

INTEGRATED REPORT 2023

AUTOBACS SEVEN CO., LTD.



**AUTOBACS
SEVEN**

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

Today when the automobile has become an indispensable part of our lives, with the aim of resolving various social issues that the AUTOBACS SEVEN Group is expected to address, we will continue contributing to “ensuring the safety of our communities while driving and enriching customers' lives” in order to realize a sustainable society in which people and automobiles can continue to coexist as well as sustainable growth of the Group.

Corporate Motto

Realize Your Dreams



Philosophy AUTOBACS chain management mission

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

Our ideal as a Company

Professional & Friendly

AUTOBACS continues to contribute to communities and societies, aiming to be a trusted entity recognized as a professional and friendly organization by our stakeholders.

Philosophy of Action

Challenge

Creativity

Gratitude



AUTOBACS Code of Conduct and Guidelines for Action

All our staff members at AUTOBACS SEVEN Group aim to grow together while deepening relationships of trust with stakeholders through our corporate practices. To ensure this, we comply with our Code of Conduct and Guidelines for Action.

[WEB](https://www.autobacs.co.jp/en/company/absvision.html) AUTOBACS Code of Conduct and Guidelines for Action <https://www.autobacs.co.jp/en/company/absvision.html>

Editorial Policy	The AUTOBACS SEVEN Group has created this report to give a comprehensive overview of the Group's business, efforts to enhance corporate value, and non-financial information, with the aim of deepening the understanding of all stakeholders regarding the Group.
Reporting Period	This report covers the financial reporting period from April 1, 2022 to March 31, 2023. In light of the importance of providing up-to-date information, we have included some information for FY2023 regarding organizational structure and policies.
Reporting Scope	AUTOBACS SEVEN CO., LTD. and consolidated subsidiaries
Guidelines Referred to	We have referenced the International Integrated Reporting Council (IIRC)'s International Integrated Reporting Framework and the Ministry of Economy, Trade and Industry's Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation.
Forward-Looking Statements	The forward-looking statements such as earnings forecasts contained in this report are based on the information currently available and represent the current outlook or expectations. These forward-looking statements have intrinsic risks and uncertainties and do not guarantee future performance. Actual results may significantly differ from these statements due to various factors.

AUTOBACS SEVEN CO., LTD. INTEGRATED REPORT 2023 Contents

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Explanation of Names Within this report, "AUTOBACS SEVEN Co., Ltd.," and "AUTOBACS SEVEN" refer to the non-consolidated entity, while "AUTOBACS SEVEN Group" and "the Group" refer to the consolidated entity. The "AUTOBACS chain" refers to consolidated Domestic AUTOBACS Business and franchisees. The "AUTOBACS Group" refers to consolidated and franchisees.

At a Glance

Fiscal year ended March 31, 2023

Business Overview of AUTOBACS SEVEN Group



Domestic AUTOBACS Business

Sales of merchandise include wholesaling and retail sales of automotive goods, etc. to domestic customers, as well as used car purchasing and sales. Provision of services includes statutory safety inspection and maintenance services, and body work and painting services.



Overseas Business

Sales of merchandise include wholesaling and retail sales of automotive goods, etc. to overseas customers. Provision of services includes maintenance services, body work and painting services.



Car Dealership, BtoB and Online Alliance Business

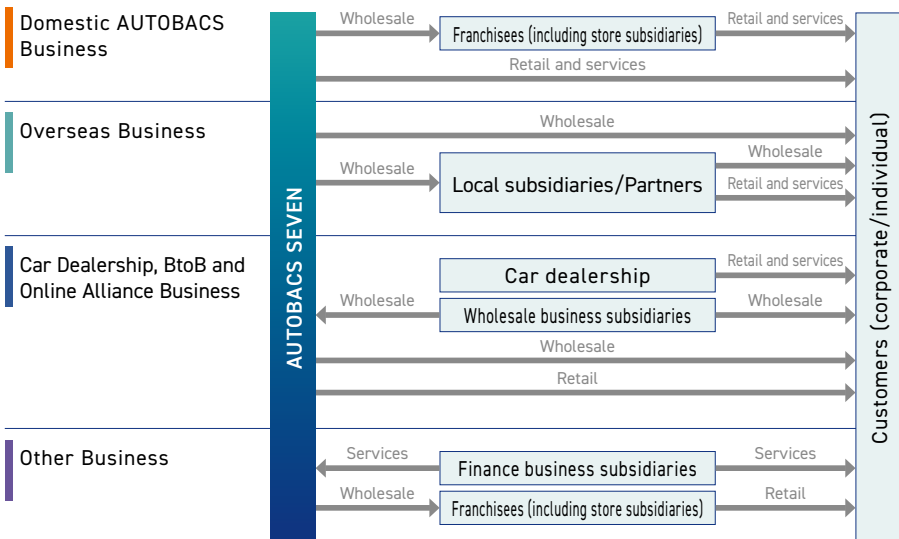
Provision of online sales, operation of car dealerships, and wholesale of automotive goods targeting corporate customers, including DIY stores and car maintenance garages.



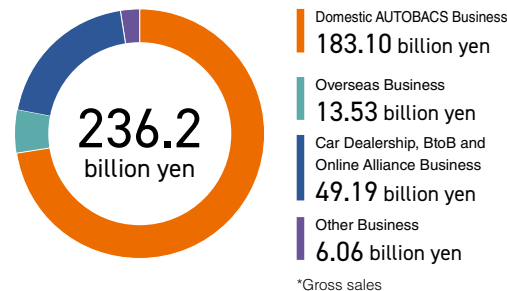
Other Business

Provision of services includes credit-related business to AUTOBACS Group stores. Development of products for a lifestyle brand that offers an original car-oriented worldview through our private label.

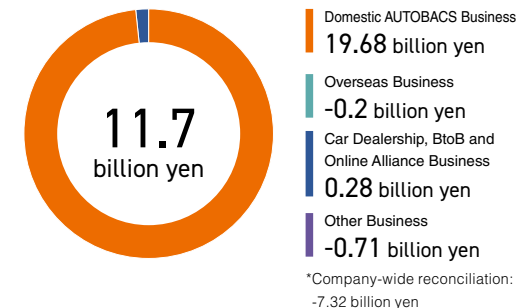
Business Model of AUTOBACS SEVEN Group



Consolidated Net Sales



Operating Income



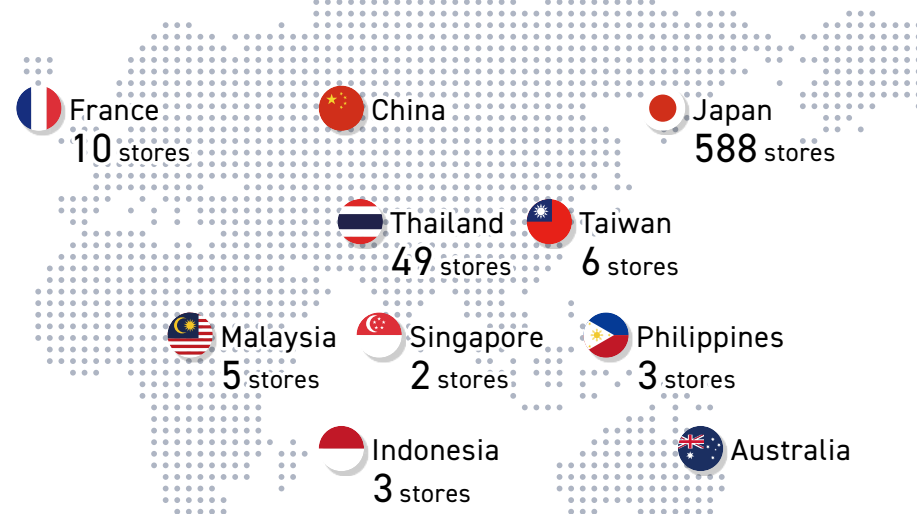
Profit Attributable to Owners of Parent

7.2 billion yen

ROE

5.8%

Number of Stores and Locations of Operations

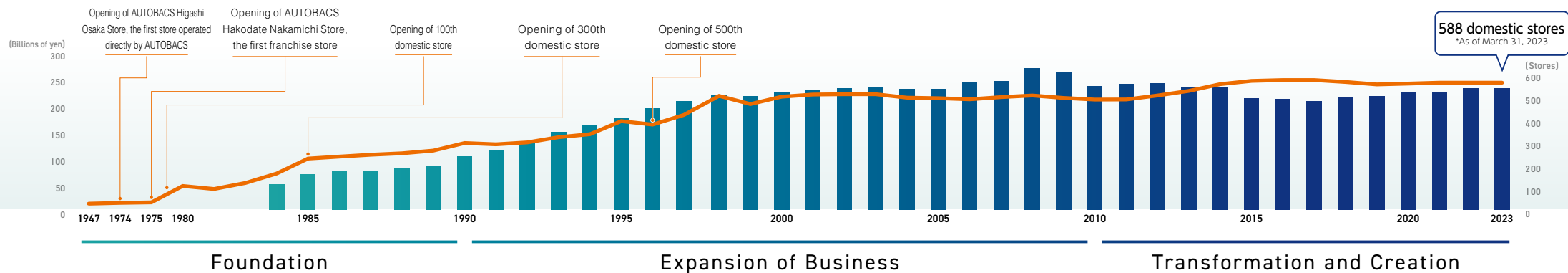


Growth History

AUTOBACS was established in 1974 as Japan's first comprehensive specialty retailer of automotive goods and services. Along with the advancement of motorization in Japan, AUTOBACS continued to meet the diverse tastes and needs of our customers with a unique merchandise lineup and services, securing the No. 1 share of the domestic automotive aftermarket.

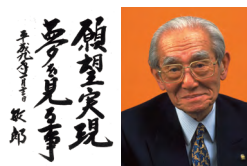
As the business environment surrounding automobiles continues to change dramatically, we are focusing on overseas expansion, launching new services, and developing new business formats as we expand our business. We will continue to take on the challenge of providing new value.

■ Net sales — Number of stores



▶1947 Founded in Osaka as a privately-run store for auto parts

Toshio Sumino led the establishment of the privately-run store Suehiro Shokai in Osaka's Fukushima ward for the purpose of wholesaling auto parts. The corporate motto of "realize your dreams," set by the founder with the goal of becoming the world's number one retailer, is inherited in AUTOBACS SEVEN's DNA and continues to be passed on to us.



▶1974 AUTOBACS's development as a one-stop provider of automotive goods and services

AUTOBACS was established in 1974, at a time of growing consumer interest in personal car ownership after a period of rapid economic growth. At that time, when distribution channels varied by product, the one-stop store format for purchasing and installing automotive goods and services gained strong consumer support, and we expanded our business nationwide through franchise development. In addition, we quickly initiated the development of private-brand products and established our current position by responding to the diverse tastes and needs of our customers with a unique merchandise lineup and services, including tires and oils that we began selling in 1977.



First directly managed AUTOBACS store

▶1990s Development of Super AUTOBACS and full-fledged entry into statutory safety inspection services

Amid the trend toward larger retail stores, we developed the car lifestyle mega-store Super AUTOBACS. Hosting various events at stores equipped with vast sales floors and service pits for product installation and maintenance work, as well as CD sales and light refreshment corners, we proposed the appeal of car lifestyle to everyone from novice drivers to families and enthusiasts. We also fully entered the statutory safety inspection business, expanding the scope of support for car lifestyle.

▶2000s Setting sales of automotive goods and services, statutory safety inspections and maintenance, and used car purchasing and sales as the three core operations

AUTOBACS has grown into a format that supports the overall car lifestyles of our customers based on the three core operations of sales of automotive goods and services, statutory safety inspections and maintenance, and used car purchasing and sales, so that everyone can drive safely over the long term as the way of car lifestyle changes with the spread of eco-friendly cars and longer periods of time cars are used, as well as the aging of drivers.

▶2010s Transformation and creation for robust growth

We launched the Five-year Rolling Plan in April 2019 to enhance our market competitiveness by addressing the dramatically changing environment and keeping pace with and adapting to changes in society, cars, and people's lifestyles. We have steadily built up a track record by expanding business through the acquisition of shares in Japanese and overseas companies, promoting collaboration across industry boundaries, and strengthening our business infrastructures.

▶2021 Promoting sustainable initiatives, entry into the EV market

We entered the EV market in 2021 amidst the anticipated transition from gasoline cars to EVs in response to the global trend of decarbonization. In 2022, we entered into a dealership agreement with BYD Auto Japan Inc., a Japanese subsidiary of the electric vehicle manufacturer BYD. Through the promotion of EV sales, we are contributing to the realization of a decarbonized society, and as a major dealer of ZEVs (zero-emission vehicles), we are also taking on the challenge of creating new markets.



Hyundai's IONIQ 5 EV on display at A PIT AUTOBACS KYOTO SHIJO

▶2023 Formulation of Beyond AUTOBACS Vision 2032

Direction of the AUTOBACS SEVEN evolution

Dedicated towards providing you the joy of going out

We announced our long-term vision Beyond AUTOBACS Vision 2032. By adapting to environmental changes and taking on the challenge of expanding existing businesses and creating new ones, we aim for a consolidated net sales of 500 billion yen in FY2032.

Value Creation Model

Five-year Rolling Plan

FY2019 →

Beyond AUTOBACS Vision 2032

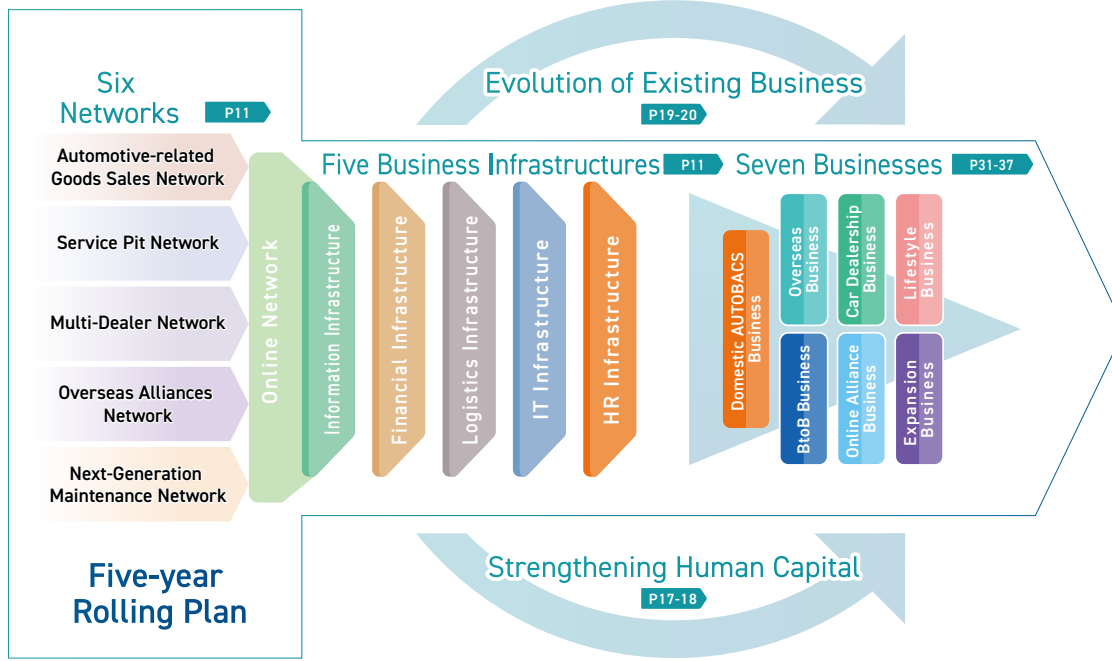
FY2023 → FY2032

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



Source of Value Creation

Brand recognition	
Franchise system	Share of domestic automotive goods and services stores market No.1
Tire dealerships	Weighting of private brand products No.1 15.5%
Store and logistics network	
Domestic store sales	Number of domestic stores 281.3 billion yen 588 stores
Number of active members	Network Linking About 7.7 million 47 prefectures
Designated stores (Private statutory safety inspection stores)	Overseas operations 440 stores 78 stores
Professional and friendly human resources	
Number of AUTOBACS chain employees	
About 15,000	
Number of automobile mechanics	Number of car lifestyle advisors
About 3,700	About 9,000



Important social issues that need to be proactively resolved

1. Realization of a cyclical and symbiotic society
2. Response to climate change
3. Revitalization of local communities
4. Pursuit of diverse human resources and diverse work styles
5. Creating healthy and rewarding jobs

Materiality (P38-46)

- Creation of businesses that solve social issues
- Enhancing efforts that consider the environment and society
- Development of organization and personnel
- Sustainable and strong management base

Financial Performance

FY March 2023

Net sales	
236.2 billion yen	
Operating income	Operating income ratio
11.7 billion yen	5.0%
ROE	Capital-to-assets ratio
5.8%	65.2%
Operating cash flow	Dividends
10.6 billion yen	60 yen

Non-financial Performance

FY March 2023

Sale of merchandise for curbing accidents	Environmentally-enhanced stores
190,000 units/year	64 stores
Female employee ratio	Female manager ratio
17.9%	8.6%
Acquisition rate of childcare leave by men	
37.1%	

Our Ideal

Dedicated towards providing you the joy of going out

The Values Provided by AUTOBACS to Customers

- Safety and security
- Problem solving
- Environmentally friendly
- Self-expression
- Greater convenience
- Experience and discovery

Message from Top Management



We aim to implement initiatives to surpass AUTOBACS over the next decade by setting “ensuring the safety of our communities while driving and enriching customers’ lives” as our purpose.

