to low birthrate and aging population
- Diversification of customer needs



### Capital markets

- Request for securing profitability exceeding capital costs
- Request for strengthening governance functions



### Employees

- Labor shortages
- Low birthrate and aging population
- Diversity
- Requests for consideration of human rights



### Environment

- Trends toward achieving carbon neutrality
- Various countries' measures to promote the shift to EVs

## Risks and Opportunities

### ⊗ Risks

- Delay in responding to technological advances
- Increase in logistics costs
- Loss of EV/hybrid vehicle sales opportunities
- Soaring costs of raw materials
- Ongoing yen depreciation and rising prices
- Decline in purchase appetite due to rising prices

### ⊙ Opportunities

- Entry to new markets
- Capturing demand for new products
- Establishing a position as a major dealer of ZEVs
- Evolution of content and expansion of points of contact with customers by leveraging DX
- Creation of new points of contact with customers through collaboration with other industries
- Increased maintenance demand due to the longevity of vehicles
- Establishment of a competitive edge through early response to advances in automobile maintenance
- Improvement of efficiency of production and logistics processes

### ⊗ Risks

- Damage to corporate value due to failure to respond to the market pressure for improvement
- Dysfunctional governance

### ⊙ Opportunities

- Enhancement of corporate governance and risk management
- Enhancement of corporate value by practicing management conscious of capital costs and return on invested capital

### ⊗ Risks

- Difficulty in hiring personnel
- Increase in employee turnover
- Increase in overtime
- Increase in personnel costs

### ⊙ Opportunities

- Building a sustainable organization that simultaneously achieves growth for the company and employees
- Hiring of diverse human resources
- Improvement of operational efficiency using DX

### ⊗ Risks

- Physical risks due to natural disasters, etc.
- Transition risks such as stricter environmental regulations, etc.

### ⊙ Opportunities

- Increase in demand for eco-friendly products
- Entry to ZEV-related markets

# **2024 Medium-term Business Plan**

## **Accelerating Towards Excellence**

**The AUTOBACS SEVEN Group will accelerate growth.**

# Aim to provide “Mobility Lifestyle Infrastructure” for our customers on a global scale

1. Changing to a structure that focuses on and enhancing retail and wholesale operations, two areas in which the AUTOBACS SEVEN Group excels\*
2. Taking on challenges in peripheral areas in order to realize our long-term vision
3. Achieving stable returns for stakeholders while further increasing profit levels

