



# Mission

## 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.**

# Creating a future motorized society

### 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.

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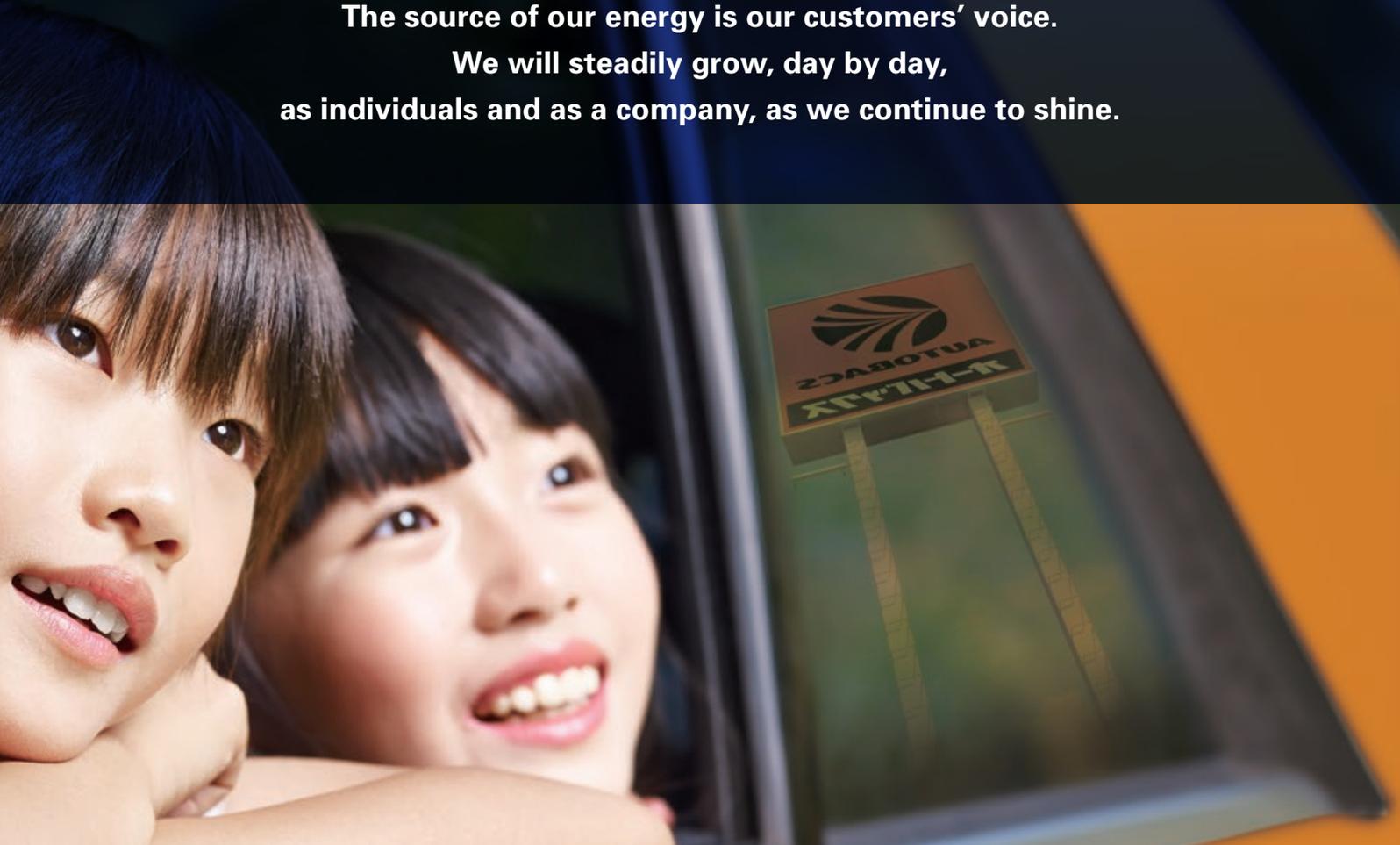
# Vision

## 2050 Creating Our Future Together

We face the issues of society, automobiles, and peoples' lives and create a brighter, more vigorous future.

The source of our energy is our customers' voice.

We will steadily grow, day by day,  
as individuals and as a company, as we continue to shine.



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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.

Actual results may differ from projections or expectations due to changes in various risk factors. For more information on the primary business risks faced by the Company Group, please refer to MD & A.

#### 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.



For our customers

# Professional &

Peace of mind and dependability





We aim to create the kind of stores in the AUTOBACS chain that encourage customers to visit time and time again by having customers 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.

# & Friendly

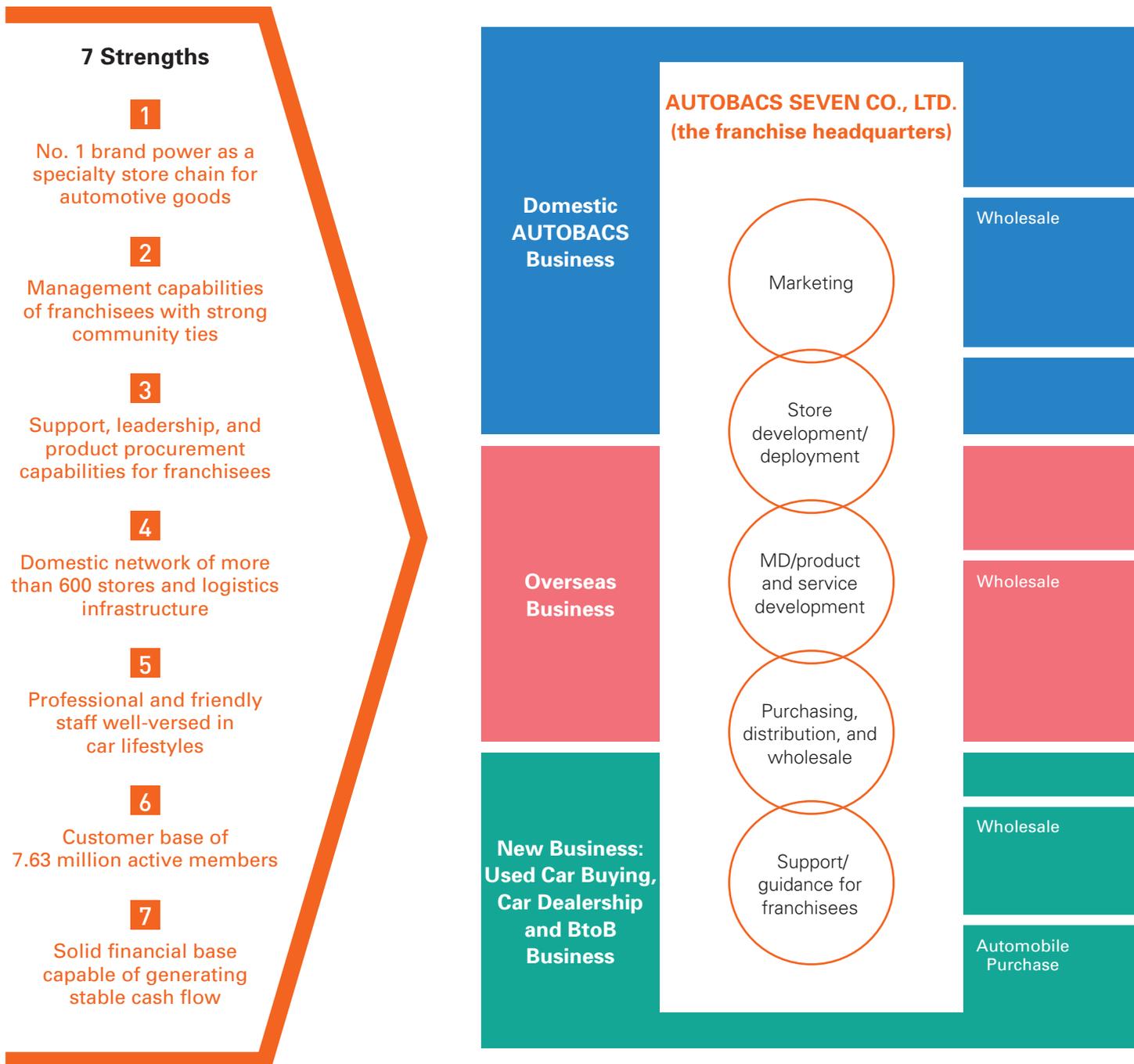
**Cheerful, resourceful, and approachable**



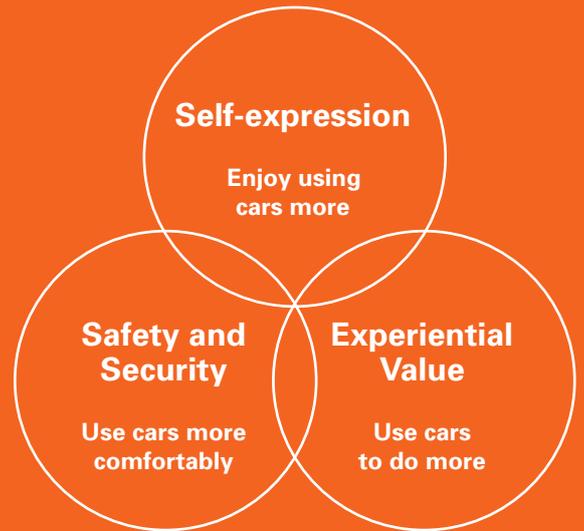
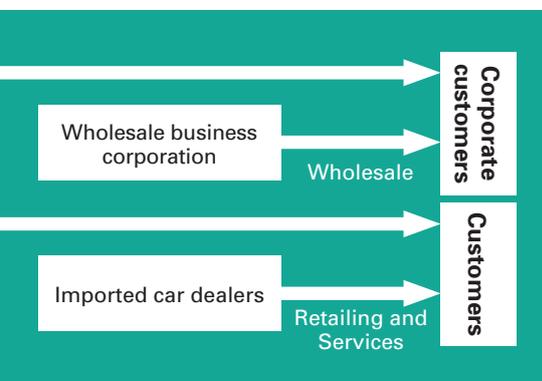
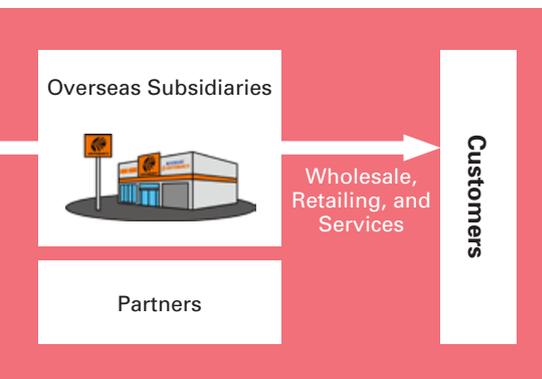
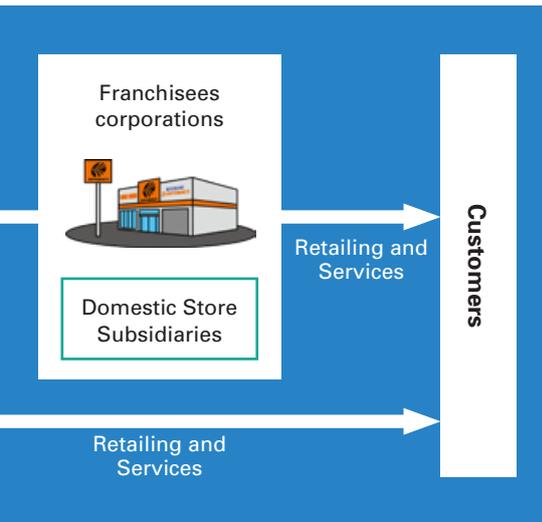
# Corporate Value Creation Process

The business model for AUTOBACS business, which is our mainstay, is based on a franchise organization with 603 stores operated by 77 franchisees, including 15 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 lifestyles 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 Model (FY March 2018)



## The value provided by AUTOBACS to customers



## Contributing to a Sustainable Society



We have identified the materiality from among the SDGs with the aim of tackling societal issues and contributing to a sustainable society.

Our specific initiatives are discussed from page 35 onward.

# 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 our motorized society has continued to develop and change over time, the AUTOBACS Group will continue to achieve sustainable growth by boldly shaking up business formats, products, and services and contributing to an affluent motorized society.

## Group History

## Through to Present Day

● **Feb. 1947 Establishment of Suehiro Shokai**

Company founder Toshio Sumino established the privately-run auto parts wholesale store Suehiro Shokai in Osaka's Fukushima ward.



● **Nov. 1974 Opening of AUTOBACS Higashi Osaka Store as the first comprehensive specialty automotive goods store**

A one-stop store was opened with a range of automotive goods and the groundbreaking service of on-site installation.



● **Jun. 2002 Launch of "C@RS" system and start of automobile purchase and sales business**

In addition to automotive goods and statutory safety inspections, AUTOBACS aims to establish a business format that offers all kinds of car-related services.

● **Apr. 1975 Opening of AUTOBACS Hakodate Store, the first franchisee chain store**

Many people saw business opportunities in the AUTOBACS store format and signed up as franchisees.

● **Aug. 1979 Opening of AUTOBACS Yagi Store, the 100th chain store**

The number of stores steadily increased in tandem with the rapid advancement of motorization in Japan.

● **Mar. 1980 Change in Company name to AUTOBACS SEVEN Co., Ltd.**

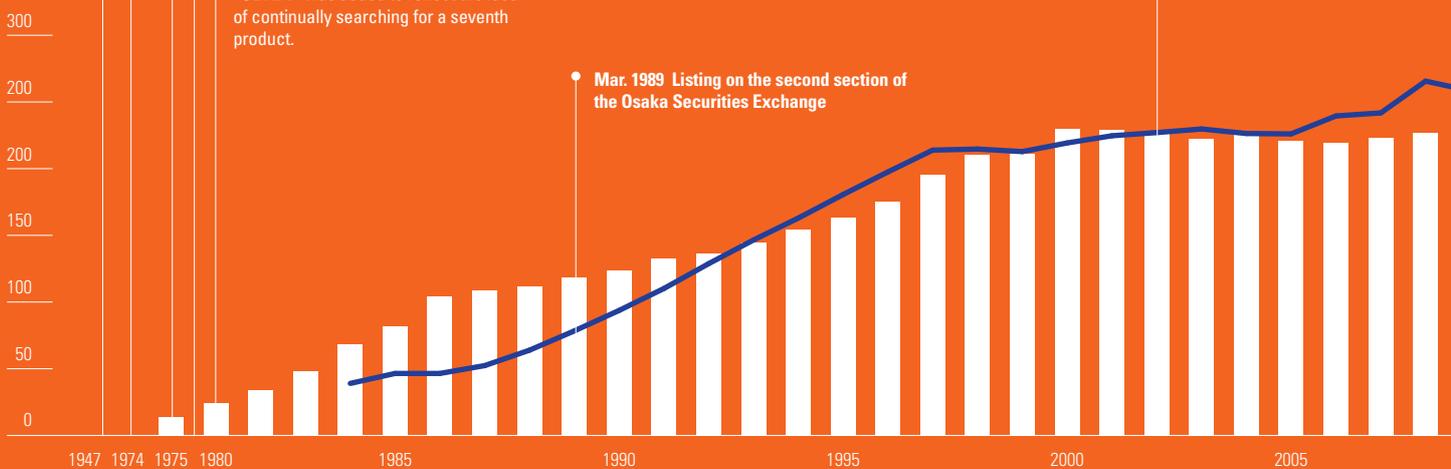
While the name AUTOBACS contains a backronym for the six products on offer, "SEVEN" was added to reflect the idea of continually searching for a seventh product.

● **Mar. 1989 Listing on the second section of the Osaka Securities Exchange**

History of store-brand diversification

History of Global Expansion

— Net Sales  
(Billions of yen)



## Industry Trends

1974 onward  
Era of car ownership

1989 onward  
Advancement of Japan's car culture

1997 onward  
Development of large retail stores

## AUTOBACS by the Numbers

Apr. 2015 Launch of official BMW/MINI dealer business

Jul. 2014 Revamp of private brand and launch of "A.O." Brand

A new concept of providing customers with a "go-to" choice when a clear choice is otherwise non-existent was launched for private-brand products under several brand names, with a new logo.