Yugo Horii Representative Director & Chief Executive Officer

Beyond AUTOBACS Vision 2032

In May 2023, we announced our long-term vision – Beyond AUTOBACS Vision 2032. In this vision, we stated our purpose (raison d’être) as “ensuring the safety of our communities while driving and enriching customers’ lives,” and also revealed the direction for AUTOBACS SEVEN’s evolution, specifically the aspiration to become “a company that consistently offers the enjoyment of going out.”

Due to rapid digitalization and the advancement towards a decarbonized society, customer needs have changed significantly, along with society, cars, and people’s lifestyles. We decided to re-examine our raison d’être in order to achieve sustainable growth in this uncertain and unpredictable business environment.

AUTOBACS SEVEN has a DNA that we have valued since our foundation. Embedded in our corporate motto of “realize your dreams,” which was coined by our founder, is the belief that whether you can realize your desires depends on how vividly you can envision your aspirations in your mind, and how you act upon them with

passion, deep faith, and enthusiasm. The first AUTOBACS Declaration stated, “**We sincerely wish for traffic safety for customers and individualized car lifestyle** by being the most attentive, and will create and offer sales and services that match the needs of the local community.” Derived from our starting point of realizing these two wishes, traffic safety for customers and an individualized car lifestyle through AUTOBACS, we set our purpose as “ensuring the safety of our communities while driving and enriching customers’ lives”

Thus, as “a company that consistently offers customers the enjoyment of going out,” we aim to continually evolve our business and business models in response to changes in the social environment, contributing to the safety of transportation in society and realizing our customers’ dreams for a fulfilling life as long as cars and mobility remain at the center of our business.

In the tumultuous automobile industry, which has entered a once-in-a-century period of major transformation, we will further increase the speed

Message from Top Management

of management, aim to evolve each of our businesses, and take on the challenge of business creation, and work on transformation for capturing new opportunities.

Beyond AUTOBACS Vision 2032, a vision we have announced on this occasion that describes the direction of the Group's evolution through FY2032, is meant to express the meaning that we ourselves will surpass ourselves.

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Review of FY2022

For the Japanese automobile-related industry in FY2022, the situation in Ukraine and China's zero-COVID policy have led to shortages in parts supply and stagnation in logistics and had a prolonged impact, although the number of new cars produced which had been affected by the global semiconductor shortage has been on a recovery trend. In addition, in the used car market, the decrease in new car production led to a reduction in the circulation of trade-in vehicles, and the number of used cars registered remained at a lower level compared to the previous year. In the automotive goods and services sector, although we were affected by rising prices, demand for winter goods increased due to cold waves and snowfall.

As a result, despite the impact of reduced new car production and rising raw material and energy prices, we achieved increased sales and profits. The Group's consolidated net sales increased by 3.3% year on year to 236.235 billion yen, and operating income increased by 1.5% year on year to 11.722 billion yen.

The Domestic AUTOBACS Business remained firm, effectively capturing the increased demand for maintenance of existing cars due to reduced new car production, although we have set higher prices for some items due to soaring raw material

costs. The Overseas Business has been strong for both retail and wholesale, and we were able to reduce the operating loss. In addition, the Car Dealership, BtoB and Online Alliance Business also turned a profit and contributed to increased sales and profits, resulting in the Group's management surpassing the initial plan in terms of net sales, operating income, ordinary profit, and profit attributable to owners of parent.

Priority initiatives

In FY2022, we have set and implemented the following three priority initiatives: **improve execution and increase speed; strengthen initiatives for sustainable growth; and continue human resource development initiatives.**

To **improve execution and increase speed**, we have promoted the optimization of management resources through the review and narrowing down of the business portfolio. Specifically, we decided to partially withdraw from Lifestyle Business as part of optimizing management resources. Next, in reviewing the business portfolio, we are continuing deliberations on the withdrawal from unprofitable businesses at meetings of the Board of Directors, while also focusing on establishing business in fields where growth is expected, thereby strengthening our strategic business initiatives. Specifically, we aim to increase profits by making the used car purchasing and sales (AUTOBACS CARS) of the Domestic AUTOBACS Business independent and recruiting new franchisees outside the AUTOBACS Group. We also signed a dealer contract with BYD Auto Japan Inc. in the Car Dealership Business. We intend to contribute to the realization of a decarbonized society through the promotion of EV adoption.

In order to realize prompt and accurate

decision-making in advancing these initiatives, we have abolished the officer system. We will further accelerate the speed of reform through the realization of organic collaboration between various businesses and the strengthening of business portfolio management.

For **strengthening initiatives aimed at sustainable growth**, we have focused on the "evolution as a retailer" through the integration of online and physical stores, and the "evolution from a retailer" utilizing unique data, which is one of our digital transformation (DX) initiatives.

In the "evolution as a retailer," we have accelerated the integration of online and offline, implementing Buy Online Pick-up In Store (BOPIS) service where items purchased online can be immediately picked up in store if available, and last-mile delivery measures that enable immediate shipping from the store if inventory is available. We believe that these initiatives contribute not only to the efficiency of logistics but also to environmental friendliness.

In our "evolution from a retailer," we have adopted the vision of "realizing CDE with a digital ecosystem," and as its first step in our DX strategy, we have made AUTOBACS Digital Initiative Co., Ltd., a company involved in system development, planning, operation, and maintenance, a subsidiary. Going forward, we plan to strengthen areas related to the establishment of IT infrastructure, and focus on the development of digital talent. Regarding the utilization of unique data, we have opened the car life general information site "MOBILA," and will aim to be a platform for mobility information that can provide an opportunity for the "enjoyment of going out by car" to both users and non-users of AUTOBACS. In addition, we are continuously working on improving pricing through the efficiency of logistics, aiming to create a virtuous cycle where efficiency leads to cost reduction,



which in turn leads to improved pricing and increased store profits, generating investment for new store openings, thereby increasing sales profits and improving price negotiation power.

Lastly, to **continue human resource development initiatives**, securing certified mechanics is an urgent issue, and we are pursuing initiatives focused on recruitment, development, and retention of certified mechanics. For example, we are conducting training sessions in preparation of proficiency exams for automobile inspectors nationwide, and are focusing on personnel development within the Group centered on mechanic development. Also, to realize the evolution from a retailer, as an initiative that also integrates our DX strategy, we have started a DX reskilling program aimed at improving the digital literacy of all AUTOBACS SEVEN staff.

We aim to have our human resources acquire specialized skills through these human resource development initiatives to establish a system where we can provide new value to customers.

Message from Top Management

Review of the Five-year Rolling Plan and future plans

We are soon reaching the fifth year since announcing our “Five-year Rolling Plan 2019.” In an environment where the conditions surrounding cars are rapidly changing, we respond to changes in the external environment and diversifying customer needs. In order to promptly consider and implement measures accordingly, we continuously adjust our direction and strategy for the next five years in light of current trends, and update the content of the Plan every year.

Our initiatives and achievements for the past four years include successfully raising profit levels to a certain degree as a result of flexibly developing our business and business infrastructures to adapt to various changes in the social environment. Going forward, we plan to

manage and visualize each business using ROIC (return on invested capital) as a key metric, and by revising and restructuring our business portfolio, we aim to accelerate the pace of reforms by incorporating this indicator into our evaluation criteria for General Managers.

In addition, we aim to fulfill the growth vision we have set forth in our Five-year Rolling Plan, which is to “leverage our network to provide a variety of services tailored to customer car-use situation,” and we will steadily achieve our business plans through improvement of productivity by making full use of our accumulated business infrastructures and network while leveraging existing assets. Going forward, we will finalize our Medium-term Business Plan that is currently under review, and we will engage in a Group-wide effort for the achievement of the Plan with a strong will and determination.

Medium to long-term growth strategies

As I mentioned at the beginning, we have announced our long-term vision, Beyond AUTOBACS Vision 2032, and have set “ensuring the safety of our communities while driving and enriching customers’ lives” as our purpose. For the next ten years, we will implement initiatives to go beyond AUTOBACS. Since October 2022, we have been discussing the next Medium-term Business Plan led by members under 50 who will be responsible for the next generation of management. We started discussions on the question of whether a Medium-term Business Plan is necessary for the consolidated Group, and we are working to materialize a plan to take the place of the Five-year Rolling Plan, with the aim of announcing it in FY2024.

In order for the Group to become sustainable, we believe it is important to pursue “ensuring the safety of our communities while driving and enriching customers’ lives,” and to integrate this purpose with management.

First, to spread this importance throughout the Group, we have implemented e-learning training on “sustainability management and SDGs” for the Group’s domestic staff, as well as for approximately 15,000 staff members working in our franchisees and stores. It is not easy to continue our economic activities into the future while being continually needed in a stably maintained society. It is important to not only incorporate sustainability management, but also for each individual staff member to consider the future 10 to 20 years from now. We have started our efforts aiming for FY2030 by setting non-financial targets and KPIs from four material issues: creation of businesses that solve social issues, enhancing efforts that consider the environment and society, development of organization and personnel, and sustainable and strong management base.

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To our stakeholders

The environment surrounding the automobile industry is undergoing a significant transformation, driven by technological innovations including CASE and initiatives to resolve global-scale challenges such as climate change. As a result, society, cars, and people’s lifestyle will continue to change even more rapidly and dramatically in the future. The impact of the COVID-19 pandemic and the outbreak of wars were unprecedented events, even when looking back to the founding period of AUTOBACS SEVEN. Even amidst such increasing uncertainty, we will continue to respond to changes in the external environment with flexibility and a sense of speed, keeping an eye on the future.

FY2024 will mark the 50th anniversary of opening the first AUTOBACS store. As we anticipate changes in the business environment and the future of automotive society, as well as envisage our customers who use cars, we aim to further strengthen and evolve our core business and transform into a corporate group that is as entrepreneurial as we were during our founding period, and continue to take on the challenge of creating new value. While there is a view that the automotive aftermarket is reaching maturity, we aim for sustainable growth by evolving beyond the wholesale and retail automotive goods and services business to become “a company that consistently offers customers the enjoyment of going out by cars.” Furthermore, to realize our dreams and purpose of “ensuring the safety of our communities while driving and enriching customers’ lives,” we will continue to improve our sustainable corporate value in the long term by creating new value without being confined to existing frameworks.

We look forward to the continued understanding and support of our shareholders, investors, and all our other stakeholders.



Awareness of Business Environment

Changes in the Business Environment

Risks and Opportunities

Measures of AUTOBACS SEVEN Group



Industry

- Technological innovations in the automobile industry, such as electrification and automated driving
- Provision of new services in the automotive aftermarket, such as car-sharing and car subscription services



Society

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

⊗ Risks

- Soaring costs of raw materials and energy due to unstable international conditions, rapid depreciation of the yen, and subsequent rising prices
- Uncertainty in the number of new cars sold due to a global semiconductor shortage, which entails disruptions in the supply chain and logistics

✓ Opportunities

- New businesses creation (entering and creating a micromobility market, becoming a mobility information platformer)
- Existing business evolution (becoming a major dealer of ZEVs including EVs, increasing safety and security value provision, evolving content using DX)
- Increased demand for ZEVs and environmentally friendly products aimed at achieving carbon neutrality
- Increased demand for car electronics and accessories due to the recovery trend in new car production
- Increased maintenance demand due to the longevity of vehicles

P19-20

Feature 2: Continuous Growth through the Evolution of Existing Businesses

- "Evolution as a Retailer" by integrating online and physical stores
- "Evolution from a Retailer" through DX by utilizing unique data

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New Management Structure

- Abolish officer system and strengthen business portfolio management



Capital markets

- Requests for investment efficiency improvements beyond the increased capital costs due to interest rate hikes in major countries
- Requests for increasing the company's market value to the level required by the capital markets

⊗ Risks

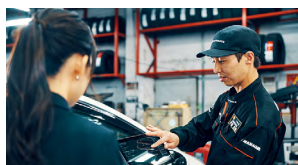
- Decline in stock prices, and increased pressure from the market

✓ Opportunities

- Motivation for sustained corporate value improvement and improvement in the quality of corporate governance
- Raising awareness and literacy of cost of capital and stock prices (disclosure requests for companies with a PBR below one)

P21-23

Message from the General Manager in Charge of Corporate Management



Employees

- Changes in the work environment (labor shortages, work-style reforms, diversity)

⊗ Risks

- Loss of human capital (difficulties in recruitment, low retention rates, and outflow to competitors)

✓ Opportunities

- Building a sustainable organization that simultaneously achieves growth for the company and employees

P17-18

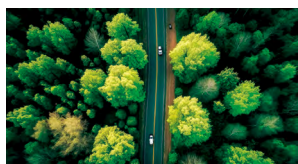
Feature 1: Strengthening Human Capital

P44

Improving Status of Certified Mechanics and Fostering Them

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Diversity and Inclusion



Environment

- Trends toward achieving carbon neutrality

⊗ Risks

- Physical risks for logistics centers and stores due to climate change and transition risks such as regulatory compliance

✓ Opportunities

- Creation of new markets due to the increase in ZEVs, and cost reduction through energy efficiency

P40

Response to Climate Change

P41

Enhancing Efforts That Consider the Environment and Society

Long-term Management Plan

Five-year Rolling Plan

FY2019 →

Beyond AUTOBACS Vision 2032

FY2023 → FY2032

Today when the automobile has become an indispensable part of our lives, AUTOBACS SEVEN Group has established the long-term vision “Beyond AUTOBACS Vision 2032,” in anticipation of the next 10 years, with the aim of resolving various social issues that the Group is expected to address, and we will realize a sustainable society in which people and automobiles can continue to coexist as well as sustainable growth of the Group.

Purpose of AUTOBACS SEVEN Group

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

Direction of the AUTOBACS SEVEN evolution

Dedicated towards providing you the joy of going out

Target of AUTOBACS SEVEN Group's business growth

Consolidated net sales: 500 billion yen in FY2032

Changes in the Business Environment

The environment surrounding the automobile industry has entered a once-in-a-century period of major transformation, with increased environmental awareness and diversification in customer needs and purchasing behavior. As such, our management environment is undergoing a major change.

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

Directions of Evolution

- Sustainable society** Into a presence that will realize, on a global scale, a safe, secure, and gentle society in which people, cars, and the environment exist in harmony.
- New value creation** Into a group of companies that meets customers' fundamental needs for safety and enriched lives.
- Connections with customers** Into a presence that cares for traffic safety in society and customers' life stages and that continues to support mobility lifestyles.
- Goods and services** Into a group of companies that continues to offer products and services to suit mobility lifestyles.
- DX innovation** Into a mobility lifestyle innovator that will speed up enjoyment with optimal, data-based services.
- Diversification of channels** Into a place where we can forge connections with customers from all our channels.

Existing Business Evolution and New Business Creation

For the growth of our existing business, we plan to invest approximately 50 to 60 billion yen over the 10 years from FY2023 to FY2032, with the aim of evolving into a major ZEV dealer, expanding the value provision of safety and security, and providing content utilizing DX. At the same time, for the creation of new businesses, we plan to invest approximately 18 to 20 billion yen, targeting entry into the micromobility market and becoming a platform for mobility information in order to evolve beyond the framework of existing businesses.

By strategically investing approximately 100 billion yen in total in anticipation of these changes in the business environment, we aim to maximize corporate value through transforming our business structure with a balance of evolution and growth, targeting consolidated net sales of 500 billion yen in FY2032, upward from 236.2 billion yen in FY2022.