\*Transnational strategy for wholesale, multinational strategy for retail

# FY2026 Performance Targets



Consolidated net sales

**280.0 billion yen**

FY2023: 229.8 billion yen

Consolidated operating income

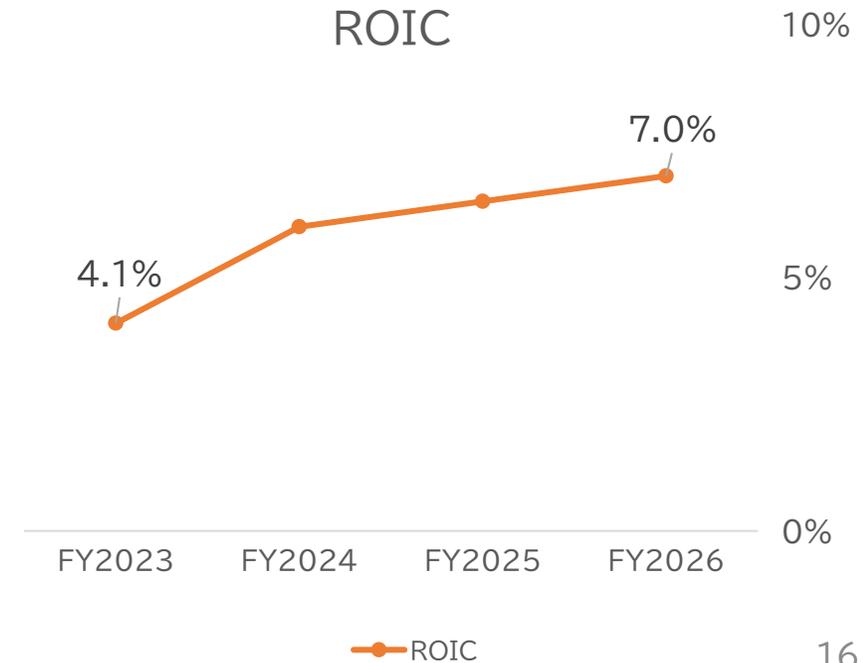
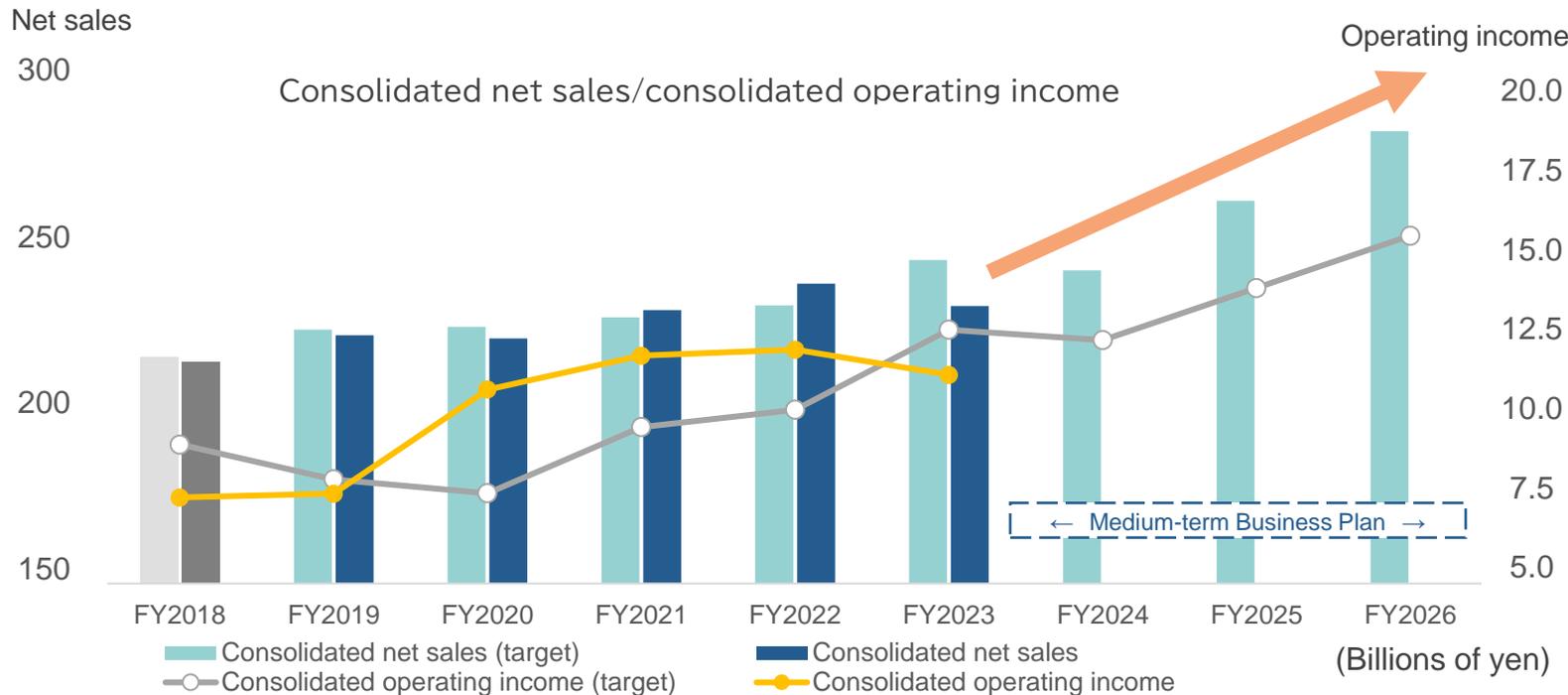
**15.0 billion yen**