• Mar. 2016  
Opening of AUTOBACS used car purchase stores

• Feb. 2017  
Opening of Smart+1 store

• Mar. 2012  
Opening of first store in Malaysia (franchise store)

• Jul. 2015  
Opening of first store in Indonesia

• Apr. 2017  
Launch of JACK & MARIE brand

• Jun. 2017  
Opening of AUTOBACS GARAGE store

• Aug. 2017  
Opening of AUTOBACS Mini stores

Total Number of Stores

**644**

(603 in Japan, 41 overseas)

Domestic Store Sales

**2,621** billion yen

Share of Domestic Automotive Goods Market

**No.1**

Active Members

**763** million

Stock Keeping Units at Stores

**10,000 to 30,000**

Weighting of Private Brand Products

**11.3%**

Statutory Inspections Performed

**633,000**

Automobiles Sold

**29,000**

Automobile Mechanics

**3,800**

Car Lifestyle Advisors

**8,560**

**AUTOBACS aims to be a corporate group that creates an affluent motorized society even 100 years after its founding**

**2050**  
**Creating Our Future Together**

### AUTOBACS SEVEN Vision 2050 Creating Our Future Together

In January 2018, the Company announced the AUTOBACS SEVEN Co., Ltd. "2050 Creating Our Future Together" vision. For over 70 years, since the Company was first founded, we have always worked to further the advancement of automobile society and enrich our customers' car lifestyles. In the future, technological advances and changes in peoples' values will bring about changes not only to automobiles but to society and our lives as well. Our vision reflects our dedication to combining the strengths of all Group employees and continuing to create a rich, healthy automobile society in the years leading up to 2050.



2008 onward  
Maturation of Japanese economy and heightened environmental awareness

# The Year at AUTOBACS SEVEN

2017

## April

20th anniversary of the ARTA Project for nurturing world-class Japanese racing drivers.



### Motorsports Activities

[http://www.autobacs.co.jp/en/csr/motorsports\\_en.html](http://www.autobacs.co.jp/en/csr/motorsports_en.html)

4

Apr.

## April

JACK & MARIE: Japan's First Car-Oriented Lifestyle Shop Debuted.



Press Release <https://www.autobacs.co.jp/images/data/news/2017/04/12/pRHVq3.pdf>

5

May

## June

AUTOBACS was named number one store for tire sales in JMA Research Institute (JMAR) survey.



6

Jun.

## July

AUTOBACS served as a special sponsor of the AUTOBACS Runners 24 Hour Relay Marathon to contribute to society by helping to promote health and revitalize regional communities.



See P44 for more information.

7

Jul.

## July

AUTOBACS provided disaster relief to areas of northern Kyushu ravaged by torrential rain.

See P44 for more information.

8

Aug.

## August

AUTOBACS Mini stores were opened in shopping centers, which are a new store format specializing in auto inspection agency services, simple car washes, and sales of automotive goods.



See P25 for more information.

## August

AUTOBACS GUYS were selected from 3,400 mechanics across Japan to serve as professional and friendly role model mechanics.



See P26 for more information.

## August

AUTOBACS formed a capital and business alliance with PTG Energy Public Company Limited, Thailand's second-largest gas station operator.

Press Release <https://www.autobacs.co.jp/images/data/news/2017/08/23/7XlyES.pdf>

**September**

AUTOBACS signed an official dealership agreement with DJI Japan, a leading global consumer drone company.



See P24 for more information.

**September**

AUTOBACS launched a dedicated website that lets customers upload images from their smartphones to easily check tire wear.

**September**

Launch of collaboration between P&G, TerraCycle Japan, and the AUTOBACS Group to recycle car air freshener packaging.



**October**

10th store in Ishikawa Prefecture  
New opening of AUTOBACS Hakui store.



**November**

AUTOBACS Group launched initial sales of the HDR-75GA dashcam with built-in functionality to monitor wrong-way driving.

See P24 for more information.



**March**

AUTOBACS started accepting project applications for the launch of a crowdfunding website with a view to sales at AUTOBACS Group stores.

9

Sept.

**September**

AUTOBACS invested in Chinese firm CarHouse with the aim of strengthening its wholesale business in China and procuring high-quality air fresheners.



Press Release <https://www.autobacs.co.jp/images/data/news/2017/09/06/TRnX34.pdf>

**September**

Advance sales started for the "glafit Bike GFR-01," a compact and lightweight bicycle, which "can be pedaled."



10

Oct.

**October**

AUTOBACS started demonstration tests of elderly citizen monitoring services in the city of Kitakyushu utilizing IoT technology.

11

Nov.

**November**

Imported cars also on sale at AUTOBACS Nerima  
BMW/MINI Nerima opened for business.



12

Dec.

2018

1

Jan.

**January**

AUTOBACS SEVEN "2050 Creating Our Future Together" vision was drafted with the aim of reaching 100 years in business.

Policy Concerning Company Control

[https://www.autobacs.co.jp/en/csr/co\\_control\\_en.html](https://www.autobacs.co.jp/en/csr/co_control_en.html)

2

Feb.

3

Mar.

# 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/financialreports\\_en.html](https://www.autobacs.co.jp/en/ir/financialreports_en.html)

AUTOBACS SEVEN Co., Ltd. and Consolidated Subsidiaries	Millions of yen			Thousands of U.S. dollars (Note 1)	
Fiscal year ended on March 31 for each displayed year	2015	2016	2017	2018	2018
<b>Fiscal Year:</b>					
Net sales	¥ 209,454	¥ 208,142	¥ 204,033	<b>211,630</b>	<b>2,015,523</b>
Wholesale	124,279	117,848	115,637	<b>121,081</b>	<b>1,153,152</b>
Retail	82,039	87,310	85,566	<b>87,357</b>	<b>831,971</b>
Others	3,136	2,983	2,830	<b>3,190</b>	<b>30,380</b>
Operating income	6,403	6,701	5,829	<b>7,284</b>	<b>69,371</b>
Income before income taxes and minority interests	9,053	7,558	4,474	<b>8,255</b>	<b>78,619</b>
Profit attributable to owners of parent	4,609	4,371	3,015	<b>5,403</b>	<b>51,457</b>
Net cash provided by operating activities	11,829	10,564	9,488	<b>16,394</b>	<b>156,133</b>
Net cash used in investing activities	(2,403)	(4,984)	(7,147)	<b>(2,915)</b>	<b>(27,761)</b>
Net cash used in financing activities	(12,617)	(11,154)	(7,457)	<b>(5,840)</b>	<b>(55,619)</b>
Free cash flows	9,426	5,580	2,341	<b>13,479</b>	<b>128,371</b>
Capital expenditures	6,127	5,895	4,842	<b>3,587</b>	<b>34,161</b>
Depreciation and amortization	4,805	4,012	4,384	<b>4,131</b>	<b>39,342</b>
<b>At Year-End:</b>					
Total assets	¥ 186,531	¥ 180,454	¥ 176,708	<b>187,405</b>	<b>1,784,809</b>
Equity	138,338	131,455	127,079	<b>126,866</b>	<b>1,208,247</b>
Interest-bearing liabilities	6,860	6,296	8,282	<b>6,896</b>	<b>65,676</b>
<b>Per Share Data (Yen and Dollars (Note 1)):</b>					
Basic net income	¥ 52.83	¥ 51.60	¥ 36.00	<b>65.49</b>	<b>0.623</b>
Cash dividends	60.00	60.00	60.00	<b>60.00</b>	<b>0.571</b>
Dividend payout ratio (%)	113.6	116.3	166.7	<b>91.6</b>	—
Dividend on equity (DOE) (%)	3.7	3.8	3.9	<b>3.9</b>	—
Total shareholder return ratio (%)	222.2	235.4	255.7	<b>91.6</b>	—
<b>Management Indicators:</b>					
Operating income margin (%)	3.1	3.2	2.9	<b>3.4</b>	
Return on equity (%)	3.3	3.2	2.3	<b>4.3</b>	
Return on assets (%)	2.5	2.4	1.7	<b>2.9</b>	
Equity ratio (%)	74.2	72.8	71.9	<b>67.7</b>	
<b>Non-Financial Data:</b>					
Number of domestic stores	584	599	601	<b>603</b>	
Domestic stores operated by franchisees	423	433	444	<b>468</b>	
Number of overseas stores	27	33	38	<b>41</b>	
Overseas stores operated by franchisees	10	12	17	<b>15</b>	
Active Members (1,000) (Note 2)	8,587	8,541	8,301	<b>7,637</b>	
Number of employees	4,263	4,347	4,200	<b>4,009</b>	
Number of automobile mechanics (Note 3)	3,780	3,781	3,788	<b>3,745</b>	
Number of directors (of which, outside directors)	8(3)	8(3)	8(3)	<b>8(3)</b>	
Number of auditors (of which, outside auditors)	4(3)	4(3)	4(3)	<b>4(3)</b>	
Electricity usage (MW) (Note 4)	7,097	6,810	7,076	<b>7,042</b>	
CO <sub>2</sub> emissions (t-CO <sub>2</sub> ) (Note 4)	4,503	4,060	4,489	<b>4,106</b>	

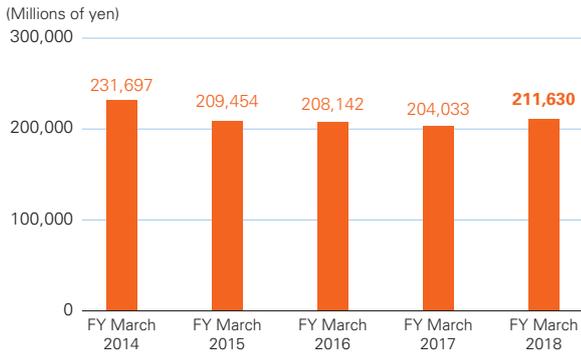
(Notes) 1. U.S. dollar amounts are converted at a rate of ¥105=US\$1, which prevailed on March 31, 2018.

2. 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.

3. All chain employees who have obtained the Automobile Mechanic (Level 1, 2, or 3) national qualification.

4. Total for AUTOBACS SEVEN Co., Ltd.'s headquarters, regional business locations, directly managed stores, and logistics centers. (Does not include subsidiaries)

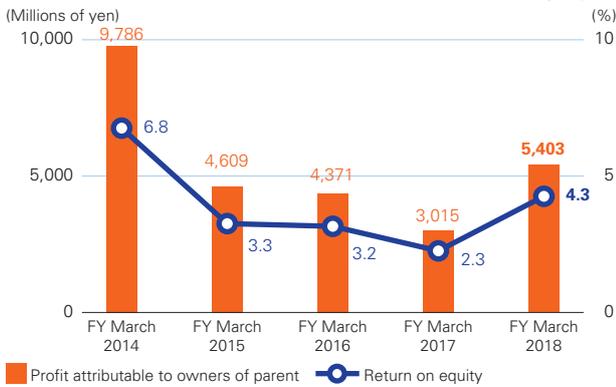
### Net Sales



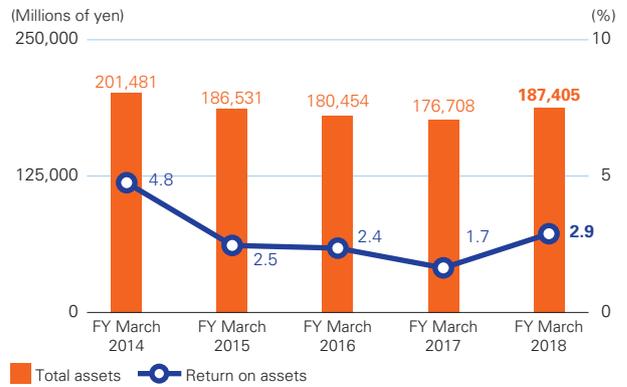
### Operating Income/Operating Income Margin



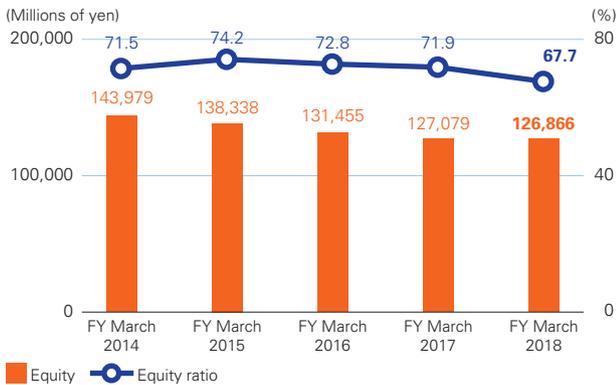
### Profit Attributable to Owners of Parent/Return on Equity



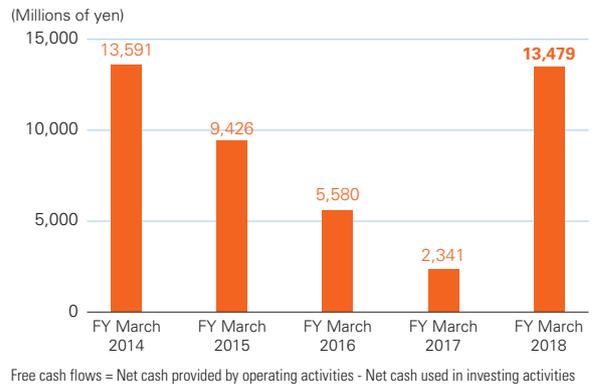
### Total Assets/Return on Assets



### Equity/Equity Ratio



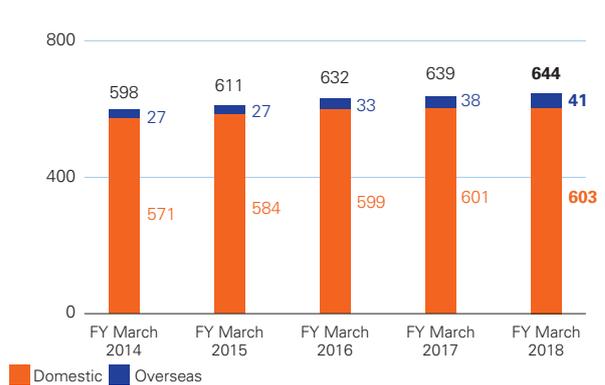
### Free Cash Flows



### Dividends per Share/Dividend on Equity (DOE)



### Number of Stores



# Message from Management



**Kiomi Kobayashi**  
Representative Director  
and Chief Executive Officer

小林喜夫巴

**Aiming to become a 100-year company,  
we will squarely face society, cars and the daily lives of people  
and carve out markets for the future together with our stakeholders.**

During my two years as the chief executive officer, we have achieved results with the 2017 Medium-Term Business Plan (covering the fiscal years ending March 31, 2018 to March 31, 2020) designed to proceed with the reforms of the Company Group with fresh perspectives and bold ideas.

In order to contribute to the development of motorized society and the affluent car life of our customers, AUTOBACS was established as Japan's first one-stop shop for automotive goods and opened its first store in 1974. Since then, we have worked to consistently strengthen our business platform comprised of headquarters, directly managed stores and franchisees. In the coming years, however, we expect that technological innovations beyond our imagination and changes in people's values will transform not only cars but also society and our lifestyles in a multitude of ways.

Under such circumstances, our vision "2050 Creating Our Future Together" enshrines our commitment to squarely face society, cars and the daily lives of people in any era and continue to carve out markets for the future together with our stakeholders. Based on this vision, we will make Company-wide concerted efforts to lay the foundation for becoming a 100-year company under the 2017 Medium-Term Business Plan. We look forward to the ongoing support of our shareholders and other investors as we push ahead with this effort.

# CEO Q&A

Q1

Please give an overview of the results for the fiscal year ended March 2018.

**We yielded positive results from increased business activities of franchisees and improvements in the earnings of domestic store subsidiaries.**

Our results for the fiscal year ended March 2018 were boosted by an increase in sales of tires, a product we have been selling with priority, as new car sales in Japan recovered for the second consecutive year. There was a last-minute surge in demand for summer tires ahead of price hikes, and demand for winter tires and tire chains rose due to snowfall all across Japan in the winter. In addition, dash cams, a device that has come under the spotlight for preventing accidents from aggressive driving of others, recorded nearly a doubling of sales year on year. Measures to increase business activities of franchisees were also successful, and the earnings of domestic store subsidiaries improved significantly.

As a result, the Company Group recorded net sales of ¥211.6 billion, up 3.7% year on year, operating income of ¥7.2 billion, up 25.0%, and profit attributable to owners of parent of ¥5.4 billion, up 79.2%.

Aiming to become a 100-year company, the Company Group will proactively propose ideas for new car lifestyles. To this end, it is essential above all that franchisees regain their vigor. Additionally, it is essential that domestic store subsidiaries improve their earnings, something we have been working on over the last several years. In fiscal year 2017, we were able to register major achievements in these two challenge areas and make a steady start towards achieving our goals in the first year of the 2017 Medium-Term Business Plan.