Envisaged Business Portfolio in FY2032



Five-year Rolling Plan

Five-year Rolling Plan

FY2019 →

Beyond AUTOBACS Vision 2032

FY2023 → FY2032

Strategy from a business model perspective

Promote active collaboration that transcends industry boundaries to improve customer convenience

The external environment in which the Group operates is constantly changing, and the needs and values of our customers are becoming increasingly diverse. As represented by the word “CASE” an acronym coined to describe “Connected, Autonomous, Shared, and Electric” mobility, the automotive industry has entered a once-in-a-century period of change, with the development of autonomous cars and the spread of electric vehicles. To achieve sustainable growth under such circumstances, we believe that a Group-specific system that can grasp changes and respond to them quickly is necessary. To this end, our aim is to continue offering merchandise and services that are tailored to the situations in which our customers use their cars, by establishing Six Networks in cooperation with businesses that have strengths in their respective areas.

Strategy from ESG perspective

Society is witnessing the emergence of a variety of issues, including climate change. With a focus on ESG, AUTOBACS SEVEN is considering a wide range of social issues and is working to establish a sustainable society by leveraging our business strengths.

Important social issues that need to be proactively resolved

1. Realization of a cyclical and symbiotic society
2. Response to climate change
3. Revitalization of local communities
4. Pursuit of diverse human resources and diverse work styles
5. Creating healthy and rewarding jobs

Materiality

- Creation of businesses that solve social issues
- Enhancing efforts that consider the environment and society
- Development of organization and personnel
- Sustainable and strong management base

Approach

Through collaboration that transcends industry boundaries, we are promoting the establishment of and collaboration among the Six Networks by integrating all information owned by each network into an online network. We are also building Five Business Infrastructures that will enable the new value produced by the networks with other companies to contribute to our Seven Businesses and develop them further. We will use digital transformation (DX) to further develop organic collaboration of information, business operators, human resources, and facilities through these networks and business infrastructures. We will generate proposals tailored to customers' car-use situations and lifestyles that transcend the boundaries of automotive goods and services sales, for the realization of unprecedented new products and services.

In this way, we will continuously create values for our customers, such as Safety and Security, Experience and Discovery, and Self-expression, and offer a variety of services tailored to customers' car-use situations through our network.



Progress since the introduction of the Five-year Rolling Plan

	FY2019 results	FY2022 results	FY2023 plan
Net sales	221.4 billion yen	236.2 billion yen	234.2 billion yen
Operating income	7.5 billion yen	11.7 billion yen	11.9 billion yen
Ordinary profit	8.0 billion yen	11.5 billion yen	11.6 billion yen
Profit attributable to owners of parent	3.7 billion yen	7.2 billion yen	9.9 billion yen
ROE	3.1%	5.8%	7.7%

Round-table Talk by the Outside Directors

We expect the Company to keep creating discontinuous innovations
that contribute to solving social issues,
taking social changes also as business opportunities.



Minesaburo Miyake

Outside Director

Takayoshi Mimura

Outside Director

Ayako Kanamaru

Outside Director
Audit and Supervisory Committee Member

Masami Koizumi

Outside Director
Full-time Audit and Supervisory Committee Member

Round-table Talk by the Outside Directors

“I view the Five-year Rolling Plan as highly effective, as it has achieved results such as the establishment of networks.”



Minesaburo Miyake

As a management executive of business corporations, Mr. Miyake has driven corporate growth by strengthening governance and through active investment conscious of the business portfolio and monitoring. He has extensive experience and considerable achievements in corporate management. Director of the Company since June 2018.

What are your impressions of the Company and the Board of Directors?

Koizumi: In FY2022, there were significant changes in the Board of Directors due to the change of the Chief Executive Officer. What was impressive is that Mr. Horii, who became the new Chief Executive Officer, clearly laid out his own vision and numerical targets immediately, and that the future direction was quickly shared among the new management team. The timing was so early that I still remember it.

Miyake: I also feel that Mr. Horii is trying to align the vectors within the Company by clarifying the vision and targets. The clarification of the profit targets has stimulated more active discussions internally, and the internal Directors who also serve as Officers have started to speak out more proactively about other businesses as well, not just those they are personally responsible for.

Mimura: Although I have been in office for only one year, I feel that the strong aspiration of Mr. Horii, who had supported the

previous Chief Executive Officer, Mr. Kobayashi (current Chairman of the Board), to take the lead and make implementations, is very well conveyed in meetings of the Board of Directors. I also feel that other internal Directors are actively incorporating our opinions as Outside Directors into management. Because my comments are also taken up outside of meetings of the Board of Directors, I am once again reminded that I must take such influences into account when making comments.

Kanamaru: I was newly appointed as an Outside Director in June 2023. I was approached a little while ago, and I have been observing meetings of the Board of Directors and the Executive Committee for a year, which led to my current appointment.

What is expected of me as an attorney is of course my insights on legal and compliance aspects. I also expect that I will be asked for advice on Overseas Business based on my experience in Southeast Asian-related operations. Although compliance is a field where Mr. Horii has expertise, he is now in the position of leading the Group as a member of top management, and I want to support the strengthening of the Company's compliance by providing a new perspective from an objective and neutral standpoint.

Review of the Five-year Rolling Plan and future plans

Mimura: The Company has a very large number of earnest people. Seeing the Five-year Rolling Plan, it is obvious that many people have passionately discussed the plan and carefully crafted it. However, there is a tendency to focus too much on short-term goals in the actual course of initiatives.

Regarding this, since I come from the manufacturing industry, the importance of growth investment looking 10 or 20 years ahead in R&D and production bases is ingrained in me, and I propose the necessity of creating systems and human resources development for facilitating discussions from a macro perspective in various opportunities, including meetings of the Board of Directors.

Especially as the automobile industry enters a period of a once-in-a-century drastic change, focusing only on the short term could leave us unprepared and unable to respond to sudden

environmental changes. A long-term vision with an eye toward the next 10 years, Beyond AUTOBACS Vision 2032, was newly established in May 2023. As stated in the Vision, I would like to see steady progress from today to tomorrow, and from tomorrow to the next day, in a tangible manner that is more convincing to investors, and I would like to support that as an Outside Director.

Kanamaru: As an observer, I have attended meetings of the Board of Directors and the Executive Committee and felt that everyone in the Company is really working earnestly. While I think the Five-year Rolling Plan is a well-thought-out plan, it enters its fifth year from 2019. Going forward, the challenge is how to connect its results to the next growth strategy and how to communicate it to the outside world, while also reviewing the results of the plan to date.

Koizumi: While I highly regard the Five-year Rolling Plan in terms of the development of the business infrastructure and securing stable profits, I unfortunately feel that the IT and DX strategies lag slightly behind. Although the plan is progressing

“What is important is for the top management to clearly communicate the medium- to long-term vision, both internally and externally.”



Takayoshi Mimura

Mr. Mimura has many years of experience in corporate management at business corporations and has a track record of driving the development and growth of business corporations in the global market. He has supervised the Company's management from the viewpoint of general shareholder protection. Director of the Company since June 2022.

Round-table Talk by the Outside Directors

steadily, my view is that it has not yet reached the point where we can feel significant economic benefits from DX. Regarding this point, since a company in the IT and DX strategy area was made a wholly-owned subsidiary in April 2023 to speed up these strategies, I expect that business development in these areas will accelerate going forward.

As the long-term vision has been formulated and the Five-year Rolling Plan soon approaches its fifth year, it has become extremely important to set clear goals that are both quantitative and qualitative in the new Medium-term Business Plan and lay out specific strategies to achieve them. I look forward to the ongoing discussions on formulating the Medium-term Business Plan becoming more substantive and persuasive.

Miyake: I also view the Five-year Rolling Plan as highly effective, as it has achieved results such as the establishment of networks. Although the Five-year Rolling Plan, which has been continuously reviewed in accordance with the situation, has been extremely effective during the unpredictable times of the COVID-19 pandemic, I think it is now a good time to consider a

“The Vision will become even more persuasive to investors depending on the content of the Medium-term Business Plan and specific strategies.”



Masami Koizumi

Mr. Koizumi has insight into business administration, investor relations, and governance, as well as experience and insight related to SPA gained through his involvement in administrative practices at business corporations. Director of the Company since June 2021.

new Medium-term Business Plan now that the pandemic has settled down, and as investors call for medium- to long-term growth strategies.

It is my understanding that while the fiscal year ending March 31, 2024 will be the fifth year of the Five-year Rolling Plan, it is also important to set a clear position for the next Medium-term Business Plan, and it will be a year to firmly set a goal for all businesses including Overseas Businesses, online alliances, and brands, and make decisive choices that lead to the next steps. For this reason, we abolished the officer system at the end of last year and established a new management position named General Manager who is responsible for each business. Going forward, I believe that managing each business by ROIC (return on invested capital) will lead to a review and restructuring of the business portfolio.

Mimura: We must carefully examine existing businesses, determine the areas in which investors accept and hold high expectations, and build up such businesses. ROIC is the easiest indicator to understand for assessing how efficiently profits are generated from actual invested capital. As such, it is an appropriate approach for the Company to use ROIC to evaluate how much the improvement in capital efficiency of its businesses is leading to increased corporate value. I hope this approach will be further strengthened. However, there is a risk of making unfavorable management decisions if we evaluate all businesses based on ROIC alone. In reviewing our business portfolio, it is necessary to determine which businesses we should engage in the long term while also considering the medium- to long-term vision.

What is important is that members of top management communicate a clear message about the medium- to-long-term vision both internally and externally, and indicators such as ROE and ROIC are effective tools to that end. Using indicators makes it easier to visualize and convey changes and facilitates the understanding of such changes within the Company, while also increasing external investor expectations, leading in turn to higher corporate value. I believe Mr. Horii is also acting with the intention of shifting the Company in that direction. For this reason, I want to support him as an Outside Director.

“I think that the work on formulating the long-term vision itself has been a very meaningful process for the Company.”



Ayako Kanamaru

Ms. Kanamaru has legal expertise as an attorney-at-law and is also familiar with companies' business operations through her engagement in corporate legal affairs as an outside auditor and outside director at other companies. Director of the Company since June 2023.

Miyake: I hear that discussions on the Medium-term Business Plan are currently progressing, mainly by younger employees who are expected to be active 10 years from now. I am looking forward to the Board of Directors meeting where discussion details will be reported on and there will be an exchange of opinions.

Regarding the long-term vision Beyond AUTOBACS Vision 2032

Kanamaru: I think that the purpose (raison d'être) and direction of evolution (our ideal) are clearly articulated in well-crafted words in the long-term vision Beyond AUTOBACS Vision 2032. I also observed from the side the serious discussions held within the Company on the formulation of the plan, on which future directions the Company shall take, and how it will be involved in society through car-related services amidst rapid changes in people's lives. I think that the work on formulating the Vision itself has been a very meaningful process for the Company.

The Vision also declares a commitment to evolution, stating, “The AUTOBACS Group will evolve even more on a global scale,

Round-table Talk by the Outside Directors

at an unprecedented speed.” I understand that the expression “at an unprecedented speed” is based on the recognition that achieving numerical targets would be difficult if we continued at the current pace, considering that 10 years into the future will arrive in a heartbeat. I think the Vision is imbued with the intention to increase the speed of decision-making by abolishing the officer system, newly establishing General Managers and building a horizontal relationship, while maintaining a sense of speed and also aiming to achieve performance figures with the purpose in mind.

Miyake: We set a target of 500 billion yen in net sales by 2032 in the long-term vision. As this is more than double the net sales of 236.2 billion yen in the fiscal year ended March 31, 2023, we cannot achieve this unless we engage in discussions that are not a mere extension of what has been done so far. As the Company’s performance in recent years has been stuck at a plateau, no new ideas will be conceived unless we aim for high aspirational goals, and I see this as a potential turning point for the Company. In the next 10 years, I think we can aim for discontinuous growth by deepening discussions, especially among younger employees.

Koizumi: Yes, absolutely. Indeed, the Company’s performance over the past 10 years in terms of revenue has shown little growth, which I think is the main reason the stock price has not responded positively.

While a net sales target of 500 billion yen may sound like a very extreme goal if viewed only in terms of figures, setting a target of 300 billion yen under these circumstances would be insufficient as a long-term vision. We must set challenging, aspirational goals and pursue them seriously, otherwise, the Company will stagnate. Specifically, the long-term vision outlines a business growth image based on not only the existing business evolution such as used car purchasing and sales, statutory safety inspections and services, and automotive goods and service sales, but also new business creation such as micromobility platforms, and it clearly states the investment allocation for the next 10 years toward such growth. My understanding is that the net sales target of 500 billion yen is based on these factors. In my opinion, I believe the

persuasiveness of the Vision for investors will increase even more depending on the content of the Medium-term Business Plan and specific strategies to be announced in the future.

Miyake: With a typical goal such as 300 billion yen in net sales, employees may think they can achieve it if they work hard, and no sense of urgency would be created within the Company, and new ideas that lead to growth will not be conceived. If the net sales target is 500 billion yen, there is a high likelihood of a shift in thinking where we must consider collaborations with other industries and types of business, including M&As, to achieve this target.

Kanamaru: Although the Company does not have an extensive track record in M&As, M&As will probably become one of the options as we consider future strategic initiatives. In this case, I would like to provide strong support for the PMI (post-merger integration) process as an Outside Director.

Mimura: In my previous job, I clearly remember being told by the management at the time when the sales were 200 billion yen to “aim for 1 trillion yen.” This insinuates that you cannot compete in the world unless you reach that scale. Another thing that left an impression on me was the idea regarding a market capitalization of 1 trillion yen. I was told to think about what needs to be done to reach 1 trillion yen because we could be bought through an M&A if we are not at the 1 trillion yen mark.

What is crucial is not to let the 500 billion yen net sales goal be just a slogan, but to actualize it, and that is the role of management. Currently, with the Company at a scale of 200 billion yen in net sales, achieving 500 billion yen requires raising our aspirations. To achieve this, it is crucial that members of management first elevate their perspective and change their viewpoint to have a different prospect, and it becomes extremely important how they articulate their findings to internal and external stakeholders in easily understandable terms. From this perspective, as someone familiar with such cases, I intend to offer assistance as much as possible.

How do you see the Company’s overseas expansion?

Miyake: I believe that expanding our Overseas Business is necessary for realizing our long-term vision, and one of our strengths will be our ability to provide opportunities for young people to take on challenges overseas in order for them to actively participate in the future.

For the Company to succeed overseas, it would be ideal for our brand to become well-established and for our orange signs to shine around the world. To this end, I believe that we should make the most of our Japanese quality, which is recognized worldwide for our products and maintenance. PB (private brand) products will also be well-received overseas if they are well-structured across multiple categories such as being environmentally friendly, rather than only making an appeal based on price.

At the same time, I feel that it is important to first create a successful case study overseas by organizing the current situation and narrowing down the area, rather than simply extending existing businesses overseas. The Company is currently operating wholesale and retail businesses in nine countries and regions overseas, but I believe it is time to bring focus to certain areas and businesses to set the stage for the next phase.

Recently, the priority has been to establish a wholesale business in Australia. However, despite being a layman, I believe the Company should venture overseas in retail, otherwise, the AUTOBACS brand value will ultimately not be demonstrated.

Kanamaru: In Overseas Businesses, there are unique circumstances and regulatory differences in each country. As such, brand management is certainly challenging. When expanding through franchises, it often becomes necessary to delegate a certain degree of management to local companies familiar with local conditions while maintaining control from Japan. Due to this, it is important to consider the balance of authority when entering into contracts.

In addition, it is essential to have a clear vision that can be shared in each country. Without a shared philosophy, problems that arise will be handled differently in each country. As such, it is

Round-table Talk by the Outside Directors

necessary to establish an environment where businesses can be expanded with some degree of common understanding, by sharing with them some key points.

Miyake: Although there are various circumstances where direct management in retail would be appropriate for some countries and regions, and cases where franchise partnerships with local companies would be preferable rather than building a franchise business from scratch. If the Company plans to open franchises overseas, it needs to establish an even stronger franchise contract model than domestic franchises. I think the give-and-take relationship is clearer overseas than in Japan, and it is essential to clarify what we offer. In that sense, there is a need to make the strengths of AUTOBACS explicit, such as new formats, private brands, and Japanese quality, and to create systems where we can provide these.

Mimura: In the manufacturing industry, companies still handle their own products when going overseas, but in the retail industry, there is a lot more freedom in that regard. Of course, it is not possible to venture into areas where we do not have any know-how, but it is perfectly acceptable to start something completely different from what is done in Japan. By broadening perspectives in various directions, there is also the possibility of creating entirely different business entities through M&As, in addition to franchise contracts with local companies. Such thinking should naturally be considered as we elevate our viewpoint. In such cases, as Mr. Miyake mentioned earlier, it would be necessary to reset all existing Overseas Businesses and sort out what will remain and what will not. Nevertheless, the huge market for mobility is expected to continue prevailing in the world going forward, and there is plenty of room for growth as long as we can find a commitment to focus on.