FY2023: 8.0 billion yen

ROIC

**7.0%**

FY2023: 4.1%



\*Operating income in FY2023: excluding the temporary decrease (about 3.0 billion yen) due to the change in FC chain package

## ■ Strategy to achieve the new direction

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

# Strategy Outline 1.

## “Create touch points” to continue to support mobility lifestyles

### Key measures

- ☑ Expand new bases, including new store openings, and expand channels (100 bases)
- ☑ Establish new online marketplaces
- ☑ Develop new services that solve social issues

#### Expand new bases and channels

- AUTOBACS
- AUTOBACS CARS
- Overseas bases
- AUTO IN
- Car dealership
- Alliance maintenance bases etc.



#### Establish new online marketplaces

- Establishment of online marketplaces in the mobility fields



#### Develop new services

- Mobile sales service etc.



## Strategy Outline 2.

# “Develop and supply products and solutions” tailored to mobility lifestyles

### ■ Key measures

- ☑ Expand wholesale channels by developing attractive products and solutions
- ☑ Strengthen competitiveness through supply chain management and consolidation of the AUTOBACS franchise chain headquarters
- ☑ Strengthen external sales by packaging private brand products, services, and sales support measures

#### Expand wholesale channels

- AUTOBACS franchisees
- Maintenance subsidiaries
- Alliance maintenance bases
- Overseas bases etc.



#### Supply chain management / Reform of functions of the AUTOBACS franchise chain headquarters

- Supply chain management
- Streamlining of headquarters, consolidation and integration of various functions
- DX and establishment of information platforms (vehicles, product compliance, purchase information)

#### Promote packaged sales of private brand products, services, and sales support measures

- Expansion of the lineup of private brand products and strengthening of overseas sales
- Packaged sales of private brand products and sales support measures



etc.

# Strategy Outline 3.

## “Establish new business domains” in response to changes in mobility lifestyles

### ■ Key measures

- ✓ Develop EV solutions business, whose market is expected to expand
- ✓ Handle sales and after-sales services for micromobility, etc.
- ✓ Form group subsidiaries with companies that have synergy with the Group’s existing businesses through horizontal and vertical integration

Develop EV solutions business

- Management of ZEV dealership
- Development of business related to EVs, solar power, storage batteries, and chargers
- Establishment of charging stations etc.




Handle micromobility

- Sales and maintenance at AUTOBACS stores
- Expansion of the lineup of products handled
- Consideration of development of a new business model that can propose total solutions from insurance and maintenance to supplies/services

Form group subsidiaries through horizontal and vertical integration

- Expansion of peripheral business areas through M&A
- Strengthening of business portfolio management etc.