## Results for the Fiscal Year Ended March 31, 2018

(Billions of yen)

	Fiscal 2017	YoY Chg.
Net Sales	211.6	+3.7%
Operating Income	7.2	+25.0%
Net profit attributable to owners of parent	5.4	+79.2%
ROE (%)	4.3%	+2.9pt.

## Net Sales of Domestic AUTOBACS Chain Stores (All operations)\*

(Billions of yen)

	Fiscal 2017	YoY Chg.
Automotive goods	214.1	+2.1%
Statutory safety inspection and maintenance	18.7	+2.4%
Automobile purchase and sales	24.2	(10.9%)
Other	4.9	+7.4%
Total for all stores	262.1	+0.8%

\* Includes net sales attributable to franchise stores.

Q2

Where are the motorized society and the domestic AUTOBACS business headed towards?

**It is important that we have a structure that can adapt to any kind of motorized society and create markets.**

Some time ago, owning and riding a car used to be seen as a status symbol. Until around the year 2000, number of cars owned soared, and automotive goods sold in droves as soon as they hit the shelves. But now in Japan, the population is aging at a globally unprecedented speed, and younger generations are said to be losing interest in cars. In fact, the percentage of our Company Group loyalty members in their 20s to 30s has declined over the past decade, while the percentage of families and senior citizens who are in their 40s and above has increased. Technology has also advanced at whirlwind speed with the shift from gasoline cars to electric vehicles, the rise in smart cars connected to the internet, and the development of automated driving, while customer values are becoming ever more diverse. Meanwhile, we are beginning to see the expansion of car-sharing services.

There is no doubt that motorized societies are at a major turning point. That said, if we think about the average life span of a car or other factors, we expect

even more requests and consultations regarding cars to emerge in the next 20 to 30 years at least amid new and old values mixed together. This is precisely where the opportunities lie for us.

Although we refer to customers as a group, both their desired services and expectations differ by their geographic area and attributes. For example, in more rural areas, cars are a daily necessity and the phenomenon of young people losing interest in cars is not applicable. In this regard, it is dangerous to make a forecast of the future changes in a uniform manner. It is more important that we earn the trust and support of customers as in the brand message, "Anything about cars, you find at AUTOBACS," regardless of the changes society undergoes and remain a "professional and friendly presence" that customers can always turn to.

Q3

**What exactly do you mean by creating markets?**

**We will create markets based on the three values provided to customers.**

Ever since I became the chief executive officer, I have stated that AUTOBACS will become a "professional and friendly presence" and will "restore the sense of excitement" that both employees and customers used to have. It is becoming ever more critical not to be passive and to create markets ourselves in line with the changes in the times. As a starting point, we have classified the values provided by AUTOBACS into three categories. The first is "demand for comfortable use of a car," the basic and important value represented by "safety and security." Tires, other maintenance products, and statutory inspections and safety checks fall under this category as well as dash cams.

The second category is "demand for enjoyment using a car," which represents "value of experience." This category provides products bearing in mind outdoor activities that utilize a car, such as lifestyle-related goods, drones, automated bikes, and campers.

The third category is "demand for greater enjoyment of car itself," which represents "self-expression." This category includes products that increase the self-satisfaction of customers through getting enjoyment out of riding and customizing cars, such as motor sports goods, garage goods, and products of a racing sports brand (ARTA). We will further explore these three categories to create markets for the future.

Q4

**What are you working on in terms of business format development?**

**We have developed and begun experimenting with Japan's first new business formats**

We have already begun experimenting with new business formats, including AUTOBACS GARAGE FUCHU, a garage café-inspired store that customers not knowledgeable about cars will also find enjoyable, and the opening of AUTOBACS Mini at shopping malls which provide information on statutory safety inspections and car washing to shoppers.

We also launched JACK & MARIE, Japan's first car-centric lifestyle brand. We began selling its products on ZOZOTOWN, Japan's largest online fashion shopping site, which was followed by the opening of its first store in Yokohama as a store independent from AUTOBACS brand. The brand's lineup consists of 2,000 SKUs, such as accessories for enhancing the car interior as well as tableware and clothing for spending time outdoors in style. By focusing on the values customers gain from experience, rather than ownership of products, we offer lifestyles that will make them want to immediately pack their bags into the car and leave for outdoor activities.

Going forward, we need to ask ourselves how we will incorporate the elements of new business formats into our existing stores in the respective regions and generate earnings. Given the current business environment, if we

Q5

**How do you intend to proceed with product development?**

do nothing, the automotive goods market could get even smaller. In creating markets, it is vital that we develop products as well as transform the way we sell them and our retail approaches.

**We will boost our private-brand products and tire lineup.**

We will accelerate the development of products corresponding with our three pillar categories. Specifically, for customers who are general driver, we will develop products such as tires, oil, batteries and wipers that require routine replacements under our private brand "AQ." (AUTOBACS QUALITY.) as the products of choice. We will also develop frequently utilized car-washing goods and small articles and keep introducing them into the market as AQ. lineup. In the immediate term, we are focusing on the development of low-price tire products. At the same time, we will strengthen our lineup and sales of all-season tires and develop this market since there are definitely rising needs for such tires.

In addition, we will have more items from the private offshoot brands of our unique lifestyle brand JACK & MARIE, namely, JKM, a brand offering useful goods for car outings, interior goods and fragrances, and GORDON MILLER, a brand targeted at consumers who enjoy spending time in the garage. We will continue to develop products that will provide enjoyment to customers.

Q6

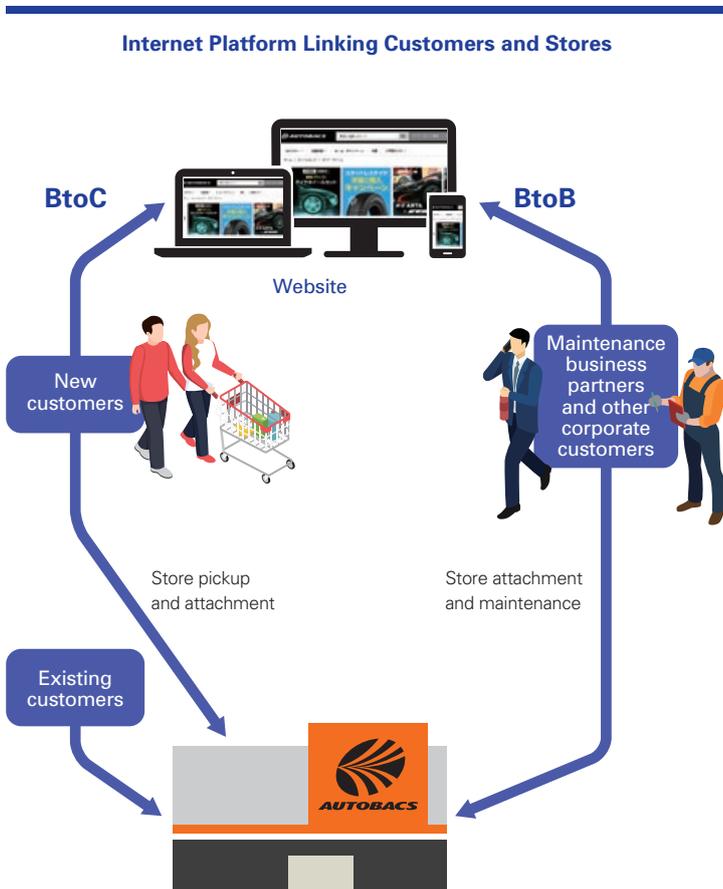
**What changes do you think need to be made to be more competitive?**

**We will increase our competitiveness by integrating online and physical stores.**

In recent years, we also face intense competition with other industries such as online shopping companies. Physical stores are, however, still indispensable for cars in terms of attaching automotive goods, statutory safety inspections, maintenance, and other aftercare services. That said, online businesses cannot be ignored in the coming years. A key factor for remaining competitive will be how we integrate physical and online stores so that they better demonstrate their respective strengths.

Therefore, I have made strengthening our online business one of our priorities. In particular, we will establish a platform for providing tires and wheel sets as well as products procured overseas to both individuals and corporations and expand our customer base. We will also enhance systems to sell products online and attach the products at the stores of the Company Group. We will ensure that we secure customer reservations for attaching products at the stores, so that online and physical stores can be integrated, which in turn will lead to more efficient personnel assignments and operations at the stores.

We will need to further raise the stores' capabilities of service bay in order to scale up these initiatives to our franchisees. During the period of the Medium-Term Business Plan, I wish we build up the foundation of a platform that integrates online and physical stores.



Q7

**What measures are you taking to secure human resources?**

**The training institution we established for securing mechanics as our priority is now in operation.**

Of the approximately 10,000 employees of the Company Group, approximately 3,800 people are certified mechanics. As personnel shortages become more serious with the acceleration of the declining birthrate and aging population, it will become a significant challenge to secure mechanics for further increasing our capabilities of service bays.

Foreseeing such circumstances, we established Chain Growth Co., Ltd. in March 2017 as an institution for fostering and training mechanics who will be dispatched within the chain and developed schemes for them to acquire the certification of mechanics in a short period of time. We also train overseas technical trainees into mechanics and actively accept them at AUTOBACS stores. As of the end of March 2018, we welcomed more than 120 trainees from our partner school in the Philippines. Furthermore, we put spotlight on automobile mechanics and have selected "AUTOBACS GUYS," a select group of mechanics from all of our stores who epitomize AUTOBACS' "professional and friendly" services, to appear in a TV commercial. Through such initiatives, we foster pride in working as an automobile mechanic at AUTOBACS stores.

Q8

**How are you promoting the sales of statutory safety inspections which provide opportunities for contact with customers?**

**We are improving the way we approach our roughly 7.63 million members.**

The Company Group has approximately 7,630,000 members who visit our stores at least once a year. This number indicates that there is still a lot of room for increasing the number of statutory safety inspections. We are thus striving to differentiate our unique safety and security services, including repair and replacement warranties for flat tires and window glass and bumper scratches as well as post-inspection maintenance services at reasonable prices. We are also engaged in ongoing activities to encourage customers who have previously signed up for statutory safety inspections to reserve follow-up inspections and approaching visiting customers at the stores. The number of statutory safety inspections in the market decreased in the fiscal year ended March 2018. It will, however, conversely increase in the fiscal year ending March 2019, and therefore, we intend to give particular focus on selling statutory safety inspections. We will enhance our 15-minute inspections at the service bays as well as training and education on operations for these inspections.

Q9

**What progress has been made by your overseas business which you position as your future growth business?**

**We will strengthen our wholesale business and aim to achieve a surplus in two years.**

We are expanding our overseas business, especially in the ASEAN region. In the fiscal year ended March 2018, we not only continued to operate AUTOBACS stores but also began conducting businesses with our partners. In Thailand, we formed a capital and business alliance with the P.T.G. Group, a leading local gas station chain, and opened small stores on its premises providing mainly maintenance services. We plan to open 20 stores in the fiscal year ending March 2019. In Singapore, we opened in-store shops at existing gas stations and commenced vehicle maintenance services for car sharing companies. We also began whole-selling to home centers and supermarkets. In China, we invested in Guangdong CarHouse Industrial Development Holdings Co., Ltd. that develops platforms for selling products to maintenance plants and car-washing sites, and began finding new purchasers and developing private-brand products.

Up to now we have been expanding our business by bringing our retail business format in Japan to overseas. Nowadays, the products sold under the AUTOBACS brand, the No. 1 brand in the Japanese market, are beginning to receive positive reviews overseas. In this light, we will expand the countries where we do business, work on developing private-brand products for boosting the wholesale business, and aim to put the overseas business into a surplus in two years.

Q10

**How are the used car purchasing, imported car dealership, and BtoB businesses?**

**The imported car dealership business recorded steady growth. We will reform the earnings structure of the used car purchasing and BtoB businesses.**

The imported car dealership business we entered by acquiring a BMW dealership has received positive reviews from importers and is expanding its geographic coverage in the form of attracting customers mainly in the Tokyo metropolitan area. The positive reviews owe not only to our financial strength but also to the experience and know-how we have gained from our contacts with customers at the stores. We will take steps to increase efficiency such as exchanging inventories and human resources among dealerships. In terms of creating synergies with AUTOBACS businesses, we will, for example, make use of the dealerships to improve the quality of our customer and pit services.

Stores specializing in used car purchases have not made progress as planned. It has been difficult to assign human resources who are knowledgeable about the operations including appraisals. Furthermore, the cost of purchasing used cars has exceeded our expectations. AUTOBACS still hopes to meet the needs of customers who are looking to sell their used cars or be introduced to a new car when debating whether to get a statutory safety inspection, replace their car or get rid of their car. At the same time, we have to make improvements to avoid excess spending and not yielding a profit. Thus, from the year ending March 2019, we will transfer this business to the domestic AUTOBACS business and strive to improve earnings including closing unprofitable stores. We will shift to a business model of operating used car purchase stores on the premises of AUTOBACS stores that are run by franchisees while holding down investment and cost.

The BtoB business is seeing a rise in home center and other customers. However, logistics expenses and purchasing costs are putting downward pressure on earnings. We will switch to high-selling and profitable products and review the terms with customers for unprofitable transactions.

Q11

**Lastly, what is your outlook for the fiscal year ending March 2019 and your aspirations for the future?**

**We will ensure that the increased business activities of franchisees are not temporary and lead to increases in revenue and profit.**

As I stated at the beginning, our focused efforts to bring life back to franchisees are beginning to yield results. In the fiscal year ending March 2019, we will make even more changes benefiting customers as part of our efforts

to increase the business activities of franchisees. Specifically, we will focus our efforts on strengthening tire and statutory safety inspection sales and renovating our stores. Store renovations are not simply remodeling; they will offer products based on the three values provided to customers and enhance customer services and operations so that customers can shop in comfort. Meanwhile, headquarters will continue to develop products, carry out store optimizations and consolidations in the respective geographic areas, and improve the earnings of domestic store subsidiaries. We will also give priority to establishing a platform that integrates online and physical stores. Overseas, we will make efforts to expand our wholesale business.

Through these initiatives, for the fiscal year ending March 2019, we anticipate net sales of ¥215.0 billion, up 1.6% year on year, operating income of ¥9.0 billion, up 23.6%, and net profit attributable to owners of parent of ¥6.8 billion, up 25.8%.





**We will implement the measures under the Medium-Term Business Plan to improve profitability in excess of our cost of capital.**

**Isao Hirata**

Director and Senior Managing Executive Officer,  
Head of Corporate Administration

**Q1**

**How has asset and capital efficiency improved?**

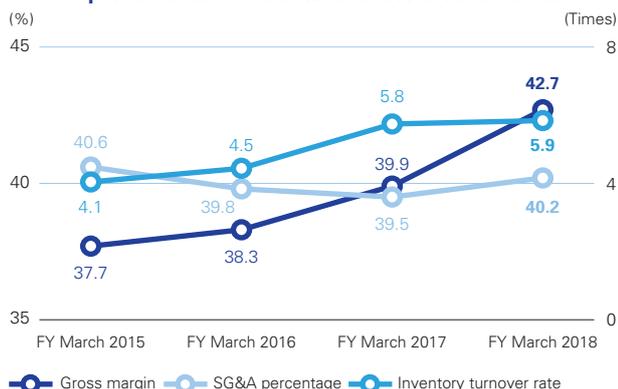
**Monitoring capital efficiencies of businesses. Contributing to improving ROE.**

The 2017 Medium-Term Business Plan considers improving capital efficiency to increase corporate value as a critical management matter, and aims to achieve a consolidated ROE of 7% by the fiscal year ending March 2020 as a checkpoint on the way to double-digit ROE in the future. To this end, ROE in the fiscal year ended March 2018 improved from 2.3% to 4.3% year-on-year.

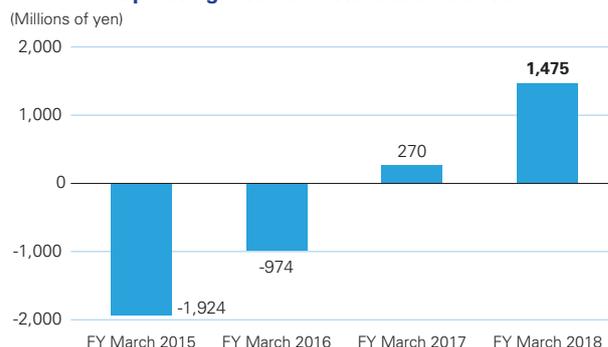
The Company Group sets our weighted average cost of capital (WACC) at 5.6% (tentatively during the plan) and, in principle, establishes business plans bearing that in mind. In managing the performance of each of our businesses including the overseas business and new businesses, we will refer to ROA as an important indicator. Based on business profitability and asset usage efficiency for a given length of time, we set KPIs connected to target ROAs and the operating income of each business and seek to improve the profitability of management resources.