Koizumi: In Japan, there are not many successful cases of retail companies going global. When considering the global possibilities for AUTOBACS SEVEN based on the few examples, as Mr. Miyake mentioned, I think having three elements would make us competitive globally: (1) strengthen our brand as an icon, (2) developing an overwhelming lineup of PB products, and (3) thoroughly implementing Japanese quality customer service and hospitality.

Currently, we are focusing on strengthening our business over the near term, by primarily expanding in the wholesale sector. However, I personally feel that the path to success ultimately lies in global retail expansion using the AUTOBACS brand mark.

For sustainable growth

Mimura: I have been urging Mr. Horii to focus on improving corporate value from an investor's perspective. The reason is that discussing what should be done from an investor's point of view will undoubtedly benefit the employees in the end. To



achieve sustainable growth, it's necessary to continuously formulate growth strategies and work toward achieving targets, and by consistently doing so, our corporate value will steadily improve, thereby enabling greater returns to employees.

By advancing a strategy that a manager is personally convinced of as his or her responsibility, the figures will naturally follow. As the accuracy of numerical targets improves, a cycle is created where investor confidence in the Company also grows, and expectations increase even further when even a single success story emerges from our efforts, ultimately improving corporate value. Regarding PBR, which has been of much attention, I have been advising Mr. Horii that what should be done to increase the PBR is clear from the relationship between the numerator and denominator, and we should definitely work toward that goal.

Koizumi: As I mentioned in our previous roundtable discussion, I believe that AUTOBACS is the number one brand in the industry in Japan, and can also become a global brand that operates worldwide. I believe that the DNA as a retailer, including the hospitality of our store staff, which has been handed down since our founding, will definitely be applicable overseas as well.

Perhaps the challenge for future globalization is how to share the philosophy and DNA of AUTOBACS globally. As Mr. Miyake often says, there are areas where the penetration of our philosophy overseas is slightly delayed, and I believe it is essential to strengthen this area.

In addition, looking toward the growth of business in Japan, I expect progress in IT and DX strategies. Although shifting to e-commerce within the franchise business model has its challenges, I believe that the revenue of the Domestic AUTOBACS Business will grow as the e-commerce ratio increases, and there is plenty of room for growth if profits expanded or generated in the domestic business can be diverted to investment in new businesses.

Miyake: What I expect is stronger brand marketing. I would like AUTOBACS to focus on elevating the image of trustworthiness and innovation that the AUTOBACS brand conveys, so that all stakeholders, not just investors and consumers, feel excited when they see that orange sign.

Although there was a sense of excitement when we initially launched as Japan's first one-stop shop for automotive goods and services, that distinctive individuality has been somewhat buried amidst intensifying competition. By creating a system that constantly offers something new, such as proposals for new formats and the development of high-value-added PB products, we hope investors will have the impression that AUTOBACS is always on the move. As Mr. Mimura has said, I believe the figures will follow as a result.

Kanamaru: When the new Medium-term Business Plan is released, I hope that the enthusiasm of everyone involved in its formulation within the Company will gain the empathy of external stakeholders. The key will be to communicate in words and methods that can convince investors of the feasibility of the long-term vision, and I expect consistent efforts from the Company to this end.

Feature 1 Strengthening Human Capital

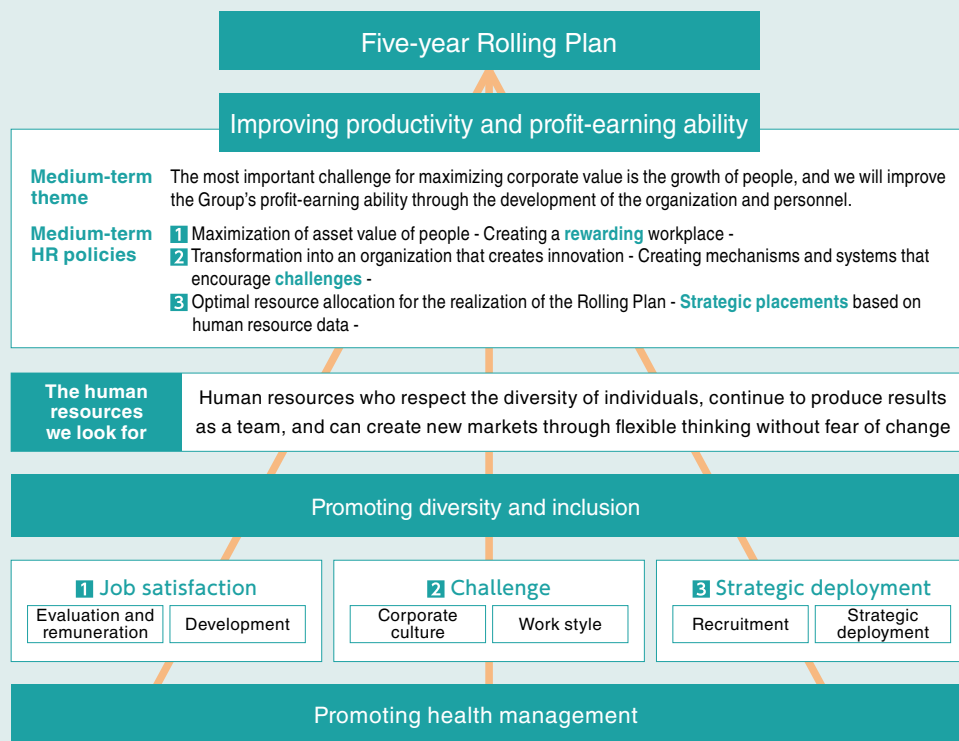
Human Resources Strategy

Overview of Human Resources Strategy

To solve various social issues through corporate management, it is important that the organizations and human resources that will be the main solution providers engage in their work in a sustainable, healthy, and prosperous condition and continue to grow. Believing that corporate value is maximized through the growth of people, the Group sees the promotion of diversity and inclusion and the implementation of health and productivity management as fundamental and is working on three medium-term HR policies: “creating rewarding workplaces,” “creating mechanisms and systems that encourage challenges,” and “strategic placements based on human resource data.”

We are working on various initiatives to create systems and a work environment that enables each employee to perform at their best, feel a sense of job satisfaction, and continue to work with the Company for a long time, all while achieving sustainable corporate growth.

Entire image of human resources strategy



DX Human Resource Development

To evolve into a company that “consistently offers the enjoyment of going out,” as stated in our long-term Vision, and to achieve “evolution as a retailer” and “evolution from a retailer,” we need to increase “human resources who can provide customer satisfaction” and “human resources with high digital literacy” going forward. As part of the measures for employees to redevelop their capabilities to become such human resources, we started offering IT and DX reskilling programs for all employees in June 2023. We aim to develop advanced IT human resources for the future and create a group that can generate new value using digital technology and customer data. Furthermore, we also actively conduct external recruitment for highly specialized IT human resources that we lack internally, to enhance the customer purchasing experience through DX and to provide value that only AUTOBACS can offer.

Image of DX human resource development



TOPICS Organizing panel discussions on IT and DX

From 2023, as part of the Group's efforts toward IT and DX, we have been organizing panel discussions that include not only members involved in IT but also internal members and officers. We have set themes such as utilizing a customer information platform to offer new products and services from the customer's perspective, exchanged concrete ideas, and also shared the latest trends to discuss the possibilities for the Group through the use of IT and DX.



Feature 1 Strengthening Human Capital

Human Resources Strategy

Revision of the Personnel System

We believe that, even as we face difficulties in acquiring human resources due to challenges such as a low birthrate and an aging population, it is important for our sustained growth not only to secure human resources through ordinary recruitment activities, but also to create an environment where existing employees feel job satisfaction and can continue to work with the Company for a long time, and to improve company-wide productivity by maximizing the performance of each and every employee. Moreover, about 60% of our employees are at least 45 years old, and we are also facing the challenge of a further increase in the number of seniors in our workforce in the future.

To address these challenges, we revised the personnel system in April 2023. The revised personnel system includes a new employee talent management system where employees can fully utilize their abundant experience and advanced skills. To that end, we revised our personnel evaluation categories and items, clarified position class (job grade) appointment standards, raised the retirement age for managerial positions, and clarified the main expected roles of employees age 55 and above as developing successors and passing on skills.

Furthermore, we have newly established a limited work area employee system, making it possible to choose between general employment, limited work area employment, specialized employment, and other forms of employment according to the employee's life stage and career vision.

Going forward, we will reform the organization so that each employee can maximize their capabilities and continue to work with the Company for a long time by further evolving these initiatives in the second phase of the personnel system revision.



Creation of New Career Goals and Growth Opportunities

To continue our sustainable growth as a company where each employee can achieve their maximum performance, we are implementing various measures that lead to enhanced motivation and behavioral change. As part of these efforts, we are conducting career training to foster an awareness of proactive career development after role changes and to build careers where employees can fully demonstrate their individual strengths. From FY2023, we have increased career training for employees aged 40 and above and newly established training to support reskilling and career change for those aged 45 to 60.

In addition, as part of our self-development support initiatives, we have a qualification acquisition support system that has expanded its scope from qualifications specified by the Company to any qualifications beneficial to our business, thereby supporting employees who are actively engaged in self-improvement and reskilling.

Message

Efforts to promote human capital management

In an environment where automobiles themselves are shifting to electric vehicles, autonomous cars and others, and how people engage with cars is also changing, an HR infrastructure capable of flexibly and swiftly adapting to changes is essential for the Company's sustainable growth. To improve our company-wide profit-earning ability, we must have diverse human resources that bring different perspectives to the organization and promote their own individual growth. For this reason, we are implementing human capital management with the theme of "improving the Group's profit-earning ability through the development of organization and personnel."

From the standpoint of bringing different perspectives, we are enhancing corporate competitiveness by recruiting human resources with diverse backgrounds through a flexible and adaptable personnel system.

In addition, we promote reskilling so that new career goals can be set according to changes in the environment, while sharing the purpose and importance of reskilling throughout the Company through internal media.

Going forward, we would like to further enhance systems that enable diverse work styles according to the changing life circumstances of employees while implementing skill development support and education for them to acquire key skills, based on the criteria of human resources we look for.



Yumiko Sako

Department Manager
Diversity & Inclusion
Department

Feature 2 Continuous Growth through the Evolution of Existing Businesses

“Evolution as a Retailer” by Integrating Online and Physical Stores

Non-face-to-face shopping and service delivery have become the norm after the COVID-19 pandemic. To flexibly respond to these changes, we are engaged in various measures to realize the “evolution as a retailer” through the seamless integration of our online and physical stores.

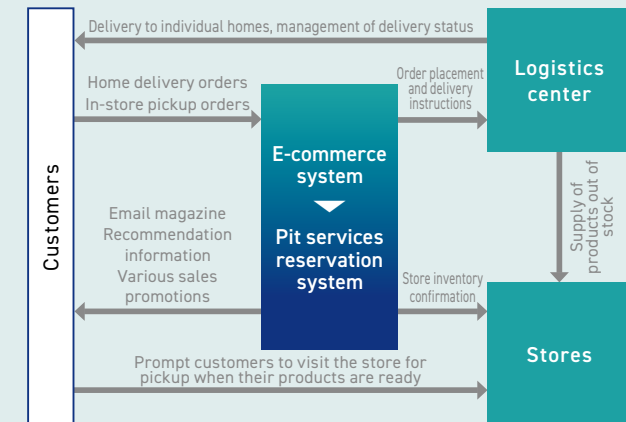
For example, we are focusing on improving the customer experience (CX) through the integration of our online and physical stores, in such ways as providing “online customer services” where specialized staff in stores assist customers online according to their individual needs for specific products such as dashboard cameras. In addition, we have tentatively implemented “last-mile delivery measures” that enable products purchased through e-commerce to be picked up or shipped from a nearby store if available. We are planning a full-scale introduction of this system in the future. Our goal is to be a company that continues to be chosen by customers by providing merchandise and services tailored to customers’ car-use situations, even as their needs are changing.

Customer experience improvement initiatives

Item	Overview
Self-reception machine	This is a dedicated terminal installed in stores that can be used for customer inquiries and reception.
Online customer service	Specialized staff familiar with specific products such as dashboard cameras assist customers online.

Buy Online Pick-up in Store (BOPIS) and Last-mile Delivery Measures

We are accelerating the integration of our online and offline presence aiming for our “evolution as a retailer.” We receive tens of thousands of online orders per year through the e-commerce system built and operated with the Group’s own resources. The system offers O2O (online-to-offline) services, making it possible to choose between home delivery or store pickup and allowing customers to pick up items at the nearest store. If an item purchased online is available in a store, customers can also promptly collect it there through the BOPIS system. We have also tentatively started “last-mile delivery measures” where items are shipped from the store inventory, aiming to reduce transportation time and costs from logistics centers to deliver products to customers more quickly.

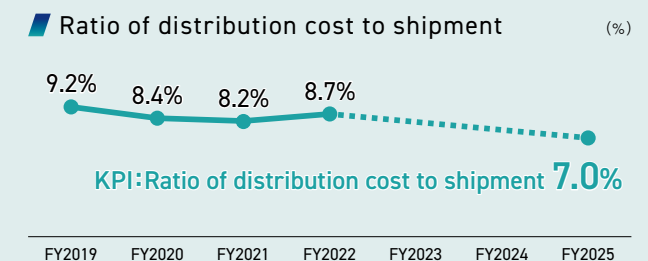
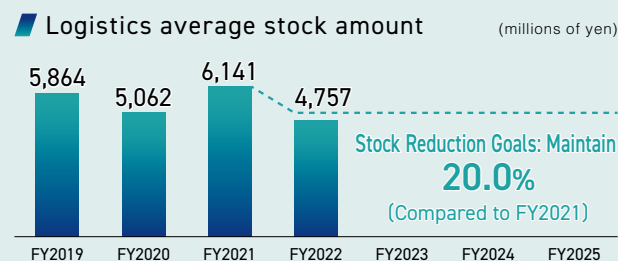


As an advantage of integrating our online and offline services, customers can make an appointment for pit services at approximately 600 stores nationwide at the same time as they purchase through e-commerce, if installation work is needed. From the purchase of products to the reservation of installation and exchange services, as well as after-sales support at the store, customers can receive the same level of service as they would when purchasing in-store.

Improving Pricing through More Efficient Logistics

We are advancing the leveling of logistics shipments in addition to logistics inventory control measures, to evolve as an entire supply chain and enhance profit-earning ability. Specific inventory measures include the inventory allocation for e-commerce transactions as described above, and we are promoting inventory management with an awareness of cash flow in terms of both inventory turnover period and management costs. In addition, in leveling, we have set a limit on the delivery slots for logistics, and deliveries will be carried over to the next delivery if that limit is exceeded, with the aim of reducing the number of trucks.

Through these measures, we plan to reduce the logistics cost ratio for FY2025 to 7.0%, a decrease of 1.7% compared to FY2022 (please see figure on the right).



Feature 2 Continuous Growth through the Evolution of Existing Businesses

“Evolution from a Retailer” through DX by Utilizing Unique Data

To achieve evolution from a retailer, the advancement of digital transformation (DX) is unavoidable. In order to stay connected with customers across all channels following the rapid move to online after the COVID-19 pandemic, we aim to improve customer convenience and satisfaction by pursuing value offerings by accumulating and integrating unique data collected in each channel, such as customer personal data and vehicle data, and utilizing data and digital technologies.

The Group has set “realizing CDE with a digital ecosystem” as the vision for its DX strategy. CDE stands for customer deep engagement, which means achieving deeper, longer, and more direct connections with customers through the use of various digital initiatives. We will build an IT infrastructure that can respond swiftly to changes in business models and environmental changes, and aim to conduct operational reforms and improve labor productivity through DX. In addition, we aim to create value from the customer’s standpoint and establish a competitive advantage in the market.

In order to strengthen these DX initiatives, in April 2023, we converted AUTOBACS Digital Initiative Co., Ltd. into a subsidiary. The company supports the AUTOBACS Group in Japan and overseas in system construction, maintenance, and operation, and promotes DX in the Group as well as the whole automotive industry through cutting-edge technologies. As a DX strategy subsidiary of the AUTOBACS SEVEN Group, it will provide services as well as cultivate digital human resources in the Group, and also work on strengthening efforts to improve digital literacy.

Car Life General Information Site “MOBILA”

MOBILA, which was launched in April 2023 in collaboration with various automobile-related companies, is a comprehensive car lifestyle information website that aggregates information services and content essential to car lifestyle.

This is a one-stop website where users can obtain car-related information, such as personal car management where maintenance history can be recorded, driving and travel information where users can gather outing information and make lodging reservations, and a map service that shows parking lots and gas prices, information for outdoor activities, and car lifestyle social networking services.