# Capital Allocation

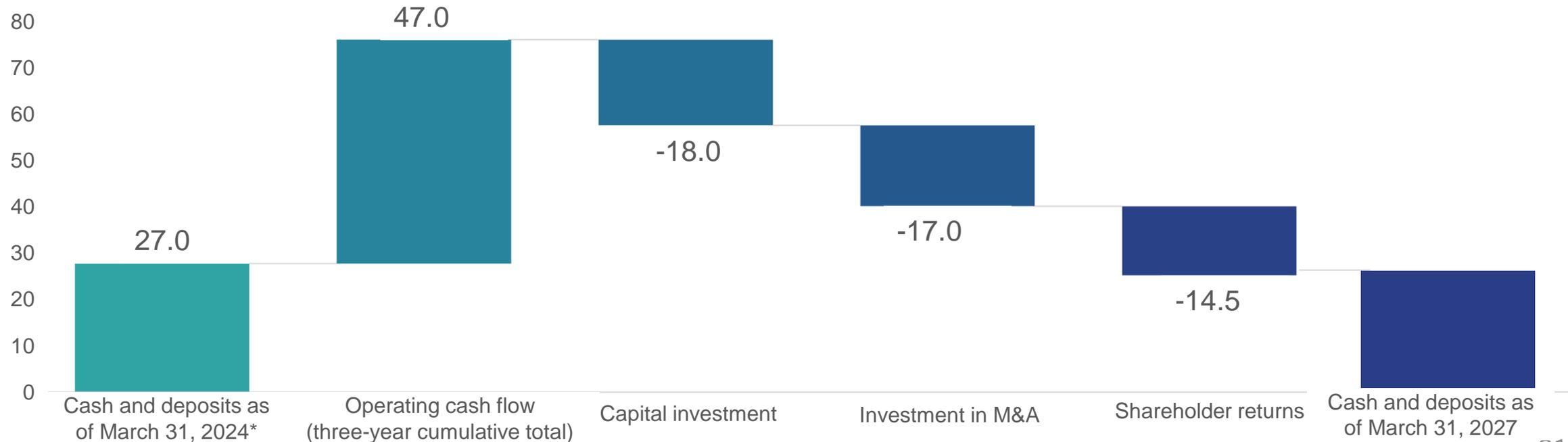
- ☑ Invest a cumulative total of 35 billion yen
- ☑ Policy on shareholder returns: Maintain **stable dividend payment** (annual dividends of 60 yen per share)

**While allocating increased operating cash flow to investment**, consider providing separated returns to shareholders **when** cash on hand exceeds required working capital continuously.

In addition to improving ROIC, focus on controlling WACC by utilizing external capital when investing for growth to increase ROIC-WACC.

## Capital allocation plan

(Billions of yen)



\*Actual balance after taking into account the effect of the bank holiday

# Initiatives to Realize the Vision

- ☑ Realize a safe, secure, and gentle society in which people, cars, and the environment exist in harmony.
- ☑ Set priority issues to achieve both social value and economic value.

## 1. Social and Environmental

Materiality	Contribution to society (Non-financial targets)	Creation of economic value		
		KPIs	(FY2023 results)	(FY2030 goals)
Enhancing efforts that consider the environment and society	Promoting spread of safe and secure EVs toward realization of a zero-carbon society	Installing fast chargers	6 stores	43 stores
		Promoting statutory safety inspections of EVs (No. of EVs inspected)	516 units/year	3,440 units/year
		Promoting sale of EVs (No. of EVs sold)	324 units/year	2,500 units/year
	Reducing CO <sub>2</sub> by establishing environmentally-friendly stores	Promoting environmentally-friendly stores	73 stores	140 stores
	Promoting environmentally conscious business	Developing environmentally-friendly products	124 products	300 products
	Realizing circular ecosystem	Reducing oil cans (increasing ratio of oil sale by measure)	Reduction of 30,000 cans	Reduction of 220,000 cans

\*Preliminary figures

# Initiatives to Realize the Vision

- ☑ Realize a safe, secure, and gentle society in which people, cars, and the environment exist in harmony.
- ☑ Set priority issues to achieve both social value and economic value.

## 2. Human capital

Medium-term HR policies	Priority fields of investment in human capital	KPIs	(FY2023 results)	(FY2030 goals)
Maximize human capital	Human resource development/reskilling	Development of personnel for data analysis	72 trainees	320 persons
		Ensuring and fostering Level-2 mechanics	726 persons	1,100 persons
	Diversity & inclusion	Increasing ratio of women in managerial positions (manager or higher)	7.9%	18.0%
Transformation into an organization that creates innovation	Resource/talent management	Ratio of female employees	18.4%	30.0%
		Promoting paternity leave	58.0%	100.0%
Strategic allocation of human resources	Enhancement of engagement	Employee engagement (previously called “employee energetic level”)	2.7	3.0