As an outcome of these initiatives, gross margin improved significantly in the fiscal year ended March 2018 thanks to factors such as controlling selling prices by store subsidiaries and improving the inventory turnover rate through reducing dead stock. As a result, operating income improved.

**Improvements in indicators for store subsidiaries**



**Operating income of store subsidiaries**



Q2

**What cost reductions were made at the administrative departments?**

Meanwhile, in the fiscal year ended March 2018, we implemented measures to decrease the wholesale gross margin for franchisees only for one year in order to increase the business activities of franchisees, including strengthening product lineup and sales promotion. Supported by these initiatives, the profits of franchisees improved greatly and wholesale sales also recovered. This has created a virtuous cycle in which a robust retail business leads to a robust wholesale business. In the fiscal year ending March 2019, we will reduce the wholesale gross margin to the original level, while using the funds to make focused investments in promoting the sales of tires that are a necessity for cars and have many repeat customers, statutory safety inspections that will rise in demand, and renovations for store reforms to support the expansion of the earnings of each store.

**Progress in cutting IT maintenance costs**

For the administrative departments, we are planning ¥1.0 billion in expense cuts by the fiscal year ending March 2020 compared to the fiscal year ended March 2017 by undertaking measures such as promoting operational efficiency, IT cost reductions and purchasing reforms. In particular, in the fiscal year ended March 2018, we were able to cut IT maintenance costs by transitioning to a cloud system and reviewing maintenance coverage. On the other hand, we will promote our aggressive IT strategy designed to develop online sale platforms and to know customers and improve customer services as part of our business investment, and in doing so we will make clear investments with ROI in mind.

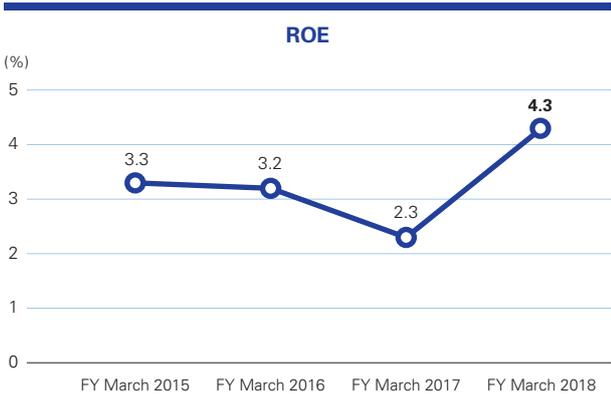
Q3

**What is your view on cash flow and shareholder returns?**

**Switched to performance-based shareholder returns while maintaining a high level of dividends**

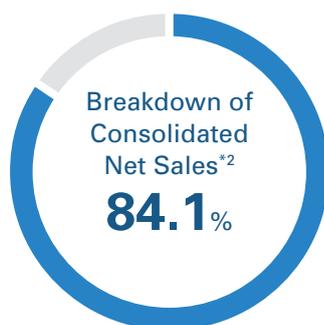
We switched our dividend policy for paying returns to shareholders from maintaining a consolidated DOE of 3% or higher to performance-based returns. Based on paying a stable dividend, dividend amounts are determined according to a consolidated dividend payout ratio of 50-100% and consideration of business performance. In the fiscal year ended March 2018, we continued the per-share dividend at ¥60 annually (consolidated dividend payout ratio 91.6%) based on this policy. The same amount is planned for the fiscal year ending March 2019.

During the three years of the 2017 Medium-Term Business Plan, we plan to make a business investment of approximately ¥21.0 billion in store reforms, overseas business and development of new businesses. With regard to cash on hand, ¥25.0 billion for working capital and planned business investments is considered the optimum level. We will reduce any surplus funds by paying returns to shareholders flexibly through the end of the fiscal year ending March 2020. Based on this view, we will secure a certain level of equity capital that is considered a sound financial base enabling agile financial strategies, while at the same time, expand profits to swiftly improve profitability which exceeds the cost of capital.



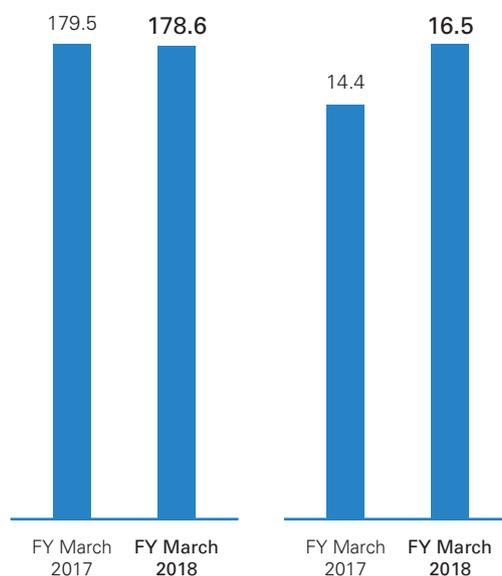
# At a Glance

## Domestic AUTOBACS Business

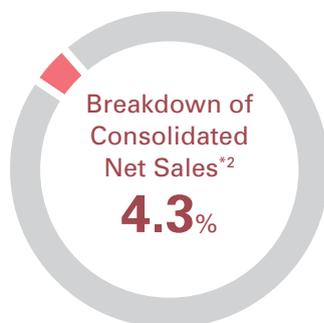


Net Sale  
(Billions of yen)

Operating Income\*1  
(Billions of yen)

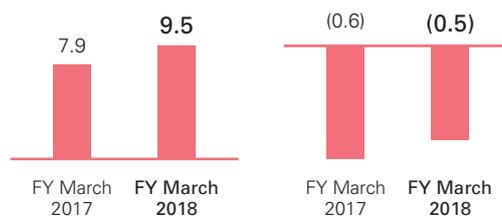


## Overseas Business

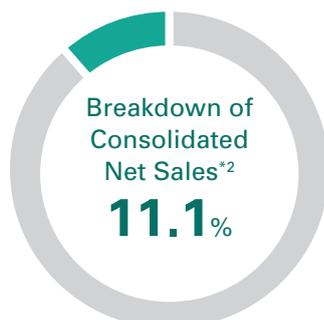


Net Sale  
(Billions of yen)

Operating Income\*1  
(Billions of yen)

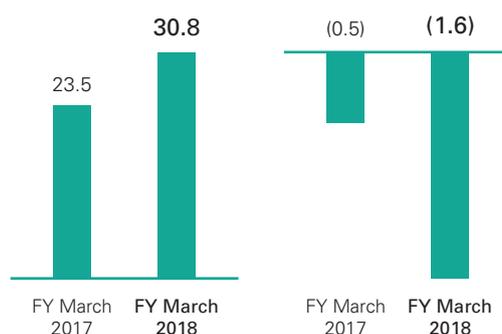


## Car Dealership, BtoB and Internet Business



Net Sale  
(Billions of yen)

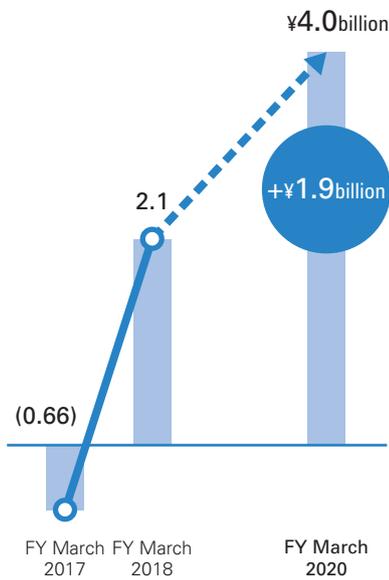
Operating Income\*1  
(Billions of yen)



\*1 Adjustments are not included.

\*2 Calculated by sales in which the transactions between segments are not included.

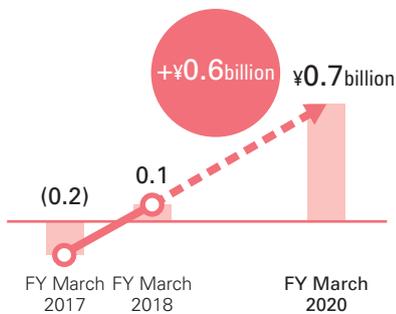
FY March 2017 to FY March 2020  
Operating Income Improvement\*<sup>3</sup> and Target



**Key Initiatives**

- Boost tire sales
- Strengthen the development and sales of private-brand (PB) products
- Expand sales of statutory safety inspections
- Improve profitability in automobile purchase and sales business
- Improve store operations
- Renovate stores
- Improve earnings at store subsidiaries
- Expand profits in new store formats

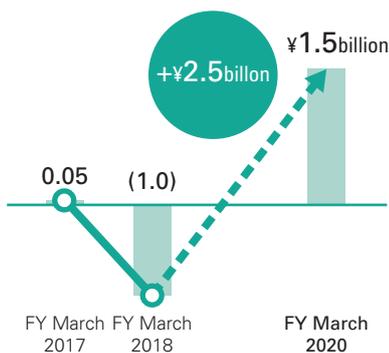
FY March 2017 to FY March 2020  
Operating Income Improvement\*<sup>3</sup> and Target



**Key Initiatives**

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

FY March 2017 to FY March 2020  
Operating Income Improvement\*<sup>3</sup> and Target



**Key Initiatives**

**Imported car dealer business**

- Renovate existing stores and bolster earnings
- Expand dealerships

**BtoB Business**

- Switch to best-selling products and those with high profit margins
- Develop new business partners

**Internet Business**

- Upfront investment in platform construction
- Improve existing internet sales website

March 2020 Targets  
Operating Income

¥ **12** billion

ROE  
**7** %

\*3 Improvements include ¥0.25 billion in corporate expenses (adjustments).

# Domestic AUTOBACS Business Product, Service, and Business Format Development

## Toward the Realization of Three Values

In offering the three values of “safety and security,” “experiential value,” and “self-expression” we aim to be a professional and friendly presence for our customers.

### Strengths

- Strong automotive goods store brand recognition
- 600 stores operated by highly experienced franchisees
- More than 10,000 employees well-versed in automotive goods, including over 3,700 mechanics
- Customer base and database of around 8 million people

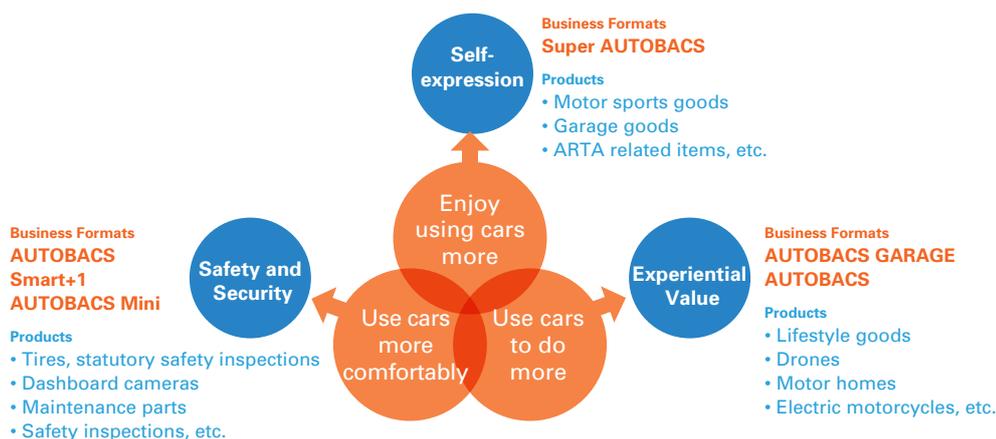
### Opportunities and Risks

- Falling birthrate and ageing population, as well as decline in working population
- Tougher competition in automotive goods retail market
- Customer enticement by manufacturers and dealers
- Growth of online sales market
- Changes in automotive after market driven by technological advancements
- Measures to prevent accidents from aggressive driving of others and heightened safety awareness
- Steady demand for statutory safety inspections and automobile purchases
- Rising purchase prices and distribution costs

## Summary of FY March 2018

Net sales in the domestic AUTOBACS business for the fiscal year ended March 31, 2018 dipped 0.5% year on year to ¥178.6 billion due to the factors including the transfer of shares of a consolidated subsidiary, which operates AUTOBACS chain stores, to a franchisee. However, total sales for the domestic businesses in the AUTOBACS chain, including franchise outlets, increased 1.3% on a same-store basis and overall-store basis. Segment profit also rose 14.3% year on year to ¥16.5 billion owing to earnings improvements at domestic store subsidiaries. In an effort to differentiate ourselves from our competitors in the maturing automotive goods market and attract

mainly younger-generation and family customers, we focused on providing the aforementioned three values in line with our Medium-Term Business Plan. Specifically, we offer the value of “safety and security” to meet the needs for comfortable car use, the “experiential value” for mainly outdoor settings with cars to meet the needs of our customers wanting to have fun with their cars, and the value of “self-expression” through cars to meet the needs for enjoying themselves even more with their cars. To this end, we are stepping up the development of new products and business formats.





## Strategy: Automotive Goods

### Products

#### Safety and Security

##### Enhancing tire lineup

To meet the basic “safety and security” needs of our customers for comfortable car use, we are endeavoring to expand our “AQ.” private-brand (PB) products mainly in consumables, such as maintenance products that need replacing regularly, like tires, engine oil, batteries, and wipers, as well as frequently used products like car-washing goods. Particularly with regard to tires, in addition to exclusive high-performance products, we are bolstering our lineup of fuel-efficient, low-cost PB products. Meanwhile, in light of social situations, such as the increase in elderly drivers,

we are leading the way in the industry to expand our offering of safe-driving products, with items such as the “Pedal Watcher” sudden acceleration prevention device and dashcams with built-in functionality to monitor wrong-way driving.



Tire



Pedal Watcher



Dashcams

#### Experiential Value

##### Developing lifestyle products based around cars

Cars let people enjoy trips and the outdoors and provide the means for consuming experiences. To meet the needs of our customers wanting to have fun with their cars, we launched the “JACK & MARIE” brand and its derivative brand “JKM” within the AUTOBACS chain and are focusing our efforts on developing and expanding our lineup of lifestyle products, such as those for leisure activities like camping and surfing, products that come in handy when driving, and goods for

car interiors, like fragrances. We are also commencing sales of products to be used once customers reach their destinations, such as electric motorcycles with pedals and drones.



JKM



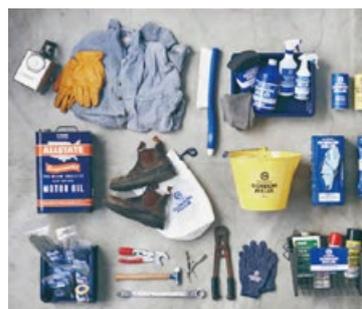
Drone

#### Self-expression

##### Expanding garage goods and motor sports products

We are expanding our lineup of high specialty products that focus on self-expression through cars, whether it be while driving or in the garage. We launched our “GORDON MILLER” brand, a derivative brand of “JACK & MARIE,” with the aim of developing and offering original items for use in the garage, such as car-washing products, DIY goods, storage, and pit stop tools. We also have an extensive range of tuning and dress-up parts for lovers of motor sports. Furthermore, we are newly marketing ARTA (AUTOBACS RACING TEAM AGURI) as a racing sports

brand and developing new products, such as racing goods and sportswear under this label.



GORDON MILLER

# ARTA

THE "BIG RACE" FOR RACING AGURI STARTED IN 1998. ALL THE ENERGY FOR THE FUTURE. OVER THE YEARS, IT HAS DEVELOPED THROUGH THE RECORDS AND WILL OF ARTA. IN "HART" SPIRIT, ARTA IS RACING TO MARK THE FUTURE OF MOTORSPORTS.

ARTA

## Strategy: Automotive Goods

### Store Formats

#### Safety and Security

##### Opening Smart+1 and AUTOBACS Mini stores

To meet the basic “safety and security” needs of our customers, we are developing and opening new store formats that offer only certain products and services and which can be operated at low cost. The first Maintenance Members-only “Smart+1” store that opened in February 2017 provides car maintenance services centering on hand car wash. Customers can wait in comfort in the café area. Also, in fiscal year 2017, we opened five “AUTOBACS Mini” stores to provide information about statutory safety inspections and car wash services to shopping center customers. With an emphasis on ease and convenience, we plan to open more low-cost stores in regions where there is demand as a way of increasing our interaction with customers.