We aim to connect with upper-funnel car users through this website. For AUTOBACS members whom we already have a connection with, MOBILA will provide each individual with the most suitable information by incorporating their membership data.

The aim is not only to reach potential customers, but also to improve LTV (life time value) and contribute to improved customer satisfaction by providing benefits and services targeting existing AUTOBACS members. MOBILA became an app in September 2023, with a first-year membership target of 500,000 and a target of 2 million by FY2026.



Message

Toward the promotion of DX



Nobuo Norisue

AUTOBACS Digital Initiative Co., Ltd.
Representative Director and President

AUTOBACS Digital Initiative Co., Ltd. (ABDI) plays a role in leading the DX of AUTOBACS SEVEN and the AUTOBACS Group. We aim to build an IT infrastructure that can respond swiftly to changes in business

models and environmental changes, in addition to AUTOBACS SEVEN’s existing businesses. Through digital transformation, we plan to improve business reforms and labor productivity, while also creating value based on customers’ perspectives and establishing a competitive advantage in the market.

Although AUTOBACS SEVEN’s IT investment was mostly run-the-business cost for maintenance and operations, we are considering increasing investment in value-up from the current 28% to 40% (please see table below). We also believe that internal education plays a major role in maximizing the benefits of DX investments. We will actively develop digital human resources and speedily improve the digital literacy of the entire Group.

Fiscal year	Ratio	
	Run-the-business	Value-up
FY2018	80.9%	19.1%
FY2020	72.8%	27.2%
FY2022	72.0%	28.0%

Message from the General Manager in Charge of Corporate Management



Noritaka Hiraga General Manager
Corporate Management

We will continue to work on strengthening investment returns management while reviewing the business portfolio, and strive to enhance the capital efficiency of each business unit.

Review of business results

In the fiscal year ended March 31, 2023, socioeconomic activities that had been restricted under the COVID-19 pandemic began to normalize, with a sign of moderate recovery in consumer spending. However, they were affected by soaring raw material and energy prices and rising prices due to the rapid depreciation of the yen.

In the Japanese automotive-related industry, the number of new car production, which had declined due to the global shortage of semiconductors, began to recover. Meanwhile, the Ukraine situation and China's zero-COVID policy led to shortages of parts and disruptions to logistics. The number of used cars for trade-in available in the distribution market fell due to a decline in new car production, and the number of used cars registered was lower than the year-ago level. Market conditions for automotive goods and services were affected by rising prices, but demand for winter goods increased due to cold snaps and snowfalls.

In these circumstances, the Group has worked to enhance its market competitiveness by keeping pace with and adapting to changes in society, cars, and people's lifestyles. The Group has focused on high growth potential areas while striving to strengthen its networks and business infrastructures, and promote its businesses for sustainable growth. As a result, consolidated net sales were 236.2 billion yen, an increase of 3.3% from the previous year, consolidated operating income was 11.7 billion yen, an increase of 1.5% from the previous year, and profit attributable to owners of parent was 7.2 billion yen, an increase of 3.3% from the previous year, exceeding the plans announced at the beginning of the fiscal year.

Allow me to explain the results for each segment. The Domestic AUTOBACS Business remained firm as a result of our efforts to strengthen sales promotions, in addition to signs of a recovery in personal consumption, despite the impact of the COVID-19 pandemic and rising prices. By merchandise, although the Company revised prices for tires in May and September, they performed well due to sales promotions and a strengthened product lineup. Also, in car electronics and car interior goods, although sales decreased due to a reduction in new car production, we were able to capture maintenance demand for existing cars in services.

For the Overseas Business, in Australia where the Company operates a wholesale business, both sales and profits rose due to sales activities such as the development of new wholesale customers and the introduction of new exclusive goods against the backdrop of the strong performance of car electronics goods and transceivers. In France, where the Company conducts retail operations, sales increased due to measures such as optimization of price and sales activities, despite the impact of inflation. As a result, operating losses were reduced in addition to increased revenue.

For the Car Dealership, BtoB and Online Alliance Business, the Car Dealership Business secured a higher level of operating income than in the same period of the previous year by facilitating efficient operations, despite being affected by a reduction in new car production. In the BtoB business, subsidiaries engaged in statutory safety inspection, maintenance services and tire sales performed well. The Online Alliance Business saw sales growth due to the increase in sales channels and the expansion of e-commerce website services. As a result, the segment not only increased its sales but also turned a profit.

Message from the General Manager in Charge of Corporate Management

As I mentioned in the beginning, business results exceeded the plans announced at the beginning of the fiscal year for both sales and profits, however, when viewed by segment, there are issues that remain to be addressed. We recognize that in order to achieve the sustainable growth of the Group, it is necessary not only to continue enhancing the efficiency of existing businesses but also to invest in growth areas and cultivate new businesses.

Five-year Rolling Plan

We have completed the fourth year of the Company's Five-year Rolling Plan which began in the fiscal year ended March 31, 2020. The emphasis of our financial strategy in particular is to continue to review our business portfolio to strengthen the management of the individual businesses, and also to work on strengthening investment returns management, thus improving capital efficiency. We have been managing ROA by business segment since the fiscal year ended March 31, 2023 and have included it in the evaluation for General Managers. Since the introduction of the Five-year Rolling Plan, we have been reviewing items as required, and in FY2022, we discussed and implemented policies on six themes: 1. required working capital

and surplus funds, 2. fund procurement, 3. reviewing the business portfolio by strengthening investment returns management, 4. approach to investing and financing for subsidiaries, 5. fund management, and 6. shareholder returns. In the Five-year Rolling Plan 2023, we have removed "5. fund management" due to the significant reduction in our cash position compared to the past, and we have also revised some of the contents of the other items.

Financial challenges

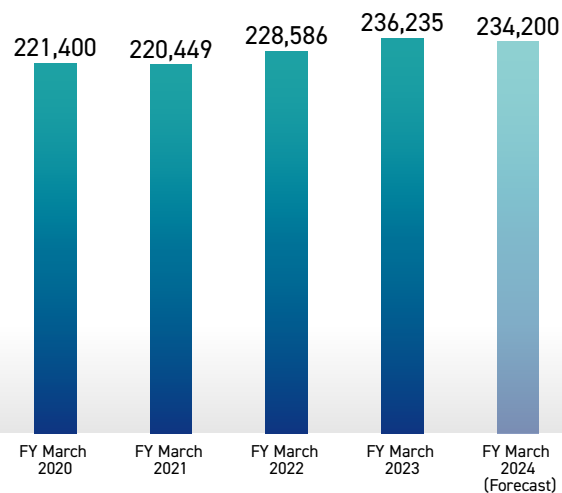
To achieve the sustainable growth of the Group, it is necessary not only to continue improving the efficiency of existing businesses but also to invest in growth areas and cultivate new businesses. As we continue to take on new challenges for value creation, we will review the evaluation system for General Managers who are in charge of each business, and strengthen the monitoring system so that each business can be visualized and managed using ROIC (return on invested capital), and continue to review and replace businesses in the portfolio. When reviewing or restructuring the business portfolio, we will make decisions based on a variety of perspectives, such as the

profitability and growth potential of the business, the potential for collaboration with other businesses, and their ability to contribute to solving social issues. We will then rebuild a business portfolio that will allow the Group to demonstrate its strengths to the full. In addition, along with enhancing investment returns management through these business portfolio reviews and improving capital efficiency through visualization for each business segment, we will implement stable and flexible shareholder returns as explicitly stated in the Five-year Rolling Plan, aiming for a five-year cumulative total return ratio of 100%.

Although we are aiming for an ROE that exceeds the capital cost, with an ROE of 5.7% for the fiscal year ended March 31, 2022 and 5.8% for the fiscal year ended March 31, 2023, the figures are still not satisfactory. For the fiscal year ending March 31, 2024, the fifth year of the Five-year Rolling Plan, I feel that we need to move on from the seed-sowing that we have been doing so far to a stage of selection and concentration, and then on to the harvesting stage. First of all, we will further enhance our profit-earning ability, especially in the Domestic AUTOBACS Business, our core business. At the same time, we will step up our efforts to review our company-wide cost structure. In addition, we are accelerating the speed of management, evolving each business, taking on challenges in business

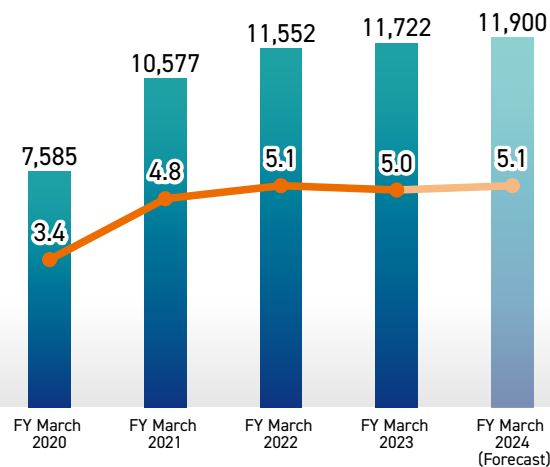
Trends in net sales

(Millions of yen)



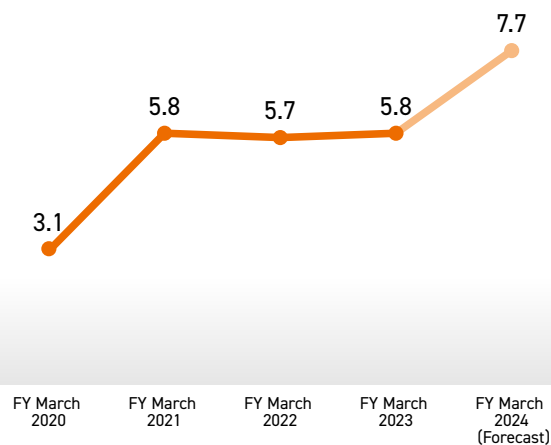
Trends in operating income/operating income ratio

■ Operating income (millions of yen) ■ Operating income ratio (%)



Return on equity

(%)



Message from the General Manager in Charge of Corporate Management

creation, and making changes to seize new opportunities. In order to achieve evolution and growth “beyond AUTOBACS up until now,” we have formulated a long-term vision Beyond AUTOBACS Vision 2032. This is a long-term vision that adapts to environmental changes, takes on the challenge of the expansion of business areas and the creation of new businesses, and aims for consolidated net sales of 500 billion yen in FY2032. To achieve this, we will aggressively execute investments of approximately 100 billion yen from FY2023 to FY2032, and we will consider replacing the businesses in our portfolio with those that offer a high return on investment.

Improving non-financial capital to increase financial value

We are promoting sustainability management and strengthening ESG. We started the ESG & SDGs Project in 2021 and have focused on human resources as a source of growth for the company and efforts to enhance corporate value.

In particular, in terms of non-financial capital related to human capital, we have set “Development of organization and personnel” as a materiality, and have established KPIs to achieve this in addition to non-financial goals. Our efforts include improving the status of certified mechanics and fostering them, which is an urgent issue in our Domestic AUTOBACS Business, creating a

corporate culture full of diversity, establishing mechanisms for evaluating challenges, and creating healthy and active workplaces. To promote these initiatives within the Group, we have established a scheme in which the General Managers who are in charge of executing management act as leaders and take responsibility for implementing such initiatives. P39

We are also working to reduce CO₂ emissions, and we will continue to engage in these efforts as our responsibility which is necessary for us to exist as a company in a sustainable society.

Improvement of PBR (price book-value ratio)

I feel that the Group has not been able to demonstrate its future growth potential. Regarding this point, we first presented our long-term vision Beyond AUTOBACS Vision 2032 in May 2023 that states our ideal 10 years in the future, with consolidated net sales of 500 billion yen and cumulative investment of 100 billion yen. Furthermore, we are currently discussing the formulation of a Medium-Term Management Plan by selected internal members, and we plan to disclose details such as profit levels and growth investments in the Medium-Term Management Plan. While indicating the direction in which the company is heading, we aim to improve capital efficiency and achieve enhancement of corporate value, thereby raising the PBR to more than one.

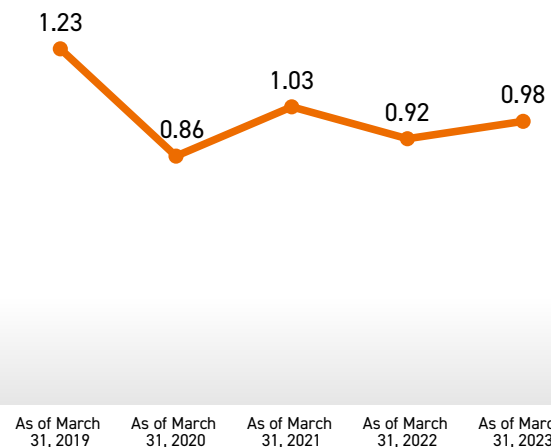
Shareholder returns

Regarding shareholder returns, the Company positions returning profits to our shareholders as an important management priority. We have set a basic policy of stable and flexible shareholder returns, with a cumulative total shareholder return ratio of 100% during the period of 5 years of the Five-year Rolling Plan. With respect to the acquisition of treasury shares, the Company will consider implementing such repurchases at an appropriate time to improve capital efficiency and shareholders' profit, comprehensively taking into consideration the cash flow situation and other factors.

After FY2024 following the end of the Five-year Rolling Plan, in accordance with the long-term vision described earlier, we plan to invest proactively for growth, targeting a cumulative total of 100 billion yen over 10 years. Through growth investment, we will maximize operating cash flow and continue to provide stable and flexible returns to our shareholders in consideration of the business environment, performance, and financial position.

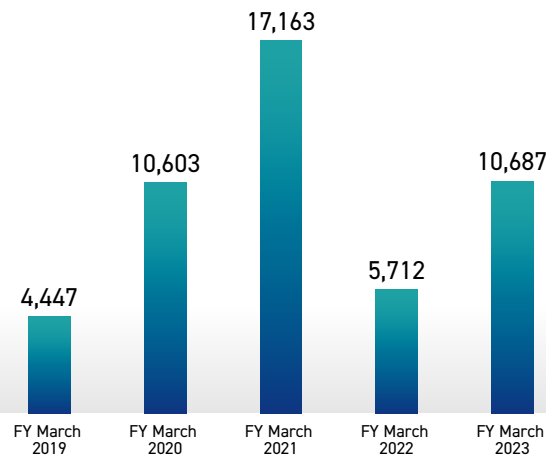
Price book-value ratio

(Times)



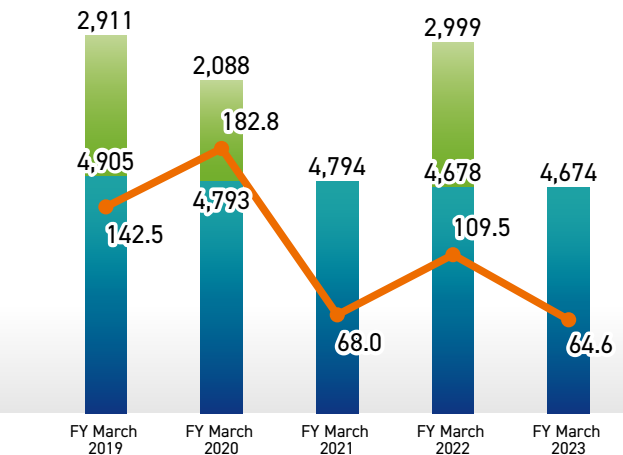
Cash flows from operating activities

(Millions of yen)



Trends in dividends, share buybacks, and total return ratio

■ Amount of dividend payment (millions of yen) ■ Share buyback amount (millions of yen) ■ Total return ratio (%)