CAR-REFRESH STORE  
**Smart+1**



**AUTOBACS**  
Mini

#### Experiential Value

##### Opening Japan’s first car-centric lifestyle shops

We renovated a AUTOBACS store and opened the AUTOBACS GARAGE FUCHU store as a new format to offer car-centric lifestyle goods and services in a space designed to look like a café. Customers somewhat unfamiliar with motor-ing can also acquire our friendly advice and guidance.

Meanwhile, with the aim of generating experiential value from enjoyable car use, we launched the “JACK & MARIE” brand as Japan’s first car-centric lifestyle shop to propose five situations: (1) packing, (2) loading, (3) enjoy indoor space when driving, (4) sleeping comfortably in the car, and (5) enjoying cafés at one’s destination. In conjunction with the sales launch of the brand’s original products on Japan’s largest fashion online retailer “ZOZOTOWN,” we opened the first brick-and-mortar store in March 2018 in the Yokohama Bay Quarter shopping center.

We plan to assess the results of these initiatives and gradually open more stores in these new formats, while also continuing to renovate our existing stores.



**AUTOBACS**  
GARAGE



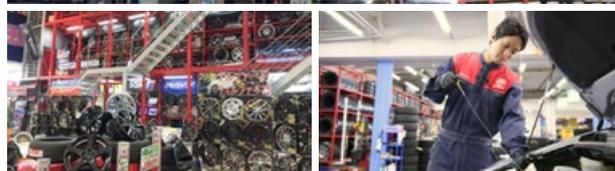
**JACK & MARIE**  
GO FOR A RIDE

JACK & MARIE store at Yokohama Bay Quarter

#### Self-expression

##### Addressing specialized needs at Super AUTOBACS stores

In meeting the highly specialized needs of self-expression, our Super AUTOBACS stores mainly 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 thanks to their overwhelming product lineup and display. The general counter also has professional staff members waiting to handle various requests and inquiries from customers in a friendly manner.

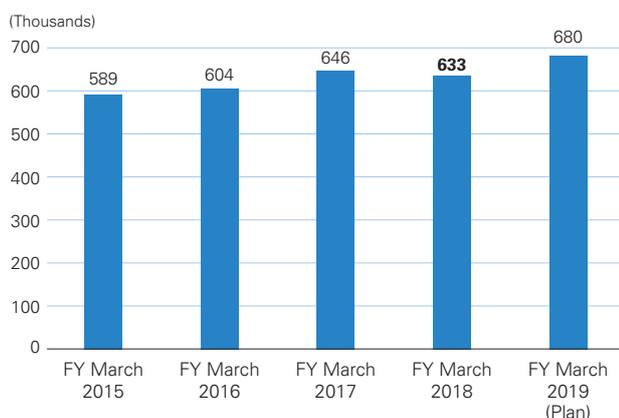


## Strategy: Statutory Safety Inspections

### Focusing on bolstering safety inspections business to address cyclical demand

As part of our statutory safety inspections and maintenance services to deliver safety and security to our customers, we selected a number of mechanics working at our service bays to be involved in our "AUTOBACS GUYS" television commercials and in-store safety inspection advertising campaign to convey their technical skills and passion for automobile maintenance. However, the number of statutory inspections performed in fiscal year 2017 dipped 1.9% year on year to 633,000 owing to a considerable decrease in the number of vehicles subject to inspections in Japan

#### Statutory Safety Inspections Performed (all-stores basis)



during the same period.

As fiscal 2018 will see a cyclical increase in the number of cars subject to safety inspections, we are stepping up efforts to inform our Maintenance Members about this. In addition to encouraging customers to make online bookings or over the telephone, we continue to implement training courses for our mechanics in order to make our "15-minute inspections" at service bays and store operations even more efficient. We also offer Maintenance Members that have completed a statutory safety inspection an additional layer of safety with our "Three Relief Star Compensation" service to deliver free damage compensation for one year up to a certain amount for any damage to tires, window glass, or bumpers. Moreover, we are implementing proactive sales activities at each store, such as encouraging customers who have completed their safety inspection to make a booking for next time, as well as taking good care of customers upon arrival at our stores.



AUTOBACS GUYS



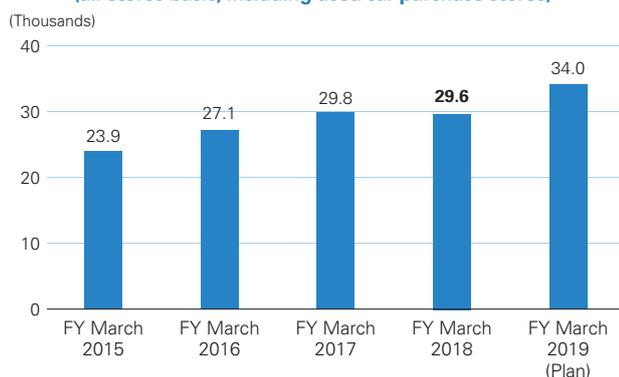
## Strategy: Automobile Purchase and Sales (C@RS)

### Structural shift to operating model for curbing investment costs

At mainly our existing AUTOBACS stores we provide a secure, simple, and transparent car purchasing service based on our patented appraisal system (Appraisal Dr.). We are also operating automobile purchase and sales stores under the "AUTOBACS C@RS" brand, which on top of car purchases, offer sales and leasing services too.

In fiscal 2017 we sought to differentiate ourselves in

#### Automobiles Purchased and Automobiles Sold (all-stores basis, including used car purchase stores)



the car purchasing market by leveraging television commercials, but owing to changes in purchase appraisal personnel and a decline in sales to used car dealers at auto auctions and the like, sales volume at AUTOBACS C@RS franchise stores fell 11.6% year on year to 24,000 units. In terms of earnings, losses increased due to the number of appraisals falling short of plan and the booking of upfront costs associated with store openings.



Still image from television commercial

## Domestic AUTOBACS Business

# Store Operations

## Promoting Store Operational Reforms

In order to be professional and friendly and construct a relationship with our customers so they visit our stores time and time again, we are promoting reforms of our store operations based the opinions of our customers.

### Summary of FY March 2018

In terms of store operations, more than 100 counselors (supervisors) are deployed from two sales headquarters—one for the eastern half of Japan and another for the western half—to sales divisions in 12 areas across the country. The counselors visit stores once or twice a week to provide support on formulating and implementing store restructuring based on headquarter policies. The counselors leverage customer opinion data from the Customer Voice Program and analyze Maintenance Member data to provide guidance on stocking top-selling items (in each area and at individual stores) and creating sales-floor displays with the goal of boosting store sales

share and strengthening their earnings capabilities.

In fiscal 2018, we informed our customers in advance of a shipment price hike by a tire manufacturer owing to skyrocketing raw material prices and successfully endeavored to work with our customers on sourcing products with more affordable prices. As a result, tire sales remained brisk. Sales of dash cams also increased due to the reporting of accidents from aggressive driving of others and accidents involving drivers going the wrong way. At the same time, in addition to tackling the key issue of improving store earnings, we pushed ahead with regional store restructuring and reorganization.

### Store Support and Guidance

In the domestic AUTOBACS business, 576 stores are operated by 77 franchisees (including 15 subsidiaries), while 27 are operated directly by AUTOBACS. Based on an annual marketing plan drawn up by the Company, which serves as the franchise headquarters, each store runs flexibly taking into account factors such as changes in weather and social circumstances, as well as regional customer demand. Within the Company's eastern and western sales headquarters, a total of 12 sales divisions

have been established and counselors for each area provide guidance and support for stores in their area.

Our Medium-Term Business Plan calls for stronger sales of tires, statutory safety inspections, and car-related lifestyle products at existing AUTOBACS chain stores and the Company provides support for stocking items that are in peak demand, creating sales-floor displays, implementing marketing activities, and even offers daily operational support.

### Store Renovations

In fiscal 2019 and 2020, in conjunction with store operational improvements, we plan to renovate stores by incorporating the know-how we acquired during the process of developing new products and new store formats. In terms of physical upgrades to our stores, in order to have our customers recognize our professional and friendly presence, we are cleaning up in-store service bay areas and toilets, refurbishing customer waiting corners, and expanding sales displays of lifestyle products.

Example of waiting corner refurbishments



Before



After



## Customer Voice Program and Operation Management

### Harnessing customer opinions to improve services and develop products

In order to generate an AUTOBACS Group culture that enables us to act as a professional and friendly presence, we launched our Customer Voice Program to collect the opinions of customers that visited our stores. Customers access and answer a survey via the barcode on their shopping receipt, which we use to develop products and improve in-store customer interactions, product lineup, and facilities.

For example, at a store where a customer highlighted the long waiting time before they could speak to a staff member, staffing and time-management operations are reviewed. A follow-up examination is conducted on changes in purchase trends and improvement results are verified. We have also implemented the AUTOBACS AWARDS system to recognize outstanding stores and staff members. The assessment criteria for the awards

are based on the analysis of items that correlate strongly with customer satisfaction across all stores, such as accurately informing customers of waiting times and delivering polite greetings to customers when welcoming and sending off.

### Customer Voice Program and Operation Management



## Management Improvement at Store Subsidiaries

### Exhaustive measures for improving ROA

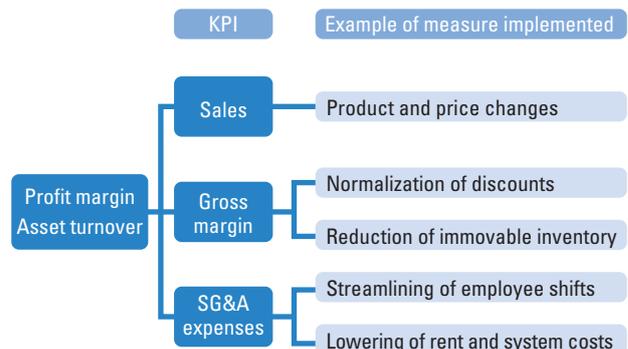
ROA is an important metric for the Group's subsidiaries and stores, which is why we set conditional KPIs and engage in performance management. For store earnings too, from an ROA perspective we focus on profit margin and asset turnover and make sure that improvements are achieved in the key KPIs of sales, gross margin, and SG&A expenses.

For sales, we make appropriate product and price changes depending on market demand, while for gross margin, we do not offer excessive over-the-counter discounts and make every effort to reduce immovable inventory and curb disposal losses. With regard to the normalization of inventory, an especially important issue for the Group, we strive to manage inventory on a standalone product basis and increase our stock of products with a high inventory turnover rate, while at the same time, more accurately reducing stock that has a low inventory turnover rate. As for SG&A expenses, we make good use of data collected through our Customer Voice Program to improve store productivity by streamlining work shifts

and operations. We are also working to curb indirect costs such as rent and system costs.

We have extended these initiatives from store subsidiaries to franchisee stores and observed considerable earnings improvements at all stores in fiscal 2018.

### Example of Measures for Improving ROA



## Overseas Business

# Strengthening Our Business Platform Mainly in the ASEAN Region

We are beefing up our business platform mainly in the ASEAN region, which continues to enjoy economic growth, with core operations in retail, services, and new wholesale businesses through capital and business tie-ups with leading local firms and joint venture operations.

### Strengths

- Top brand in Japan
- Close relationships with suppliers in Japan
- Many years of retail business know-how in overseas markets
- Tightly knit network with partners in various countries

### Opportunities and Risks

- Economic growth and population increase in emerging countries
- Few major rival firms
- Highly flexible types of services and methods of service offering
- Strong growth in online sales markets
- Fierce price competition
- Knowledge of local customer needs

## Summary of FY March 2018

Net sales in our overseas business increased 20.0% year on year to ¥9.5 billion for a segment operating loss of ¥0.5 billion (vs. a loss of ¥0.6 billion in fiscal 2017). Our 2017 Medium-Term Business Plan identifies the overseas business as a new growth pillar for the Group and we have strengthened alliances with local automotive goods and services-related firms in each region and pushed ahead with businesses tailored to local needs, including the

opening of stores and the offering of products and pit services.

Particularly in the ASEAN region, there is a growing awareness of AUTOBACS as Japan's leading brand of automotive goods and services. We are leveraging this recognition to actively develop and manufacture AUTOBACS-branded products for wholesale in existing and new markets in the region in an effort to further expand earnings.

## Retailing and Services Business

### Overseas AUTOBACS stores

As of March 31, 2018, the AUTOBACS Group operates 41 stores in seven overseas regions, selling automotive goods and offering maintenance services.

Depending on the state of development of car culture in each region, our stores may be large or small and offer a different lineup of products.



France AUTOBACS HERBLAY store



Singapore AUTOBACS UBI store



Singapore (maintenance of car-sharing vehicles)



### Alliances with local partners

Each country is different when it comes to the automotive goods and maintenance service market. We provide goods and services that meet the needs of local customers and have business tie-ups with local partner firms in each region to secure revenue. In Thailand, we are opening stores in collaboration with the PTG Group, the country's second-largest gas stand

operator. In Malaysia, we are working with the Kit Loon Group, a leading tire wholesaler, to provide products to AUTOBACS stores in that country. We are also delivering products to Kit Loong stores. Elsewhere, in the Philippines we are supplying products to the Motech Group, a local operator of automotive goods and maintenance stores.



PTG Group gas stand and adjoining store (Samut Prakan No. 4 Store)



Kit Loong store



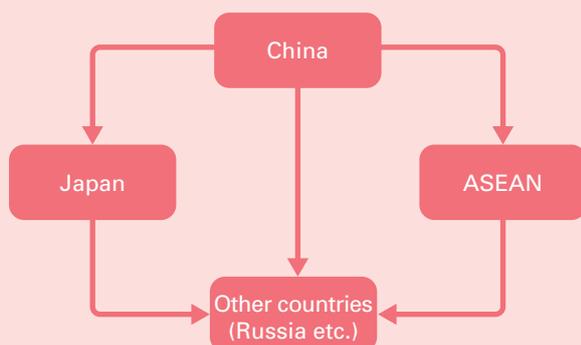
Motech store

### New Business (Wholesale)

As a new business overseas, we are continually expanding the provision of services to retail stores and local firms and the wholesaling of products developed and manufactured in various regions.

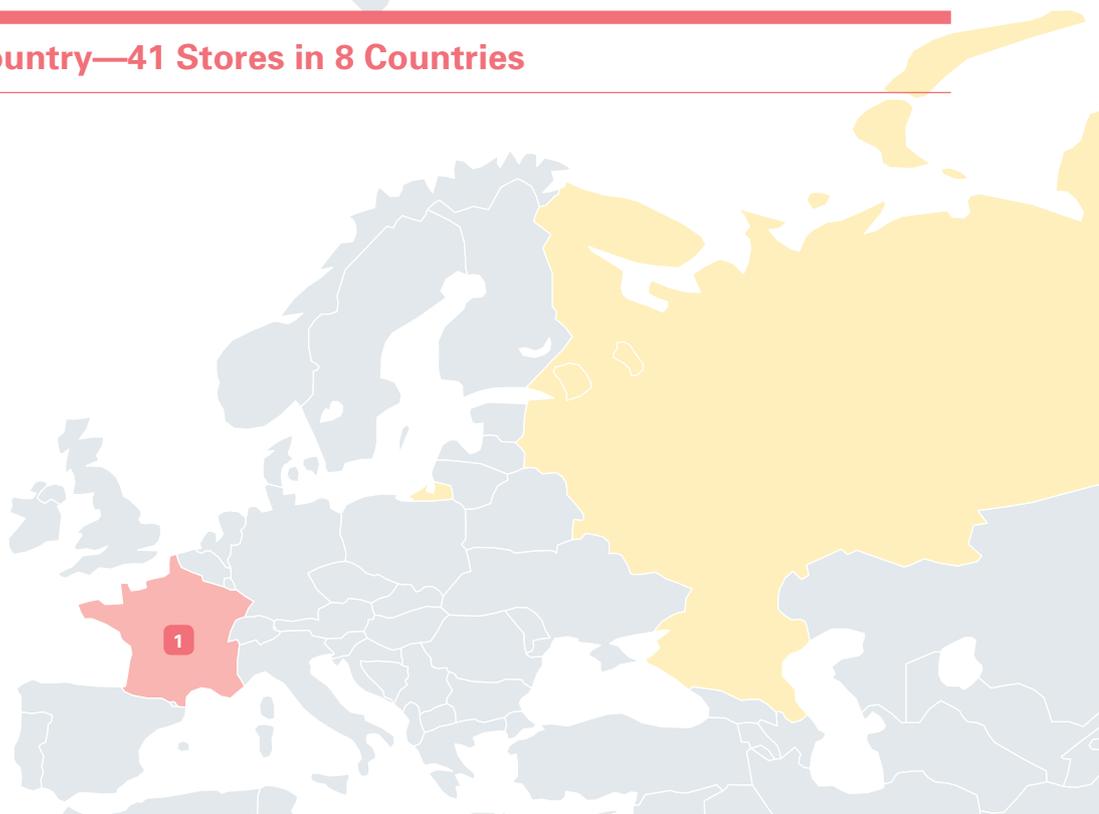
For example, we are also focusing on the wholesale business, including oil products for Russia sourced in Japan and brake pads for Indonesia manufactured in

China. In China, we have entered into a business alliance with a company that operates an automotive goods sales and services platform and manufactures and sells car air fresheners. In addition to distributing products via this company's sales channels, we are also starting to consider the manufacturing and sale of products under our own brand.



Engine oil for the Russian market

## Developments by Country—41 Stores in 8 Countries



### France 1

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	¥19 million (FY ended March 2018)	

#### Current Status and Future Direction

The subsidiary is establishing area dominance with 11 large stores located outside the ring road that encircles central Paris. Online sales of tires are growing in France, so to counter this trend, AUTOBACS is ramping up its tire and pit services and propelling a strategy targeting female customers and families.

### Taiwan 2

Number of stores	6 (Franchisee: 6)	
First store opened in	1991	
Operating company	Franchisee	
Ownership percentage	—	
Operating income	—	

#### Current Status and Future Direction

AUTOBACS stores are operated by a franchisee, similar to those in Japan. The Company will continue to provide support for merchandise supply and store management from Japan, as it endeavors to spread the AUTOBACS brand.

### Thailand 3

Number of stores	9 (Subsidiary: 9)	
First store opened in	2000	
Operating company	SIAM AUTOBACS Co., Ltd.	
Ownership percentage	AUTOBACS SEVEN: 49.87%	
Operating loss	¥104 million (FY ended March 2018)	

#### Current Status and Future Direction

Operations consist of a flagship store and small-scale stores in small market areas in the capital, Bangkok. In fiscal 2018, three new stores were opened, while two were closed down. Owing to ongoing collaboration between newly opened small stores and the existing large store, both sales and gross profit are increasing. In conjunction with the opening of a shopping mall store by alliance partner PTG Group, the subsidiary aims to expand market share and boost profit.

### Singapore 4

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	¥108 million (FY ended March 2018)	

#### Current Status and Future Direction

In Singapore, where car ownership is expensive, AUTOBACS stores similar to those in Japan are being opened to target upper-middle-income earners. In fiscal 2018, in addition to the opening of stores at gas stations, the subsidiary expanded its wholesale business to local home improvement stores, supermarkets, and gas stations. The subsidiary also secured a contract to provide maintenance services for vehicles used by a local car-sharing company.



## Malaysia 5

Number of stores	5 (Subsidiary: 5)
First store opened in	2012*
Operating company	AUTOBACS MALAYSIA SDN. BHD.
Ownership percentage	AUTOBACS SEVEN: 100%
Operating loss	¥48 million (FY ended March 2018)



### Current Status and Future Direction

Store development is being pursued through a subsidiary and a Japan-based franchisee. In fiscal 2018, two stores were opened in Johor, one of the fastest developing states of Malaysia. Sales are brisk at the new stores and efforts are being made to expand earnings by closing unprofitable existing stores.

\*Opened by a Japan-based franchisee.



## Indonesia 6

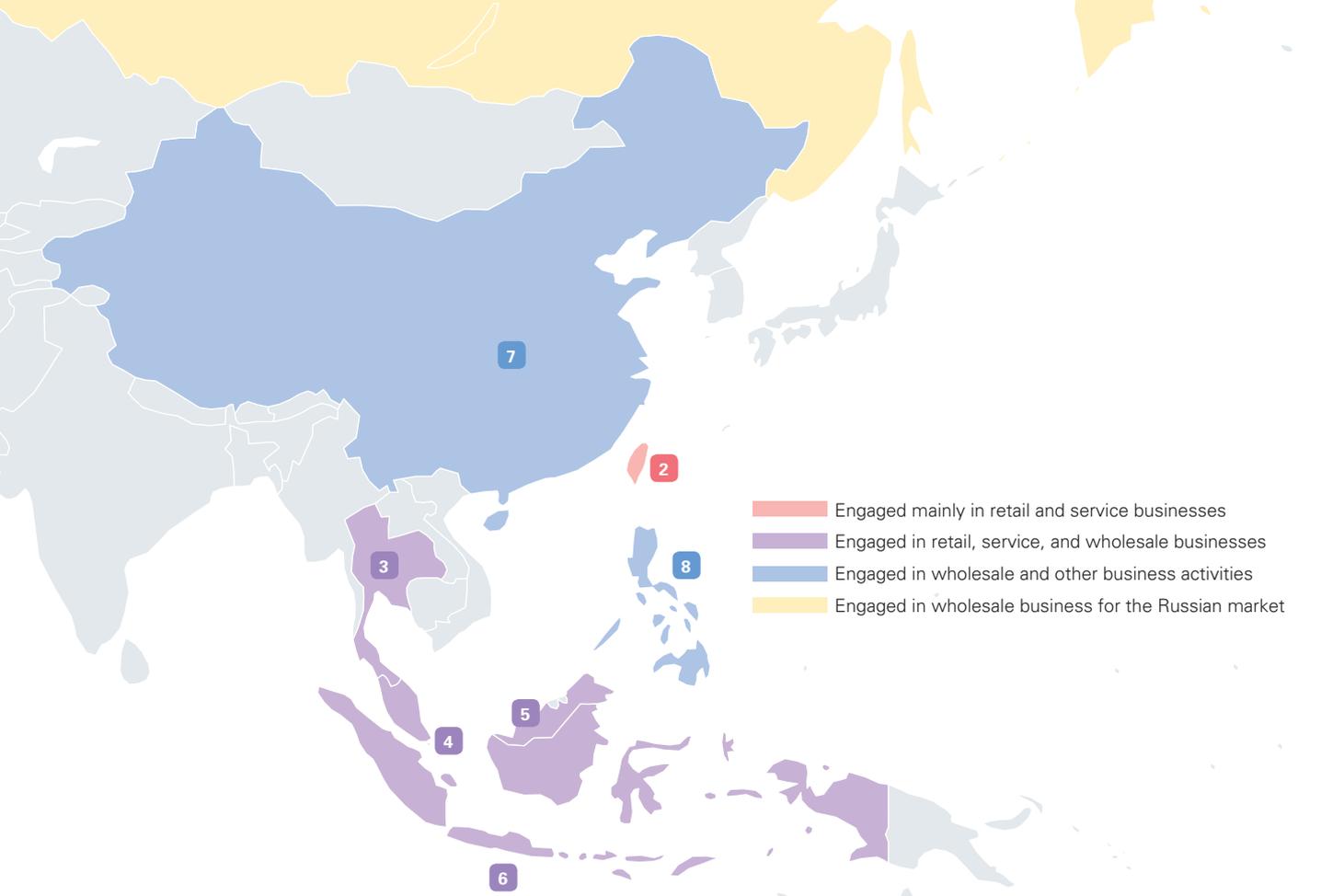
Number of stores	4 (Sublicensed stores: 4)
First store opened in	2015
Operating company	PT. AUTOBACS INDOMOBIL INDONESIA
Ownership percentage	AUTOBACS SEVEN: 49.00%



### Current Status and Future Direction

Owing to restrictions on foreign investment in the retail sector, we operate in Indonesia through a joint venture formed with INDOMOBIL Group\*. Four stores were opened under a sublicensing agreement with Salim Group, a major retailing enterprise.

\* A prominent local automotive-related company group with which the Company entered into a business collaboration in August 2013.



## China 7

### Current Status and Future Direction

We entered the Chinese market in 2004 but closed all of our stores by the end of fiscal year 2015 in order to reorganize our retail business. However, our automotive goods trading business remains in operation, which recorded an operating loss of ¥2 million in fiscal 2018. We will continue to develop the trading business and strengthen our supply of merchandize to Japan and other parts of Asia.



## Philippines 8

### Current Status and Future Direction

In January 2016, AUTOBACS entered into a capital and business alliance with the Motech Group, a local provider of automobile maintenance services. Under the law of the Philippines, the Company Group itself cannot open stores, therefore going forward, the Group will offer brand licenses, wholesale certain products and provide support for store network development to local stores. In addition, the Group will develop its business mainly by wholesaling merchandise to the Motech Group.

# Used car buying, dealer, and BtoB Business

## Developing Future Earnings Pillars

We are nurturing our imported car dealer and BtoB businesses as new growth drivers – areas in which we expect to leverage the strengths of the Company Group and realize synergies with the domestic AUTOBACS business in the future.

### Strengths

- AUTOBACS brand recognition, reliability, and financial strength
- Retail sector services, and know-how on customer service and treatment
- Collaboration with existing AUTOBACS stores
- Product procurement capabilities and extensive product lineup

### Opportunities and Risks

- Realignment of automobile dealer industry
- Tough price competition due to fierce competition from peers
- Rising purchase prices and distribution costs
- Expanding online automotive goods market

## Summary of FY March 2018

Net sales in the used car buying, dealer, and BtoB business increased 30.9% year on year to ¥30.8 billion for a segment operating loss of ¥1.6 billion (vs. a loss of ¥0.5 billion in fiscal 2017). Operations continue to steadily expand in the imported car dealer business, including an increase in the number of dealerships owing to a business

acquisition, but losses in the BtoB business have widened and remain an issue up ahead. While we will endeavor to continually expand these new growth businesses, we also intend to focus on initiatives aimed at improving earnings in the BtoB business.

## Imported Car Dealer Business

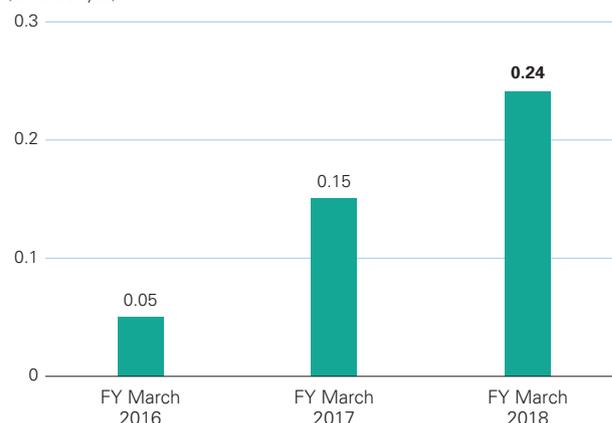
### Expanding BMW/MINI dealer operations

In recent years, non-Japanese car makers have successively rolled out compact vehicles and as a result, sales of these models are increasing in Japan. In this market environment, we entered the imported car dealer business in April 2015 and are expanding our operations with the acquisition of trading rights for three dealerships in Tokyo in fiscal 2018. We are currently an official BMW/MINI dealer with a total of 11 locations in Japan, six of which are in Tokyo and the other five in Tochigi Prefecture.

Furthermore, we are steadily expanding earnings by melding imported car dealer brands and hospitality with the sales and management know-how of AUTOBACS. Going forward, we intend to strengthen collaboration between dealerships and further expand earnings by adding more locations to our network.

### Operating Income at Two Imported Car Dealer Subsidiaries

(Billions of yen)





## BtoB Business

### Developing a wholesaling market outside of the AUTOBACS Group

In fiscal 2018, we engaged in the wholesaling of merchandise to AUTOBACS Group stores, home improvement stores, and discount stores through our consolidated subsidiaries Cores International Inc. and Palstar K.K. The former handles various automotive goods such as motor sports products, while the latter deals merchandise including oil and repair paint, etc.

While wholesaling to home improvement stores increased in fiscal 2018, profit declined mainly as a result of higher oil purchasing costs and distribution expenses. Subsequently, we intend to improve earnings by switching to top-selling products and merchandise with high profit margins and at the same time by reviewing distribution and transaction conditions. We also aim to expand this business by focusing on increasing sales of parts to repair shops through e-commerce channels.



## Internet Business

### Building a platform to further expand BtoC and BtoB businesses

The internet business was separated from the domestic AUTOBACS business in fiscal 2019 to strengthen existing online sales channels with a core focus on tires, the Company's mainstay product. In addition, we are upgrading our existing website and developing a platform with the aim of turning it into a new source of earnings that will contribute to the expansion of the BtoC and BtoB businesses in the future.



AUTOBACS.COM

### Migration of Used Car Purchasing Business

From fiscal 2019, the used car purchasing business was moved to the domestic AUTOBACS business and some unprofitable stores have been closed in an effort to improve earnings. We are pushing ahead with a structural shift to an operating model that keeps down investments and costs at franchise store premises.

# Our Approach to ESG

Owing to the 2015 Paris Agreement and the adoption of the SDGs (Sustainable Development Goals), requirements of the international community and frameworks relating to SRI (socially responsible investment) and ESG (environment, social and governance) are changing rapidly. An increase in the number of signatories to Japan's Stewardship Code is also prompting companies to be more proactive in implementing ESG initiatives.

We take a broad view of the issues of society and strike the right balance between business and social contributions. In this way, we aim to tackle the various problems our world faces and contribute to a sustainable society.



## Relationship with Social Issues

### Our approach to the SDGs

All member states of the United Nations are expected to work towards achieving the SDGs by 2030 in areas such as poverty, energy, and climate change. We take stock of our materiality relationship with the SDGs, 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.

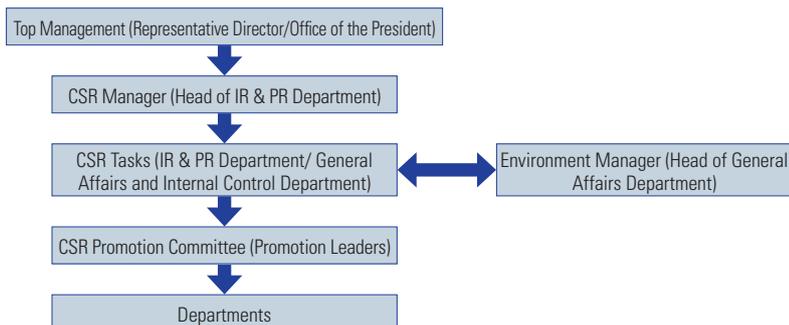
# Social Capabilities of AUTOBACS SEVEN

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 >](#)



## CSR Management System



CSR Promotion Committee meeting

\*CSR Promotion Leaders are selected from each department.  
Six committee meetings were held in fiscal 2018.

# 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 CO<sub>2</sub> emissions in our business processes and recycling of used products SDGs

### SDG Targets



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



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



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

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

AUTOBACS SEVEN is committed to activities with considerations to environmental conservation in carrying out its business activities on sales of automotive related goods, car maintenance and inspections and car sales.

- The Company will grasp the environment impacts of its business activities to determine the objectives, targets and plans for continuous improvement of environmental conservation activities.
- The Company will comply with laws, regulations and other requirements pertaining to the environment.
- The Company will put priority particularly on the following actions to reduce the relevant environmental impacts among those arising from its business activities.
  - Promotion of energy saving practices and reduction of greenhouse gas emissions
  - Reduction of waste emissions and promotion of 3R activities
  - Development of environmentally-friendly goods and services and sales promotion of such products and services at stores
- The Company will endeavor to prevent environmental pollution.
- The Company will give education to and raise awareness among all its personnel so that they will proactively address the environmental and social issues in an attempt to build a sustainable society with harmony between people and cars.

## Activities in FY March 2018

### 1. Product Initiatives (less packaging) Saving resources by reducing packaging

The volume of packaging, including plastic bags provided at cash registers, used by the AUTOBACS Group in fiscal 2018 increased 27.5% year on year to 211.7 tons. We continue to seek customer understanding and cooperation in reducing the use of plastic bags mainly by asking our customers whether they require one when they purchase our products. We are also continuing to reduce the volume and review the materials used to package our private brand products.



#### Volume of Packaging Used at AUTOBACS Chains and Headquarters



### 2. 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.



### 3. Recycling Used Tires

#### Manufacturing and consumption responsibility

Every year in Japan there are around 100 million used tires, the equivalent of one million tons. The used tires we collect from customers at AUTOBACS stores are shredded into small chips by waste disposal companies and recycled as fuel mainly at cement plants and paper mills (91% of used tires in Japan are recycled).