Directors

**Yugo Horii**

Representative Director &
Chief Executive Officer

Kiomi Kobayashi

Chairman of the Board

Takayoshi Mimura Minesaburo Miyake Shinichi Fujiwara Eiichi Kumakura

Outside Director

Outside Director

Senior Managing Director &
Executive General Manager

Senior Managing Director &
Executive General Manager










Ayako Kanamaru Tomoaki Ikeda Masami Koizumi

Outside Director
Audit and Supervisory
Committee Member

Director
Full-time Audit and Supervisory
Committee Member

Outside Director
Full-time Audit and Supervisory
Committee Member

Knowledge and Experience of Directors/Skills Matrix

Name	Position	Reasons for nomination and expected roles	Skills													
			Management experience	Group control	Portfolio management	Organization, human resources strategy	Capital cost management, financial strategy	Insight and experience in the Company's business fields	Accounting, finance, taxation	Risk management	Compliance, law	ESG / Sustainability	Diversity			
 Yugo Horii	Directors who are not Audit and Supervisory Committee Members	Representative Director & Chief Executive Officer	Promoted the Five-year Rolling Plan since 2022 as Representative Director of the Company. Reformed the management structure and exercised strong leadership in the growth of each business. Assigning him as the leader of management will contribute to further growth and acceleration of pace.	○	○	○				Distribution/ Global			○		○	
 Kiomi Kobayashi		Chairman of the Board	Served as Representative Director and Chief Executive Officer for 6 years from 2016, and assumed the position of Chairman of the Board after the General Meeting of Shareholders in 2022. His wealth of experience, insight, and track record contribute to improving the effectiveness of decision-making and supervisory functions of the Company's Board of Directors.	○	○	○					Wholesale/ Retail	○			○	
 Eiichi Kumakura		Senior Managing Director & Executive General Manager	Possesses a significant track record in the fields of merchandising and sales operation in the Domestic AUTOBACS Business, and contributed to the expansion of new business domains in the BtoB area by becoming thoroughly familiar with the Company's key products and distribution services. Vital to improving the effectiveness of decision-making and supervisory functions of the Board of Directors.	○	○		○				Wholesale/ Retail		○		○	
 Shinichi Fujiwara		Senior Managing Director & Executive General Manager	Well-versed in the Domestic AUTOBACS Business, has a significant track record in sales, marketing, and area strategies, and also strived to build relationships with franchisees. His leadership is essential for creating new markets.		○		○				Retail/ Marketing	○	○			
 Minesaburo Miyake		Outside Director	Possesses extensive experience and considerable achievements in corporate management. Expected to contribute to the further enhancement of the supervisory functions by ensuring the soundness, appropriateness, and further transparency of the Company's strategies and decision-making during this period of transformation.	○	○	○					Wholesale/ Manufacturing/ Marketing		○		○	
 Takayoshi Mimura		Outside Director	Led the development and growth of business corporations in the global market, and possesses experience as the Chairman of the Board and knowledge of corporate governance. Utilizes this experience in the management of the Company, and also supervises the Company's operation from the viewpoint of protecting general shareholders	○	○	○					Manufacturing/ Distribution/ Global				○	○
 Tomoaki Ikeda	Directors who are Audit and Supervisory Committee Members	Director	Possesses knowledge and experience in finance, PR, investor relations, deep knowledge regarding sustainability, and casts a sharp eye toward capital cost management and investment decisions. Expected to contribute to ensuring the effectiveness of audits, as well as securing soundness and appropriateness and improving transparency of the Company's decision-making.		○			○		Wholesale/ Retail	○			○		
 Masami Koizumi		Outside Director	Possesses experience and insight into business administration, investor relations, governance, and SPA gained through his involvement in administrative practices at business corporations. Expected to contribute to the enhancement of the Company's supervisory functions by ensuring the effectiveness of audits, as well as securing soundness and appropriateness and improving transparency of the Company's decision-making.	○	○			○			Wholesale/ Retail	○	○			
 Ayako Kanamaru		Outside Director	Provides her abundant legal knowledge as a lawyer, and expected to contribute to the enhancement of the Company's supervisory functions by ensuring the effectiveness of audits, as well as securing soundness and appropriateness and improving transparency of the Company's decision-making, from the standpoint of a Director who is an Audit and Supervisory Committee member.		○		○				Global			○		○

New Management Structure

Drastic Reforms to Our Management Structure to Increase the Speed of Decision-making and Transformation

POINT

- Abolish officer system and strengthen business portfolio management
- Establish new management positions (General Managers), which are responsible for each business

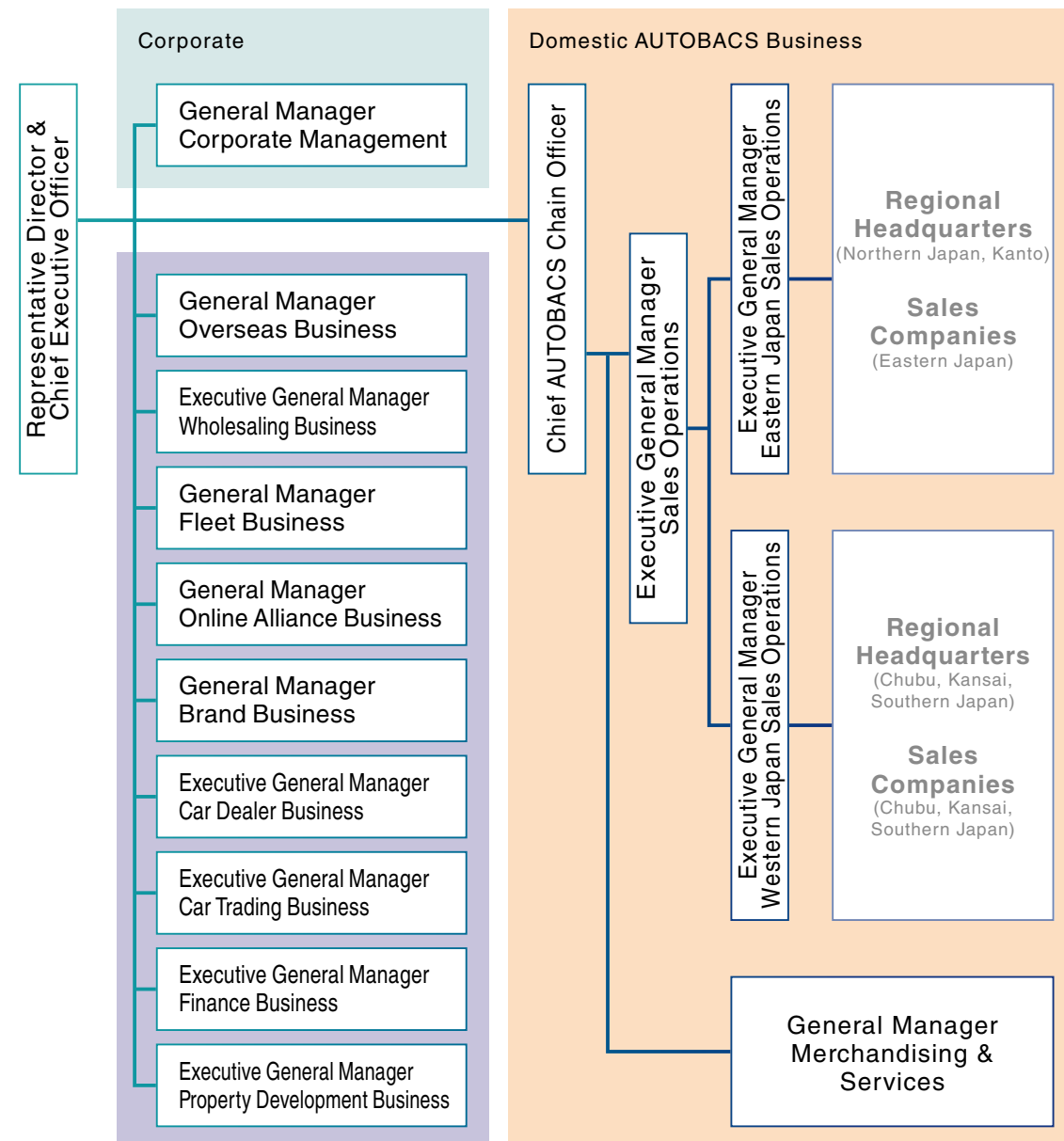
In the business environment which the automobile industry is entering a period of major change, and major changes are expected in society, automobiles, people's lives, and customer needs, we are working on reforming the company to seize new opportunities while increasing the speed of management, evolving the Domestic AUTOBACS Business and challenging new business fields.

However, the business environment is changing rapidly and customer needs are becoming more and more diversified. Therefore, we will speed up the process of transformation to create the value through the close connection between each business and to make faster and better decisions. For this purpose, we implemented the new management system.

General Managers are assigned to individual strategic businesses, and are responsible for organically linking each business in the interest of company-wide strategies and promoting such strategies.

New Management Structure in FY2023

(effective June 2023)



Corporate Governance

Basic concept of corporate governance

Based on the AUTOBACS SEVEN Group Purpose, AUTOBACS SEVEN Group Code of Conduct and Guidelines for Action, and AUTOBACS SEVEN Group Sustainability Basic Policy, we operate our business with consideration to all stakeholders. As a public institution of society, we will achieve sustainable growth and improve corporate value over the medium and long terms, and will continue striving to strengthen corporate governance to contribute to society.

Based on this fundamental philosophy, we will build a system to achieve fair and transparent management including separation of the execution of operation and supervision, together with swift, bold decision making and proper monitoring, and will endeavor to make the system fully functional in substance.

Features of the Company's corporate governance

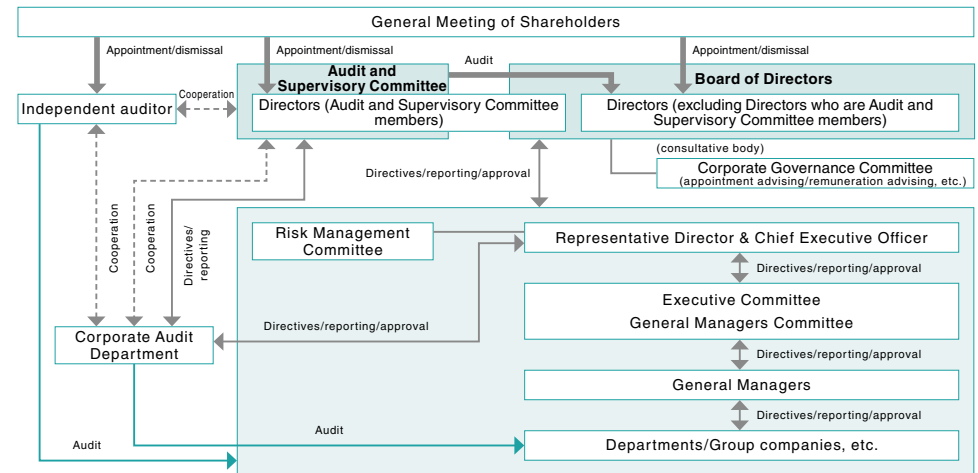
The Company aims to achieve continued sustainable growth and to further improve its medium- to long-term corporate value by establishing a more effective corporate governance system that separates business execution and supervision and enables the pursuit of both effective and swift decision-making and appropriate monitoring of its management. To this end, the Company is further reinforcing its corporate governance system through the following measures, while taking advantage of its feature as a company with an Audit and Supervisory Committee.

1. Appointment of one third or more of Independent Outside Directors: enhancement of the supervisory function, protection of general shareholders' interest
2. Establishment of committees as consultative bodies to the Board of Directors: ensuring of transparency, objectivity and appropriateness
3. Selection of full-time and selected members of the Audit and Supervisory Committee: ensuring of effectiveness of the activities of Audit and Supervisory Committee, enhancement of the audit function
4. Allocation of General Managers: strengthening of business portfolio management
5. Regular meetings with General Managers by Audit and Supervisory Committee members: enhancement and reinforcement of monitoring

Please refer to our website for more details.

Corporate governance system chart

(As of April 1, 2023)



Name	Regular meeting	Chairperson	Members	Directors (excluding Directors who are Audit and Supervisory Committee members)		Directors who are Audit and Supervisory Committee members		General Managers	Main roles
				Internal	Outside	Internal	Outside		
Board of Directors	Once every month in principle	Appointed in accordance with provisions prescribed by the Board of Directors	Directors	●	●	●	●	—	Decides the medium- to long-term course of action and annual business plans, as well as matters specified in laws and regulations or in the Articles of Incorporation, and important matters concerning the Company's business activities, and supervises the execution of duties of Directors.
Audit and Supervisory Committee	At least once every month in principle	Appointed from among Audit and Supervisory Committee members by mutual election	Directors who are Audit and Supervisory Committee members	—	—	●	●	—	<ul style="list-style-type: none"> • Audits the execution of duties of Directors through supervision and assessment using audits via full-time and selected Audit and Supervisory Committee members and internal control systems via audits performed by the Corporate Audit Department. • Members attend important meetings and meetings with the Independent Auditor; full-time Audit and Supervisory Committee members improve the auditing environment, gather internal information mainly by perusing important documents, and share important matters with other Audit and Supervisory Committee members • Reports on and explains audit policies and audit results of the Audit and Supervisory Committee regularly at meetings of the Board of Directors
Corporate Governance Committee	Once every month in principle	Appointed from among Outside Directors through mutual election by committee members	Independent Outside Directors, Representative Director, and Chairman of the Board	● (Representative Director and Chairman of the Board only)	●	—	●	—	Provides reports and suggestions to the Board of Directors on the matters listed below and thereby enhances the Board of Directors' supervisory functions by strengthening the functional independence, objectivity, and accountability of the Board of Directors to further deepen corporate governance <ul style="list-style-type: none"> a. Election, dismissal, and succession planning for Directors (including Directors who are Audit and Supervisory Committee members) b. Election, dismissal, and succession planning for the Representative Director c. Appointment of General Managers (limited to cases where a General Manager is recruited from the outside the Group) d. Remuneration system for Directors (excluding Directors who are Audit and Supervisory Committee members) and General Managers e. Other matters relating to corporate governance
Executive Committee	Once every month in principle	Chairman of the Board	Directors	●	●	●	●	—	Positioned as a place to deliberate and form consensus on matters for discussion related to execution, deliberates in advance on risks underlying the matters to be resolved at Board of Directors meetings and measures to manage them, reports the processes and results of its deliberations to the Board of Directors, and formulates company-wide policies and plans
General Managers Committee	Once every month in principle	Chief Executive Officer	General Managers	● (The Chairman is an observer)	○	○	○	●	Holds discussions to promote business execution by confirming the status of execution and examining countermeasures in each business and business infrastructure
Risk Management Committee	Once every year in principle	Representative Director & Chief Executive Officer	Executive Directors and General Managers in charge of internal control functions	●	○	○	○	● (in charge of internal control)	<ul style="list-style-type: none"> • Formulates annual risk management policies and strives to promote risk management in a smooth and appropriate manner • Reports monthly on the status of key risks, such as at the Board of Directors meetings

○ indicates an observer

Corporate Governance

Board of Directors

With the aim of achieving sustainable growth and improving the medium- to long-term corporate value in consideration of fiduciary duties and accountability to shareholders, the Board of Directors decides the medium- to long-term course of action and annual business plans, as well as matters specified in laws and regulations or in the Articles of Incorporation, and important matters concerning the Company's business activities, and supervises the execution of duties of Directors.

Initiatives for medium- to long-term growth

In addition to deciding on a single-year budget and the Medium-term Business Plan (Five-year Rolling Plan), in principle, the Company rolls over its Medium-term Business Plan once every fiscal year (updating the end date of the plan and reviewing its contents). The Company also regularly analyzes the cause of discrepancies between the budget and results for a single year, and discloses and explains its findings to shareholders and other stakeholders through announcements of business results and other means.

Composition of the Board of Directors

- With an emphasis on having a good balance of knowledge, experience, and skill,* the Board of Directors consists of internal Directors well-versed in the Company's business, and Outside Directors with diverse backgrounds, including one female Director.
- Board composition is decided following the careful consideration of diversity and appropriate scale, including gender, internationality, career history, and age.

*To continue creating a rich and healthy automotive society by responding to the ever-changing environment, and providing new value not bound by existing businesses, the Group has placed importance on knowledge and experience, including "management experience," "group control," "portfolio management," "organization, human resources strategy," and "capital cost management, financial strategy."

Policies and Procedures for the Appointment and Dismissal of Management Team Executives and the Nomination of the Candidates for Directors

Our Directors are individuals who understand the importance of the relationship of mutual trust we have with franchisees, suppliers, employees, and others in the AUTOBACS franchise chain, and who have the will and ability to improve corporate value and common shareholder interests over the medium to long term.

Candidates for internal Directors shall be individuals who are familiar with the Company's business. Candidates for Outside Directors shall have corporate management experience, and expertise and experience with laws and regulations, finance, governance, risk management, etc. They shall also meet the requirements for independence stipulated in Article 436-2 of the Securities Listing Regulations of the Tokyo Stock Exchange, Inc. and the requirements for independence stipulated by the Company. In addition, we strive to ensure that one or more of the Directors who are Audit and Supervisory Committee members have considerable expertise in finance and accounting.

We established the Corporate Governance Committee, chaired by an Outside Director, and composed of all of the Outside Directors, Chairman of the Board, and Representative Director, as a consultative body to the Board of Directors. Decisions on proposals to be submitted to the General Meeting of Shareholders regarding the selection of Director candidates and the dismissal of Directors are made by the Board of Directors after consulting and receiving reports from this Committee. When appointing Directors who are Audit and Supervisory Committee members, the Representative Director and the Audit and Supervisory Committee discuss the required human resource qualifications at the time of Director candidate selection.

In addition, the Audit and Supervisory Committee discusses and expresses its opinion as to whether the Director candidates selected by the Corporate Governance Committee, in which Outside Directors who are Audit and Supervisory Committee members participate, are suitable for the position. In doing so, the Audit and Supervisory Committee considers the following: the selection policies that took into account such matters as the qualifications of each candidate and his or her eligibility as a Director, the status of nomination procedures, and for Executive Director candidates, the status of their business execution and contribution to business performance in each fiscal year.

Outside Directors

Status of appointment

The Company's Outside Directors consist of personnel with diverse backgrounds, including one female. All Outside Directors meet the criteria for independence set forth by the Tokyo Stock Exchange, Inc. and the independence requirements set forth by the Company. Outside Directors with experience and knowledge in a variety of fields actively contribute to discussions, such as at meetings of the Board of Directors, from an independent and objective standpoint.

Independent Outside Directors Liaison Meeting

The Company has appointed a chief independent Outside Director.

In addition, the Independent Outside Directors Liaison Meeting, consisting of four independent Outside Directors and hosted by the chief independent Outside Director, meets several times a year to strengthen mutual information sharing and communication among Outside Directors. In the fiscal year ended March 31, 2023, the meeting was held four times and the recommendations that resulted therefrom were reported to the Representative Director.

Support system for Outside Directors

When Outside Directors assume their positions, they are given explanations of the Company's management philosophy, strategies, and line of business, and are also given tours of our core business bases.

Regarding the Board of Directors and the Executive Committee, we send materials and minutes via e-mail or paper documents, and the secretariat or the department in charge of agenda items provides necessary information as appropriate, as well as explanations in advance as necessary.

In addition, we have established the Management Committee, which consists of Directors, to ensure that Outside Directors can make appropriate judgments based on sufficient information. As a forum for deliberating in advance the matters to be resolved by the Board of Directors, it examines business profitability, risks, and other aspects of the matters for resolution. In addition, from the fiscal year ending March 31, 2024, they have been participating as observers in the General Managers Committee, which is chaired by the Chief Executive Officer and consists of General Managers. We have thus introduced a system that enables them to confirm the status of execution of each business and business infrastructure, consider countermeasures, and monitor the progress of business execution. By participating in these meetings, Outside Directors will be able to gain a deeper understanding of the matters to be resolved and the issues facing the Company and be able to fully discuss them at the Board of Directors meetings.

[Independence criteria for the Outside Directors](#) Please refer to our website for more details. 

Monitoring Sustainability Activities

Addressing overall sustainability issues as an important theme, the Company established the ESG & SDGs Project in January 2021, led by the Chief Executive Officer, and has been promoting it as a company-wide project. The contents of relevant discussions and decisions are reported to the Board of Directors, and the Board provides approval on the Company's initiatives, issues instructions and conducts supervision, as necessary.

Corporate Governance

Evaluation of the Board of Directors' Effectiveness

The Company analyzes and evaluates the effectiveness of the Board of Directors to assess whether it is appropriately performing its roles, and to identify issues in the Board of Directors in order to make continuous improvements.

In the effectiveness evaluation conducted for the fiscal year ended March 31, 2023, we requested support from a third-party organization with expert knowledge (Board Advisors Japan, Inc.). Based on the analysis results, issues and countermeasures were determined following thorough deliberation by the Board of Directors.

Implementation summary

Method of evaluation	<p>Step 1: A questionnaire in writing is submitted with multiple-choice and free-response questions</p> <p>Step 2: Individual interviews are conducted by a third-party organization based on the questionnaire results</p> <p>Step 3: The third-party organization reports the questionnaire results and its analysis of the interviews to the Corporate Governance Committee</p> <p>Step 4: The Board of Directors and the Corporate Governance Committee discuss the results multiple times and finalize the evaluation results</p>
Evaluation items	Overall Board evaluation, Board composition, preparation, operation, discussion, committees, supervision of execution, relationship with investors and shareholders, and response to issues pointed out in the fiscal year ended March 31, 2022, etc.

Evaluation results for the fiscal year ended March 31, 2023

Positive feedback	<ul style="list-style-type: none"> The Board of Directors, Audit and Supervisory Committee, and Corporate Governance Committee are generally effective. There has been improvement in the issues identified in the evaluation for the fiscal year ended March 31, 2022 (there is room for improvement in the amount of knowledge it has relating to the investigation, examination, and sorting out of issues in projects overseas and in new business domains, as well as in its issue identification and discussion regarding its vision and mindset from a medium- to long-term perspective). The Company has high expectations for Outside Directors to contribute to the Board of Directors, and thus strives to create an environment in which they can easily express their opinions at the Board meetings by sharing information from an early stage in the decision-making process. A wide range of corporate governance-related topics are also discussed openly by the Corporate Governance Committee.
Expected improvements	<ul style="list-style-type: none"> Although efforts have been made to enhance discussions on medium- to long-term strategies, which has also been presented as an issue in the effectiveness evaluation for the fiscal year ended March 31, 2022, discussions have not been sufficient enough to determine a more concrete direction There were several requests for further improvement in the way the Board of Directors operates and the way materials and information are shared

Issues to consider and countermeasures

- By holding training camps and sessions with members deliberating on the Medium-term Business Plan, the Board of Directors provides time and opportunities for in-depth discussions on medium- to long-term strategies
- The Company further deepens information sharing with the Board of Directors by (1) establishing a summary page that outlines the key points and issues in the materials, including matters to be reported, (2) further enhancing the level of information sharing focused on high-risk matters between the Audit and Supervisory Committee, the Board of Directors and Directors, and (3) having the Chairperson of the Corporate Governance Committee give a verbal report once a year at a Board of Directors meeting on the key points discussed at said Committee
- Regarding the future direction of supervision and execution of the Company, the Board of Directors and Corporate Governance Committee will periodically discuss and verify the management stage of the Company and the corresponding supervisory function of the Board of Directors

TOPICS

Key matters to be discussed and reported at Board of Directors meetings (FY March 2023)

Management strategy	<ul style="list-style-type: none"> Long-term growth strategy Human resources strategy to realize the Company's business strategy Additional acquisitions of subsidiary shares Whether or not to continue holding cross-shareholdings Signing of a dealership agreement with BYD Auto Japan Inc. Establishment of BACS e-Mobility Co., Ltd., a new EV business management company Post-investment monitoring
Sustainability	<ul style="list-style-type: none"> Disclosure proposals in accordance with the TCFD framework ESG & SDGs Project Formulation of a sustainability policy
Governance	<ul style="list-style-type: none"> Control and management systems for Group compliance Evaluation of the Board of Directors' effectiveness for the fiscal year ended March 31, 2023

Results of the activities of the Audit and Supervisory Committee and the Corporate Governance Committee (FY March 2023)

Audit and Supervisory Committee (held 15 times)	<ul style="list-style-type: none"> Consideration and deliberation of audit matters, including audits by the Corporate Audit Department, etc. Held interviews with the Chief Executive Officer, Officers in charge of each business department, and departments related to matters brought to light during the operational audit process, and made recommendations on matters that should be improved For subsidiary audits, information was collected at the Management Report Meeting, at which all subsidiaries that operate stores are to provide reports. Audits for the operating subsidiaries were conducted on-site and remotely at four subsidiaries for car goods supply and others (including two overseas subsidiaries). Meetings with the departments in charge of subsidiary audits were held once a month to exchange information and opinions on the status of audits and internal controls at subsidiaries.
Corporate Governance Committee (held 14 times)	<ul style="list-style-type: none"> Deliberation on candidates for Directors (including Directors who are Audit and Supervisory Committee members) Deliberation on remuneration system for Directors (excluding Directors who are Audit and Supervisory Committee members) and Officers Deliberation on the Company's institutional design, etc.

Corporate Governance

Policy and Procedures for Determining Remuneration for Management Team Executives and Directors

The Company has established a policy for determining remuneration to maintain and increase the corporate value of the AUTOBACS SEVEN Group. The Company ensures the objectivity and transparency of a remuneration system for its Directors (excluding Directors who are Audit and Supervisory Committee Members) through consultation with the Corporate Governance Committee, a body that is chaired by an Outside Director and composed of all of the Outside Directors, Chairman of the Board, and the Representative Director.

Directors' Remuneration

Basic policy

The basic policy for determining Directors' remuneration has the criteria of maintaining and increasing the corporate value of the AUTOBACS Group, which comprises a franchise system, and securing human resources capable of effectively supervising the Company's business operations as Directors of the Company.

Remuneration standard

The remuneration standard is based on the results of third-party surveys on remuneration for directors and officers and takes into account such factors as the Company's position in the industry, the difficulty of achieving targets, and responsibilities.

Composition and basic policy of remuneration

Remuneration for the Company's Directors

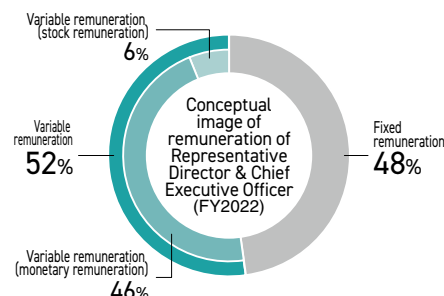
Remuneration for the Company's Directors (excluding Outside Directors and Directors who are Audit and Supervisory Committee members) consists of fixed remuneration (monetary remuneration and stock remuneration). The ratio of monetary remuneration to stock remuneration in fixed remuneration is 2 to 1 for the Representative Director and 7 to 3 for Directors. For Outside Directors and Directors who are Audit and Supervisory Committee members, fixed remuneration (monetary remuneration) set for each role is paid.

Fixed remuneration (monetary remuneration)	Determined based on the basic remuneration as a Director and the remuneration for other delegated duties set according to individual roles.
Fixed remuneration (stock remuneration)	Restricted stock issued in advance at a face value set according to each individual role, with the aim of improving medium- to long-term performance and corporate value and further sharing value with shareholders.

Remuneration for the Company's Directors who concurrently serve as General Managers

Remuneration for the Company's Directors (excluding Outside Directors and Directors who are Audit and Supervisory Committee members) who concurrently serve as General Managers consists of fixed remuneration for Directors, fixed remuneration (monetary remuneration) and variable remuneration (monetary and stock remuneration) for General Managers. The percentages set for fixed remuneration (monetary remuneration), variable remuneration (monetary remuneration), and variable remuneration (stock remuneration) for the Company's Directors are roughly 48%, 46%, and 6%, respectively, in the case of Representative Director & Chief Executive Officer.

The percentage of variable remuneration will be higher in proportion to the ranks of General Managers.



Fixed remuneration (monetary remuneration)	The scope of control and responsibility, degree of influence on the management of the AUTOBACS SEVEN Group, and achievements in the previous fiscal year are considered to determine fixed remuneration from the remuneration table.
Variable remuneration (monetary remuneration)	The achievement of a single-year consolidated ordinary profit and ROE target is set as a payment condition. The amount varies between 0 and 200% of the performance based remuneration standard depending on the degree of achievement of the following targets: financial performance figures such as ordinary profit targets for all businesses and each area of responsibility, and an individual assignment based on a strategic target including a medium- to long-term perspective, which cannot be measured by financial performance figures alone.
Variable remuneration (stock remuneration)	To improve performance and corporate value over the medium and long term and better share value with shareholders, restricted stock (performance-based stock remuneration) is issued in advance linked with the achievement of single-year performance targets in the amount specified according to individuals' roles.

Process of determining remuneration

Remuneration for the Company's Directors (excluding Outside Directors and Directors who are Audit and Supervisory Committee members)	Remuneration is determined at the Board of Directors' meeting, along with the remuneration system that ensures objectivity and transparency through consultation with the Corporate Governance Committee.
Remuneration for the Company's Directors who concurrently serve as General Managers	Remuneration is determined by the Chief Executive Officer, within the limit of the amount of remuneration resolved in advance at a General Meeting of Shareholders, based on the General Managers' remuneration system determined at the Board of Directors' meeting after consultation with the Corporate Governance Committee.
Remuneration for the Company's Audit and Supervisory Committee members	Remuneration is determined at the Audit and Supervisory Committee, within the limit of the amount of remuneration resolved in advance at a General Meeting of Shareholders.

The Company received the opinion from the Audit and Supervisory Committee that, as a result of deliberations at the Committee, the contents of remuneration, etc. payable to Directors are considered to be reasonable because the procedure for determining the remuneration, including consultation with the Corporate Governance Committee etc. has been appropriately conducted and the amounts of remuneration, etc. payable to each Director are consistent with the roles, duties, and achievements of each Director.

Total amount of remuneration, etc. for fiscal year ended March 31, 2023

Classification	Fixed remuneration		Variable remuneration				Total amount of remuneration, etc. (millions of yen)
	Monetary remuneration		Monetary remuneration		Stock remuneration		
	Number of persons paid	Payment amount (millions of yen)	Number of persons paid	Payment amount (millions of yen)	Number of persons paid	Payment amount (millions of yen)	
Directors who are not Audit and Supervisory Committee members (excluding Outside Directors)	5	168	4	120	5	16	305
Directors who are not Audit and Supervisory Committee members (Outside Directors)	2	21	—	—	—	—	21
Directors who are not Audit and Supervisory Committee members Total	7	189	4	120	5	16	326
Directors who are Audit and Supervisory Committee members (excluding Outside Directors)	1	25	—	—	—	—	25
Directors who are Audit and Supervisory Committee members (Outside Directors)	2	36	—	—	—	—	36
Directors who are Audit and Supervisory Committee members Total	3	61	—	—	—	—	61

1. Stock remuneration is stated at an amount posted as expenses for the fiscal year under review.

2. Remuneration for Directors (excluding Audit and Supervisory Committee members) was resolved in the amount of 480 million yen or less per year (including 50 million yen or less per year for Outside Directors) with the number of eligible Directors being seven or less at the 72nd Ordinary General Meeting of Shareholders held on June 21, 2019.

3. Remuneration for Directors (Audit and Supervisory Committee members) was resolved in the amount of 120 million yen or less per year with the number of eligible Directors being five or less at the 72nd Ordinary General Meeting of Shareholders held on June 21, 2019.

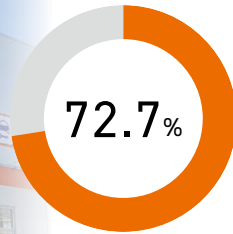
4. Remuneration for granting shares with restrictions on transfer for Directors (excluding non-executive Directors) was resolved in the amount of 100 million yen or less per year with the number of eligible Directors being seven or less at the 72nd Ordinary General Meeting of Shareholders held on June 21, 2019.

Overview by Segment

Domestic AUTOBACS Business

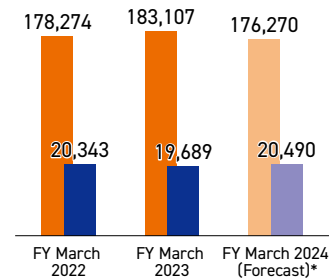


Breakdown of Gross Sales



Gross sales/Operating Income

Gross sales (orange bar) Operating income (blue bar) (millions of yen)



*The figures have been restated to reflect the new segment classifications according to the change in reporting segments from the fiscal year ending March 31, 2024.

Fiscal Year Ended March 31, 2023 Results

Sales remained firm as a result of our efforts to strengthen sales promotions and due to a strategic product lineup to meet the demand for winter goods associated with cold snaps and snowfalls, despite the impact of soaring raw material costs and rising prices. By merchandise, while sales of car electronics and car interior goods decreased due to the impact of reduced production of new cars, we successfully captured the maintenance demand for existing cars, and tires, oils, and batteries performed favorably. Although gross sales increased, profits decreased as a result of an increase in expenses due to the promotion of digital marketing activities and soaring utility costs.

Gross Sales 183,107 million yen
Increased by 2.7% YoY ↗

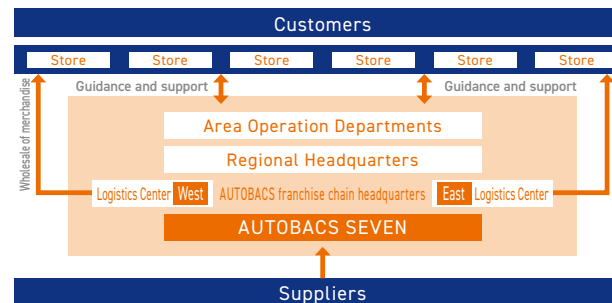
Operating Income 19,689 million yen
Decreased by 3.2% YoY ↘

Business Model

In the Domestic AUTOBACS Business, we operate stores including AUTOBACS which is a comprehensive specialty retailer of automotive goods and services that boasts Japan's largest sales as a franchise chain (FC). As of March 31, 2023, we operate 588 stores (including 11 directly managed stores) nationwide.