### 4. 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 year we take part in a cleanup operation with the NPO Fujisan Club. In fiscal 2018, 41 volunteers participated in the 17th cleanup.

#### September 10, 2017 Activity Report

The morning session took place in Aokigahara forest. A lot of old rubbish had been thrown on to the banks of the road and in some cases, wedged deep into molten rock formations, a topographical feature of the area. Rubbish was collected from the roadside inclines in bags and loaded onto a truck. All up, 460kg of rubbish was collected.

The afternoon session involved cleaning at the NPO Morinogakkou. Based on the desire to do something useful for Fujisan Club leveraging the strengths of the AUTOBACS Group, we washed the vehicles owned by Fujisan Club, cut the grass at Morinogakkou, and cleaned their windows.



### 5. Reduction of CO<sub>2</sub> Emissions

#### Electric vehicle charging stations

We have installed electric vehicle charging stations at 102 AUTOBACS Group stores (as of March 31, 2018). On top of enhancing convenience for our EV and PHV customers, we aim to contribute to a sustainable society where humans and cars are in harmony with the environment by promoting environmental conservation activities across the entire Group.

#### Initiatives in distribution

When transporting products not requiring express delivery, we make use of rail freight containers instead of trucks to reduce CO<sub>2</sub> 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 CO<sub>2</sub> 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 CO<sub>2</sub>. Total power generated in fiscal 2018 was approximately 1.4 million kWh.



### 6. Addressing Food Waste with Donations of Emergency Food Provisions

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 stored 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.



# 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.

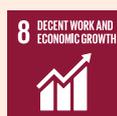
## Key Themes

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

## Activities in FY March 2018

Number of Annual Group Training Sessions Implemented

**91** sessions (FY March 2018)

Number of Qualified Car Lifestyle Advisors

**8,560** people (as of March 31, 2018)

Number of Nationally Accredited Automobile Mechanics

**3,745** people (as of March 31, 2018)

Number of Automobile Inspectors

**1,583** people (as of March 31, 2018)

### 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 2018, 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.

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### 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, 978 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.

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### 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.

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## 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.

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#### Utilization of Telecommuting and Satellite Offices

Total **747** days (FY March 2018)

#### Number of Employees Working Shorter Hours

**31** people (FY March 2018)

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#### 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.

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#### Total Participants (children)

**95** people (FY March 2015-2018)

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#### Kids visiting day

Since August 2015 we have hosted a kids visiting day 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 2018, 37 mainly elementary school students had fun taking part in a road safety quiz, cash register roleplaying, and Company facility tour.



Children learning about campervans

## 4. Promoting Diversity

### Making AUTOBACS an easier place for women to work

The Company believes 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.

#### Female Manager Ratio (section chief or higher)

**2.3%** (as of March 31, 2018)

#### Initiatives for fostering female executives

The Company actively hires and develops female employees. We have 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 counselling on work and home life compatibility and career formation.



#### Female president of overseas subsidiary

Agnès Darnac, the president of our consolidated subsidiary AUTOBACS FRANCE S.A.S., is a female executive with a wealth of knowledge in finance, labor services, and business affairs. She stresses the importance of internal communication and is contributing to the increase in female and family customers at AUTOBACS stores in France.



President Darnac (pictured left)

#### Ratio of Female Employees Returning to Work After Maternity and Childcare Leave

**100%**

### 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.

#### Hiring of Foreigners (AUTOBACS SEVEN only)

**13 people** (as of March 31, 2018)

#### Hiring of Disabled Persons (AUTOBACS SEVEN only)

**15 people** (as of March 31, 2018)

\* Legally mandated quota is 2.2%

#### Re-employment of employees older than 60

**39 people** (as of March 31, 2018)

### 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.



#### Ratio of Annual Paid Leave Used

**39.1%** (FY March 2018)

#### Comment from male employee that took childcare leave

At first, I was certainly hesitant about male employees taking long-term childcare leave. But through actually going on childcare leave, experiencing housework and childcare on a daily basis, and having more opportunities to interact with my local community, I came to understand what is involved in raising a child rather than just having an idea about it. Nothing can replace the special time I spent with my child and family during that period.

I also think the period of childcare leave gives an opportunity to grow as a person. Obviously, I was unable to directly contribute to company results during the period of childcare, but because of the experiences and broader perspectives I gained during that time, I think I have a better awareness of what is required to work more efficiently. Up ahead, I hope to contribute to the Company by providing support to employees thinking about taking childcare leave just like I did.



#### Hiroki Sakayama

(AUTOBACS Pasar Miyoshi, as of 2018)

## 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 “healthy management” to foster human resources with a strong awareness of what it means to be healthy, both physically and mentally.

#### Number of Health Management Training Sessions and Seminars

**26 times** (FY March 2018)

#### Health management training

If an employee is found to have a life-style 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 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.



Health management training

#### Ratio of Employees Undergoing Health Examinations

**99.8%** (FY March 2018)

#### Mental healthcare, health counselling

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

#### DBJ Employees' Health Management Rating

Our health initiatives have been rated the highest (rank A) under the DBJ Employees' Health Management Rating, which is used by the Development Bank of Japan to determine lending terms.



# 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

Aiding the development of the next generation and contributing to safe and secure social infrastructure

### 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 2018

### 1. ARTA School Visits

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

In fiscal 2018, 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, as well as a vocational school in Sendai, Miyagi 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.



### 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.



### 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.

#### 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 2015 and provided support to the contesting teams. In fiscal 2018 we supported five 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.



as car sharing vehicles for victims of the disaster and relief organizations. We also carried out safety inspections, maintenance, and tire changes required on these vehicles in the disaster regions.



## 5. Relief Activities through Our Products

### Providing aid to Bangladeshi children through our products

We donate a percentage of sales from our private brand product “AQ. Disposable Cotton Cloth (1kg)” to a project coordinated by the NGO Plan International Japan, which aims to improve the living environment of children in Bangladesh.

This environmentally friendly product is produced using off-cuts from cotton t-shirts that would normally be thrown away. This project was launched in July 2017 with the objective of providing aid to children in Bangladesh where the product is made.



## 7. Aid Stations for People Stranded During Disasters

We have entered into agreements with local governments to let our stores (345 as of June 30, 2018) be used as aid stations during times of disasters to help people stranded get back home by providing running water and toilets, maps and traffic information, and information about road closures obtained via radio announcements and the like.



## 8. Community Interaction and Health Promotion

### Contributing to community interaction and a healthy society through sports

With the goal of social contribution by helping to promote health and revitalize regional communities, every year in July we participate as the main sponsor in the “AUTOBACS Presents Runners 24 Hours Relay Marathon,” hosted by the R-Bies Sports Foundations at the two locations of Fujihokuroku Park in Yamanashi Prefecture and Maishima Sports Island in Osaka Prefecture. Through this event, we aim to be a corporation that makes broad contributions to society by helping to foster human resources with a strong awareness of what it means to be healthy, both physically and mentally. Our employees and franchisee company employees take part in the event as runners or volunteers.



## 6. Providing Assistance During Natural Disasters

Following the torrential rain and flooding in northern Kyushu in July 2017, we placed money boxes at all our AUTOBACS Group stores nationwide to collect donations for the Japan Red Cross Society.



We also coordinated with the Japan Car Sharing Association to assist in the transportation of 11 vehicles stationed in Ishinomaki, Miyagi Prefecture to four disaster-hit regions (one area in Toho Village and three in Asakura City) in Fukuoka Prefecture so they can be used

# 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/csr/co\\_gove\\_menu\\_en.html](https://www.autobacs.co.jp/en/csr/co_gove_menu_en.html)

## Basic Concepts

A company seeks to achieve increases in corporate value over the medium-to-long term by pursuing aboveboard business activities with capital entrusted to it by shareholders. As a public entity of society, it is expected to contribute to society through business activities reflecting consideration of responsibilities to customers, shareholders, employees, suppliers, local communities, supervisory authorities, and all other stakeholders. Company managers must engage in business activities that effectively contribute to the company's role in society; their actions must be

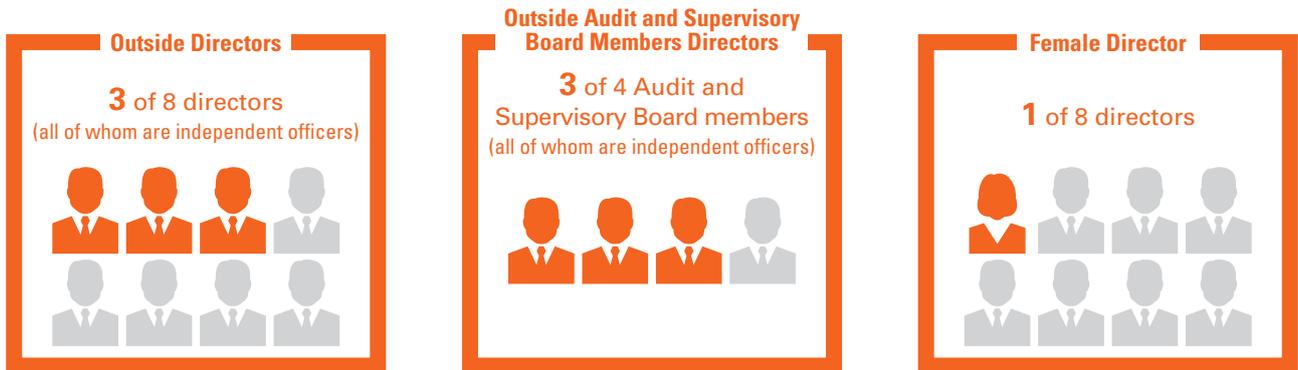
in the interest of the company's ongoing development and of accountability to ultimately promote management transparency and the fulfillment of responsibilities to society.

With these ideas as a conceptual foundation, the Company strives to maintain the support and trust of all of its stakeholders. Starting from our number one priority -underpinning and enhancing the AUTOBACS brand by perpetually offering goods and services that please customers, while also living up to our social responsibilities- we constantly strive to strengthen and improve our corporate governance.

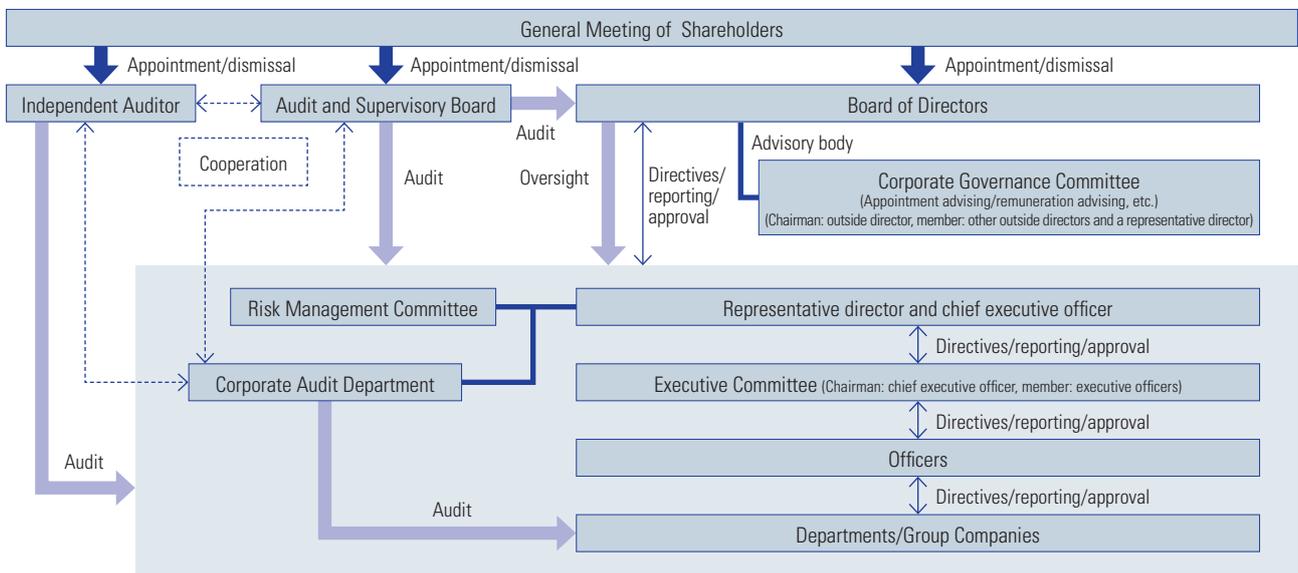
## Corporate Governance Key Points

Configuration **Company with an Audit and Supervisory Board**

Establishment of the **Corporate Governance Committee** as an Advisory Body to the Board of Directors



## Corporate Governance System



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## Corporate Governance System

The Company has adopted the “Company with an Audit and Supervisory Board” organizational format (as defined under Japan’s Companies Act), which has a double-checking function of management, with the Board of Directors responsible for supervision of business execution and Audit and Supervisory Board members responsible for audits.

### Management and Business Execution Framework

#### 1) Board of Directors

Chaired by the representative director, the Board of Directors consists of eight directors (5 of them concurrently serving as officers, and 3 outside directors, all of whom are independent officers) and, in principle, meets once a month. The Board of Directors makes decisions on matters specified in laws and regulations or in the articles of incorporation, and important matters concerning the Company’s business activities. It also receives reports on such matters as required. To strengthen the supervisory function, efforts are made to maintain a Board of Directors with outside directors accounting for over 30% of all directors. In addition, to protect benefits for general shareholders, independence is stressed in selecting outside directors. Efforts are made to ensure the best possible decisions to increase corporate value over the medium-to-long term.

#### 2) Executive Committee

The Executive Committee, which is chaired by the chief executive officer and comprised of executive officers, meets, in principle, once a month. 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. Outside directors and Audit and Supervisory Board members, acting as observers, attend meetings of the Executive Committee and express their opinions as necessary.

#### 3) Other Meetings

Meetings with officers and representatives of various business segments are established to discuss company-wide policies and management issues; confirm business performance and progress of the Medium-Term Business Plan; and confirm implementation progress, analyze, and make recommendations regarding strategies concerning individual businesses. In principle, such meetings meet once or two times a month.

### Advisory Bodies

#### 1) Corporate Governance Committee

The Corporate Governance Committee is a voluntary advisory body that chaired by an outside director and consists of all the outside directors and the representative director. In principle, it meets once a month to discuss candidates for director, statutory auditor, and senior executive officer positions, the remuneration system for directors and officers, and other governance-related matters. The committee submits its findings and recommendations on these matters to the Board of Directors.

#### 2) Risk Management Committee

With the representative director as its chair, the Risk Management Committee is comprised of directors with officer responsibilities 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.

### Audit System

#### 1) Internal Audits

A staff of nine auditors evaluates the internal control system and continuously performs audits to determine whether the business activities of the Company and its subsidiaries are in compliance with the law and regulations, and internal rules and manuals. Assessments and audit results are reported to the representative director, Audit and Supervisory Board members, and officers as appropriate, and corrective measures and guidance are provided to departments where deficiencies are identified.

#### 2) Audits by Audit and Supervisory Board Members

The Audit and Supervisory Board consists of four members, three of whom are outside members (independent officers). The Audit and Supervisory Board sets out auditing policies and establishes an audit plan. It receives reports from each Audit and Supervisory Board member on the progress and results of their audits, and from the Board of Directors and the independent auditor on the status of execution of their duties, and requires further explanations as needed. Each Audit and Supervisory Board member attends the Board of Directors meetings, the Executive Committee meetings, and other important meetings to audit the performance of duties by directors and officers.

#### 3) Independent Audits

The Company has concluded an audit agreement with Deloitte Touche Tohmatsu LLC to perform independent audits of the Company.

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## Nomination of Inside Directors

### Basic Policy

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.

### Nomination Process

Possible candidates for director are selected by the Board of Directors, following a recommendation made by the Corporate Governance Committee.

### Outside Directors and Outside Audit and Supervisory Board Members

#### Nominations

The Company's outside directors and outside Audit and Supervisory Board members are comprised of individuals, including one woman, with diverse experiences. All directors and Audit and Supervisory Board members meet the standards for the independence prescribed by the Tokyo Stock Exchange and the requirements specified in the Company's own rules. Each of the outside directors and outside Audit and Supervisory Board members 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 and Audit and Supervisory Board members.

#### Establishment of a Liaison Group for Independent Outside Directors and Audit and Supervisory Board Members

The Company has established a Liaison Group for Independent Outside Directors and Audit and Supervisory Board Members, which is chaired by the leading independent outside director and includes only independent outside directors and outside Audit and Supervisory Board members among its participants. The Liaison Group is intended to be a vehicle for outside directors and outside Audit and Supervisory Board members 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 and Outside Audit and Supervisory Board Members \*Excerpted

The Company's independent directors and independent Audit and Supervisory Board members are outside directors and outside Audit and Supervisory Board members 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 a Group director with executive or management responsibilities, nor to a Group executive of similar authority, and no relatives within the second degree, nor person sharing a household, serving in such a capacity.
3. No marital relationship to someone with a conflict of interest with the Group, nor with specified companies, and no relatives within the second degree, nor person sharing a household, having a conflict of interest with the Group or specified companies.
4. No other circumstances that would prevent the fulfillment of the duties of an independent director or independent Audit and Supervisory Board member.

[https://www.autobacs.co.jp/en/csr/co\\_gove\\_system\\_en.html](https://www.autobacs.co.jp/en/csr/co_gove_system_en.html)

### Remuneration for Members of the Board of Directors, and Audit and Supervisory Board Members

#### 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 Company 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

The remuneration of the Company's directors is composed of "fixed remuneration," which is a basic remuneration, and "performance-based remuneration," which fluctuates based on the achievement rate of the plans for multiple evaluation indicators including numerical targets.

Performance-based remuneration is paid according to the business results relative to an annual plan, and the ratio of performance-based remuneration to total remuneration is designed so that the higher the rank as an officer, the higher the ratio.

In addition, as remuneration linked to the medium-term results, an incentive is under consideration that is provided according to the achievement rate of the target set in the Medium-Term Business Plan.

The performance-based remuneration varies within 0-180% of the performance-based remuneration standard amount that is predetermined for each rank, designed such that, assuming target achievement of 100%, the ratio of performance-based remuneration to total remuneration stands at 40% or higher in the case of a representative director and chief executive officer.

However, performance-based remuneration, in light of its nature, is not applied to outside directors who are independent of the Company's business operations and receive only fixed remuneration.

#### 4) Remuneration Determination Process

The objectivity and transparency of the Company's director remuneration system and remuneration amounts are secured by having the Corporate Governance Committee, which is chaired by an outside director and is comprised of all of the outside directors and the representative director, deliberate and provide input on these matters.

#### Remuneration for Audit and Supervisory Board Members

Remuneration for the Company's Audit and Supervisory Board members is determined by the Audit and Supervisory Board members, within an overall remuneration amount approved at a general shareholders' meeting. Considering their roles as independent individuals with the authority to audit the execution of duties of directors, remuneration for Audit and Supervisory Board members is composed of only fixed remuneration.

#### Total Remuneration for the Fiscal Year ended March 2018

Category	Total Remuneration Amount (Millions of yen)	Fixed Remuneration		Performance-based Remuneration	
		Recipients (Individuals)	Amount (Millions of yen)	Recipients (Individuals)	Amount (Millions of yen)
Director	Total for Directors	360	236	5	124
	Subtotal for Outside Directors	36	36	—	—
Audit and Supervisory Board Member	Total for Audit and Supervisory Board Members	71	71	—	—
	Subtotal for Outside Audit and Supervisory Board Members	46	46	—	—
Total		431	307	5	124

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## Facilitating the Exercise of Voting Rights

In order to enable participation by as many shareholders as possible, the Company avoids days when large numbers of other companies schedule their general shareholders' meetings when scheduling its own. The 71st ordinary general shareholders' meeting was held on Thursday, June 21, 2018. For the 71st ordinary general shareholders' meeting, notifications were sent 17 days in advance of the meeting date. Furthermore, meeting notifications were posted on the Company's website, TDNet, and on an electronic voting platform on May 30, for the improvement of convenience.

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## Dialogue with Investors

The Company engages in constructive dialogue with shareholders through venues such as the general shareholders' meetings and 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/disclosurepolicy\\_en.html](https://www.autobacs.co.jp/en/ir/disclosurepolicy_en.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

#### Overseas Investors

##### Regular briefings

- Meetings in Europe: Held once during FY March 2018
- Meetings in U.S. investors: Held once during FY March 2018

\* Includes presentations by the representative director

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## 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 irrefragable. 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.

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## 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 Board and other relevant departments within the Company.

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## 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. All directors and Audit and Supervisory Board members answered evaluation items, in order for the Corporate Governance Committee to analyze the responses and identify the issues. The findings were then shared with and discussed in-depth by the Board of Directors.

As a result, it was confirmed that the Company's Board of Directors and the Corporate Governance Committee are for the most part functioning properly. In particular, as for the issue found from the evaluation took place in the previous fiscal year of "a need to enhance the supervisory function by monitoring of

progress in implementing medium- to long-term management policies and strategies," it was evaluated that the progress of strengthening the supervisory function of the Board of Directors has been made by implementing the progress reports of the Company's Medium-Term Business Plan regularly based on the schedule and thorough discussions based on the reports. . In contrast, as issues to be addressed up ahead, the evaluation found there is room for further deepening progress reports on the Company's Medium-Term Business Plan and the nature of discussions based on those reports, as well as engaging further in debate about long-term visions, policies, strategies, and personnel strategies with the aim of establishing a competitive advantage over the longer term.

## Corporate Governance

### Directors and Audit and Supervisory Board Members

#### Directors



##### Kiomi Kobayashi

Representative Director and Chief Executive Officer,  
Chief AUTOBACS Chain Officer

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

Attendance at Board of Directors' meetings:  
100% (14 of 14 meetings)

##### Achievement in the past and whose knowledge

Mr. Kobayashi has been a leader in uniting the AUTOBACS Group and gaining the support of its customers as a group of companies. Also, with the aim of becoming a 100-year company, Mr. Kobayashi, as chief executive officer, formulated the vision "2050 Creating Our Future Together" as well as worked to increase the Group's medium- to long-term corporate value with a strong emphasis on achieving the 2017 Medium-Term Business Plan which commenced in the fiscal year ended March 31, 2018.



##### Teruyuki Matsumura

Director and Senior Managing Executive Officer,  
BtoB Business and Car Dealer Business

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

Attendance at Board of Directors' meetings:  
100% (14 of 14 meetings)

##### Achievement in the past and whose knowledge

Mr. Matsumura has contributed to strengthening the business foundations of the AUTOBACS businesses by expanding its merchandise and services, contributing to its business development by strengthening relationships with franchisees, and building the foundations for the new business and overseas business.



##### Isao Hirata

Director and Senior Managing Executive Officer,  
Corporate Administration

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

Attendance at Board of Directors' meetings:  
100% (14 of 14 meetings)

##### Achievement in the past and whose knowledge

Mr. Hirata has contributed to building the systems foundation of the Company by integrating business strategy and IT strategy, while also improving resource efficiency and reforming the cost structure in the business administration fields such as finance, human resources and IT.



##### Eiichi Kumakura

Director and Senior Executive Officer,  
Western Japan Region Headquarters

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

Attendance at Board of Directors' meetings:  
100% (14 of 14 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.



##### 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:  
2 years

Attendance at Board of Directors' meetings:  
100% (14 of 14 meetings)

##### Achievement in the past and whose knowledge

Mr. Horii has contributed to the fields of business administration over many years, including building the Group's compliance system and internal control system. 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.



##### Hatsuo Odamura

Outside Director (Independent Officer)

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

Attendance at Board of Directors' meetings:  
100% (14 of 14 meetings)

##### Achievement in the past and whose knowledge

Mr. Odamura has considerable knowledge and experience of risk management, including the eradication of antisocial forces, and operational management. He also has deep insight into the transportation industry through his career in transport-related occupations.

Based on such extensive experience and knowledge, Mr. Odamura has actively provided comments as an outside director and independent officer from the viewpoint of general shareholder protection. He has also contributed to the promotion of the Company's corporate governance as chairman of the Corporate Governance Committee.

## Audit and Supervisory Board Members



**Yoshiko Takayama**

Outside Director (Independent Officer)

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

Attendance at Board of Directors' meetings:  
100% (14 of 14 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.



**Kozo Sumino**

Audit and Supervisory  
Board Member (Full-time)

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

Attendance at Board of Directors' meetings:  
100% (14 of 14 meetings)

**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**

Audit and Supervisory  
Board Member (Full-time, outside, independent)

Term of office at the conclusion of this general meeting:  
—

Attendance at Board of Directors' meetings:  
—

**Achievement in the past and whose knowledge**

Mr. Kakegai has experience in overseas group auditing as the audit and supervisory board member of a holding company, in addition to many years of experience in fund procurement and financial account settlement operations at business corporations, and internal audit services for group companies in Japan and abroad.



**Minesaburo Miyake**

Outside Director (Independent Officer)

Term of office at the conclusion of this general meeting:  
—

Attendance at Board of Directors' 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.



**Tomoaki Ikenaga**

Audit and Supervisory  
Board Member (Outside, independent)

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

Attendance at Board of Directors' meetings:  
100% (14 of 14 meetings)

**Achievement in the past and whose knowledge**

Mr. Ikenaga has ample experience and knowledge as a lawyer, and in particular has specialist knowledge with regard to matters such as internal control and compliance.



**Yuji Sakakura**

Audit and Supervisory  
Board Member (Outside, independent)

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

Attendance at Board of Directors' meetings:  
100% (14 of 14 meetings)

**Achievement in the past and whose knowledge**

Mr. Sakakura has extensive knowledge in finance, accounting and capital markets due to many years of experience in financial affairs, particularly international finance and capital markets, at a general trading company.

# AUTOBACS Chain Store Formats and Network

## Domestic

(As of March 31, 2018)

### AUTOBACS



Position	Standard-type store
Annual sales per store	Approx. ¥330 million
Floor space:	From 400m <sup>2</sup>
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 <sup>2</sup>
Commercial area	20 km radius

### Super AUTOBACS Type II



Position	Large format store
Annual sales per store	Approx. ¥760 million
Floor space:	From 990m <sup>2</sup>
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, 2018)

### France



Stores operated by consolidated subsidiary	11
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### Thailand



Stores operated by consolidated subsidiary	9
--	---

### Singapore



Stores operated by consolidated subsidiary	3
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### Taiwan



Stores operated by franchisees	6
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### Malaysia



Stores operated by consolidated subsidiary	4
Stores operated by franchisees	2

### Indonesia



Stores operated by franchisees	4
--------------------------------	---

### Philippines



Stores operated by franchisees	3
--------------------------------	---

## Number of Stores

	FY March 2014	FY March 2015	FY March 2016	FY March 2017	FY March 2018
<b>Domestic</b>	571	586	599	601	603
AUTOBACS	478	492	498	495	497
Super AUTOBACS	75	75	75	74	74
AUTOBACS Secohan Ichiba	10	10	9	9	8
AUTOBACS EXPRESS	8	8	12	11	11
AUTOBACS CARS	—	1	5	12	13
<b>Overseas</b>	27	27	33	38	41
<b>Total</b>	—	613	632	639	644

# Corporate Profile/Share Information

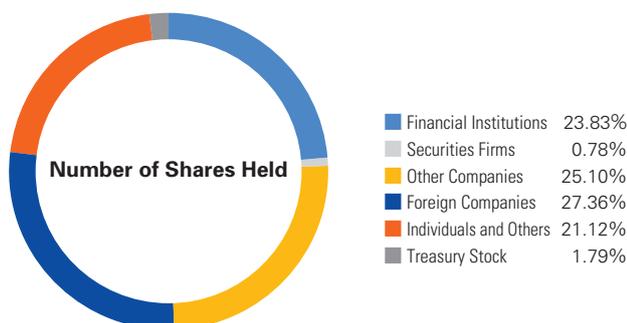
## Corporate Profile (As of March 31, 2018)

<b>Name</b>	AUTOBACS SEVEN Co., Ltd.	<b>Main Business Offices</b>	East Japan Sales Headquarters (Ichikawa, Chiba)
<b>Headquarters</b>	6-52, Toyosu 5-chome, Koto-ku, Tokyo, Japan		West Japan Sales Headquarters (Kita-ku, Osaka City)
<b>Date of Foundation</b>	August 1948		East Japan Logistics Center (Ichikawa, Chiba)
<b>Paid-in Capital</b>	¥33,998 million		West Japan Logistics Center (Miki, Hyogo)
<b>Number of Employees (Consolidated)</b>	4,009		

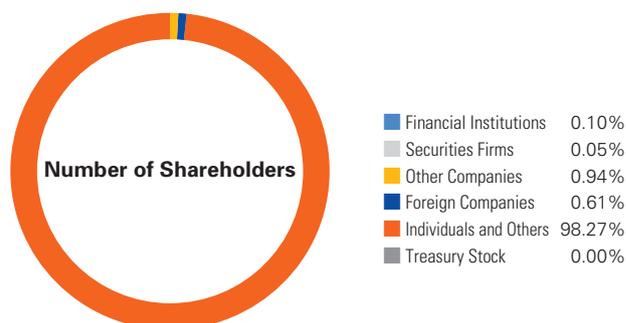
## Share Information (As of March 31, 2018)

<b>Total Number of Authorized Shares</b>	328,206,900 shares	<b>Stock Listings</b>	First Section of the Tokyo Stock Exchange
<b>Common Stock Issued</b> (including 1,506,659 of treasury stock)	84,050,105 shares	<b>Independent Auditor</b>	Deloitte Touche Tohmatsu LLC
<b>Number of Shareholders</b>	43,160	<b>Transfer Agent</b>	The Sumitomo Mitsui Trust Bank, Limited 4-1, Marunouchi 1-chome, Chiyoda-ku
<b>Share Trading Unit</b>	100 shares		

Breakdown of Shareholders (by Size of Shareholding)



Breakdown of Shareholders (by Type)

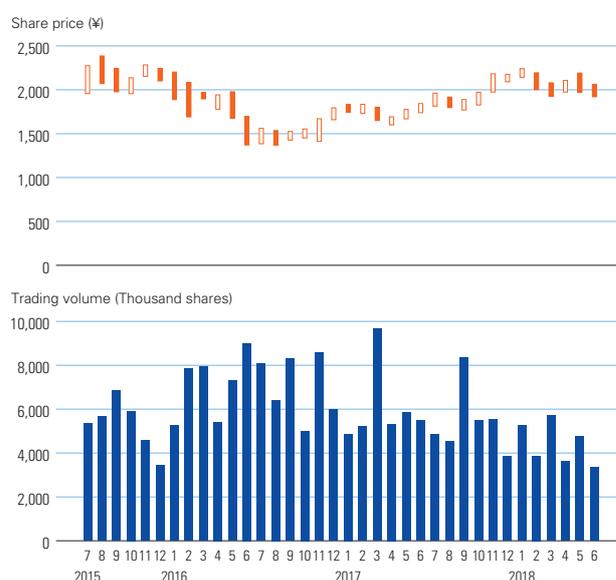


## Major Shareholders

Name	Number of Shares Held (Thousands)	Shareholding ratio (%)
Northern Trust Company (AVFC) Re Silchester International Investors International Value Equity Trust	5,293	6.41
Sumino Holdings, Ltd.	4,268	5.17
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,171	5.05
The Yuumi Memorial Foundation for Home Health Care	3,990	4.83
Japan Trustee Service Bank, Ltd. (Trust Account)	3,468	4.20
Northern Trust Company (AVFC) Re U.S. Tax Exempted Pension Funds	2,996	3.63
K Holdings, Ltd.	2,800	3.39
Northern Trust Company (AVFC) Account Non-treaty	2,024	2.45
The Master Trust Bank of Japan, Ltd. (Retail Trust account 820079252)	1,800	2.18
Foreman Kyoei, Ltd.	1,560	1.89

Notes: 1. Shareholding ratio is calculated by deducting treasury stock from the total number of shares with voting rights.  
2. Holdings of less than 1,000 shares have been omitted from the number of shares owned, and the share holding ratio is rounded down to two decimal places.  
3. An amendment to the substantial shareholding report was filed with the director-general of the Kanto Local Finance Bureau by Silchester International Investors LLP, pursuant to Article 27-25, Paragraph 1, of the Financial Instruments and Exchange Act. The Company could not, however, confirm the number of shares held by Silchester International Investors LLP as of March 31, 2018. As a result, the number of shares held by the company is not included in the list of "Major shareholders" above.

## Share Price





***AUTOBACS SEVEN CO., LTD.***

IR & PR Department, AUTOBACS SEVEN Co., Ltd.

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