The Company always aim to operate our business from the customer's perspective by performing the following three functions: Merchandise Procurement to purchase various merchandise including automotive goods and services from around the world as AUTOBACS franchise chain headquarters, Sales Promotion to increase the awareness and value of AUTOBACS to end users, and Consulting to support sales by providing management and store operation consulting and headquarters planning.

Store Support within the FC System



▶ **Sales and marketing support** We have assigned more than 100 store supervisors to area operation departments in 12 areas nationwide to support the planning and implementation of store reforms.

▶ **Human resources training support/certified mechanic dispatch** We provide support for on-the-job training and human resource development plans at stores, as well as hold training sessions for store executives. Through our subsidiary, Chain Growth Co., Ltd., we train certified mechanics and dispatch them within AUTOBACS chain.

▶ **Customer Voice Program (CVP)** Since fiscal year ended March 31, 2017, we have begun full-scale operation of a program to collect feedback from customers who use our stores in the form of questionnaires, and link it to improvements in customer service, merchandise assortment, operations, product development, sales promotion, and facilities at each store. In the fiscal year ended March 31, 2023, we collected over 530,000 opinions from customers.

Business Environment and Our Initiatives

In the domestic automotive aftermarket, an area of strength for the Company, competition transcending industry boundaries is intensifying due to an increase in the percentage of online product purchases. The business environment is also changing drastically, including changes in customer composition and customer needs stemming from the low birthrate and aging population, a decrease in the number of automobiles held, the shift toward next-generation vehicles such as EVs, advancing digital technologies, and social demand for sustainability. Under these circumstances, we are taking various measures

including reducing costs through logistics reform, stepping up our response to next-generation maintenance, developing new products that meet the diversifying needs of customers and next-generation vehicles, and integrating our online and physical stores. Going forward, we will continue to develop our Domestic AUTOBACS Business further by swiftly responding to environmental changes and precisely identifying customer needs, take on the challenge of creating new markets and continue to offer "the enjoyment of going out."

Overview by Segment

Automotive Goods and Services

Attractive Private Brand (PB) Products

AUTOBACS has been selling private brand (PB) products for over 40 years since 1977. The Company has been promoting development and sales of products delivering value that we can recommend to customers with confidence by increasing the merchandise lineups of AQ. (AUTOBACS QUALITY.) with a motto of “customer first!” and of the GORDON MILLER brand that propose exciting garage lifestyles.

Selected as No.1 Tire Dealerships for Consecutive Seven Years

In the tire business, we strengthened our product lineup and sales promotion activities, and were selected as the number one tire dealer in a survey conducted by a third-party organization* for consecutive seven years. Taking advantage of this, we are expanding our tire sales by enhancing our PB and exclusive products in collaboration with leading domestic manufacturers.

*The result of the 2023 survey on tires conducted by the JMA Research Institute, Inc.



For the seven consecutive year, we have been selected as the best place to purchase tires in a 2023 survey on tires conducted by the JMA Research Institute.



Dashboard camera

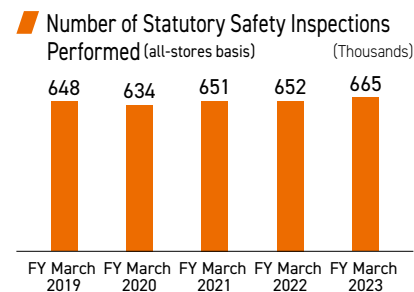
Pedal Watcher II

Providing Safety Driving Support Devices

The Company handles merchandise which supports safe driving, for example, Pedal Watcher II, a device to restrain sudden starting caused by accidentally stepping on the gas pedal rather than the brake, and dashboard cameras, has been increasing. We are leading the industry in providing a full range of merchandise in this field, and intends to promote traffic safety through such merchandise.

Statutory Safety Inspections and Maintenance

The Company promoted online and telephone reservations in an effort to lessen the opportunities for physical contact with customers in the COVID-19 pandemic and to enhance customers' convenience. Moreover, the Company upgraded the AUTOBACS official app with the addition of a new function to notify the timing for car maintenance. Furthermore, the Company promoted responses to the Automobile Specific Maintenance System, a system for maintenance of advanced safety vehicles equipped with advanced driver assistance systems (ADAS) and autonomous driving functions. All stores fully certified and designated to perform statutory safety inspections gained the Specific Maintenance Certification (electronic control unit maintenance). The number of automobiles that underwent the statutory safety inspection increased by 2.0% year on year to roughly 665,000 vehicles.



All of 440 Stores* Designated for Performing Statutory Safety Inspections in AUTOBACS Group Acquired Specific Maintenance Certifications (Electronic Control Unit Maintenance)

All of 440 AUTOBACS Group stores designated for performing statutory safety inspection* fulfilled three certification criteria (facility, workers, machine) for the specific automobile maintenance business, and completed the acquisition of Specific Maintenance Certifications (electronic control unit maintenance). The acquisition of Specific Maintenance Certifications allows the Group to provide, in addition to existing disassembly maintenance, the maintenance of electronic control units such as automatic brakes and the lane keeping function of advanced safety vehicles subject to electronic control unit maintenance.

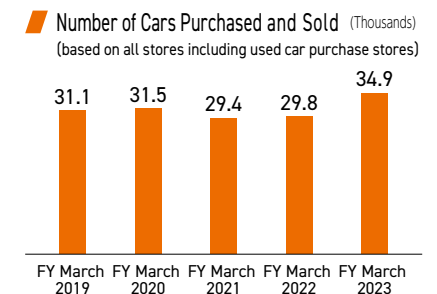
*All relevant stores as of March 31, 2023

More Convenient AUTOBACS Official App

As the reservation system for pit services is being established, the number of online reservations for oil work increased 26% year-on-year. We are also gradually expanding the services of the AUTOBACS official app which has been downloaded over 4.7 million in total (as of March 31, 2023), including features of service history of main maintenance items (engine oil, oil filters, tires, batteries, wipers, etc.) and notification of upcoming replacement, in addition to the pit service reservation feature. We are also striving to improve customer convenience by, for example, making it possible to promptly confirm inspection results with the app.

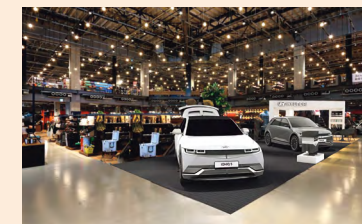
Used Car Purchasing and Sales

Despite the strong impact of the reduction in new car production due to the shortage of semiconductors worldwide, sales to auctions were brisk against the backdrop of an increase in the unit price of used cars and a higher purchase volume. With regard to purchasing, appraisals are implemented with the patented “Dr. Appraisal” to offer uniform appraisal prices throughout the nation. The total number of automobiles sold increased by 17.2% year on year to approximately 34,900 cars.



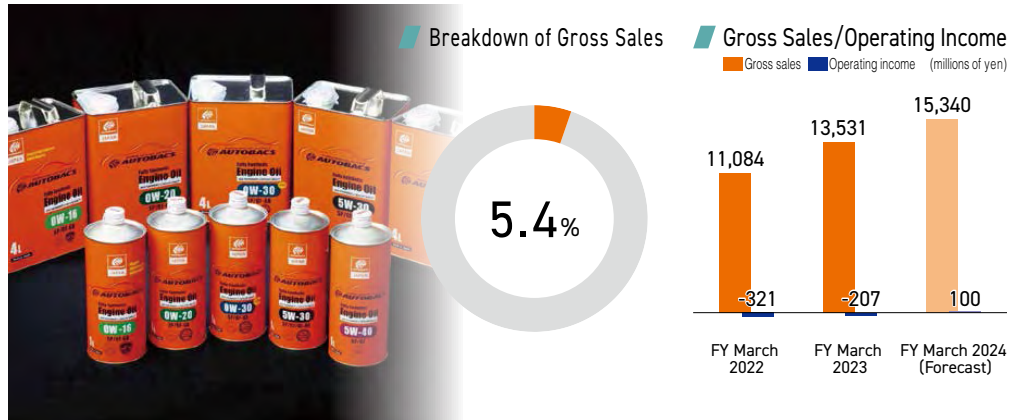
CASE Opening of New Business Format, “A PIT AUTOBACS KYOTO SHIJO”

We opened a new Flagship store “A PIT AUTOBACS” in western Japan. In addition to providing Japan's largest lineup of automotive goods and services, the store enables customers to discover and experience everything related to cars, including outdoor goods, apparel, books, and miscellaneous items. The store also holds exhibitions and sets up sales counters for overseas EV manufacturers, and also provides functions as an EV charging station.



Overview by Segment

Overseas Business



Business Model

In the Overseas Business, we have been putting emphasis on wholesale, in addition to operation of AUTOBACS stores mainly in ASEAN countries that continue to grow. In the wholesale business, we aim to expand revenue by developing the business with a sense of speed, enhancing partnerships through capital and business alliances with local major companies. In the retail and service business, we operate 78 stores in seven countries and regions (as of March 31, 2023), which sell automotive goods and services and provide maintenance services. Depending on the development status of automotive culture which is different in each country and region, we are operating the business, meeting customer needs, for example, a size of stores and merchandise lineup.

Business Environment and Our Initiatives

We currently operate wholesale and retail businesses in nine countries and regions. For the time being, our priority is to establish the wholesale business, which is getting on track. While promoting the AUTOBACS brand, we will deepen our understanding of the countries and regions in which we operate. Then, development of the retail business will be considered based on the situation of the wholesale business. With regard to the method of market entry, we will consider flexible business development, including development through local company operations based on partnerships with local companies, without sticking to direct management.

Fiscal Year Ended March 31, 2023 Results

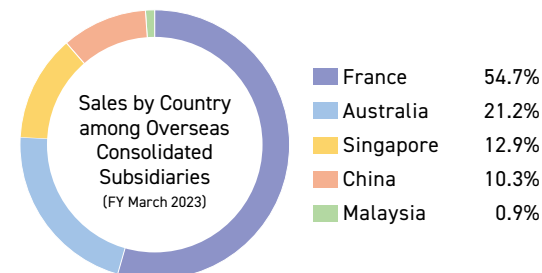
In the retail and service business, sales increased despite the impact of the Ukraine situation and the worldwide inflation. Sales rose in the wholesale business as well, mainly reflecting the acquisition of new customers. As a result, sales in the Overseas Business increased and operating loss decreased.

Gross Sales 13,531 million yen
Increased by 22.1% YoY

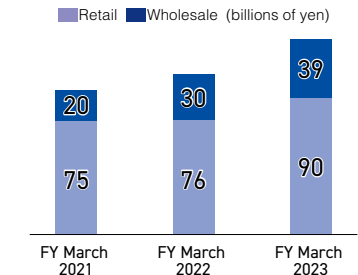
Operating Income -207 million yen
Operating loss decreased

Status of Overseas Consolidated Subsidiaries

- France** Sales increased due to measures such as optimization of price and sales activities, despite the impact of decline in demand for winter goods due to inflation and a warm winter.
- Australia** Wholesale sales increased due to strong performances of car electronics goods and transceivers, as well as development of new wholesale customers and introduction of new exclusive goods.
- Singapore** Sales increased due to strong sales of pit services, capturing the demand for maintenance of existing owned cars in response to inflation and rising certificate of entitlement (COE) prices.
- China** Acquiring new domestic wholesale customers struggled due to the impact of the zero-COVID policy. Wholesale to both domestic and other countries performed solid after easing COVID restrictions since December.
- Malaysia** Sales were trending toward recovery due to the lifting of government's intermittent restrictions on activities. Wholesale sales to authorized dealers, whose number increased to 125 stores, were strong.



Sales of Overseas Business



Overview by Segment

Wholesale Business

We develop and sell original products that take advantage of regional characteristics and Japan Quality. Centering on AUTOBACS designed shelf planograms which combine strengths of wholesale and retail and the countries that the Company has already entered, while strengthening partnerships with local companies, the Company is promoting the diffusion of private brand products by authorized dealers, and expanding wholesale customers with speedy business development.

Development and Sale of Overseas Original Products

The Company develops and sell high-quality but reasonable merchandise for overseas, which can be created because of continuing to face customers over 50 years in Japan. We will gradually expand the lineups, especially for maintenance merchandise.

Authorized Dealers

Mainly in Malaysia and China, the Company has had our authorized dealers promote wholesale of merchandise.

AUTOBACS Designed Shelf Planograms (Consultant Wholesales)

Based on expertise on making selling floors which has been accumulated in Domestic AUTOBACS Business, we provide merchandise with AUTOBACS designed shelf planograms including display and POP for overseas hypermarkets.

Expansion of Wholesale in Australia

In October 2018, AUTOBACS AUSTRALIA PTY LTD became our consolidated subsidiary, which is engaged in wholesale of automotive and marine wireless devices, and manufacturing and wholesale business of car electronics devices, etc. In addition to existing business going well, thanks to acquisition of Australian major chain stores as wholesale customers and acquisition of corporate transactions to supply OEM merchandise to navigation system makers, sales drastically expanded.








An Increase in Authorized Dealers in Malaysia

We are moving forward with the development of authorized dealers in Malaysia and China, who will act as our authorized distributors and wholesale our products to automotive goods and services stores and car maintenance garages operated by other companies. Especially in Malaysia, the number of authorized dealers drastically increased to 125 (as of March 31, 2023).

Retail and Service Business

As of March 31, 2023, excluding Japan, the Group operates 78 stores in seven countries and regions globally.

Depending on the development status of automotive culture in each country and region, needs of automotive goods and maintenance services and business demanded are varying. The Company is striving to secure profits from the retail and service business by providing merchandise and services suitable for each country and region in cooperation with local partners.

Country	Number of stores	First store opened in	Operating company
 Taiwan	6 (Franchise: 6)	1991	Koshida Taiwan Automotive Service Co., Ltd.
 Singapore	2 (Subsidiary: 2)	1995	AUTOBACS VENTURE SINGAPORE PTE LTD
 Thailand	49 (Franchise: 49)	2000	SIAM AUTOBACS Co., Ltd.
 France	10 (Subsidiary: 8, Franchise: 2)	2001	AUTOBACS FRANCE S.A.S.
 Malaysia	5 (Subsidiary: 2, Franchise: 3)	2008	① AUTOBACS CAR SERVICE MALAYSIA SDN. BHD. ② G7 RETAIL MALAYSIA SDN. BHD.
 Indonesia	3 (Franchise: 3)	2015	PT. AUTOBACS INDOMOBIL INDONESIA
 Philippines	3 (Franchise: 3)	2017	Magnificent'7 Automotive and Franchising Company Inc.

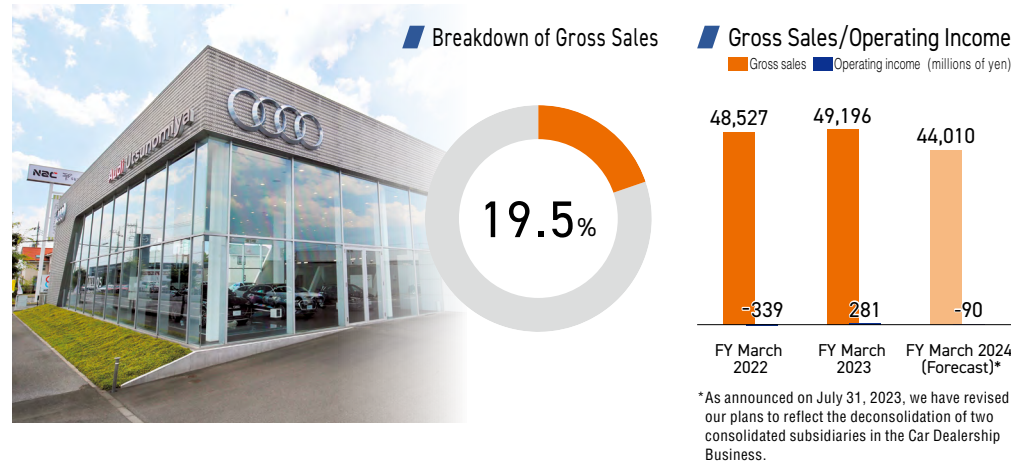
CASE Establishing a comprehensive automotive ecosystem in Malaysia

In Malaysia, we have initiated a project with the government-certified cooperative KOPFALAH to circulate high-quality used cars from Japan, and to establish sales channels and after-sales service bases. Through these initiatives, we aim to build a total ecosystem, ranging from the purchase of used cars to their maintenance.



Overview by Segment

Car Dealership, BtoB and Online Alliance Business



Fiscal Year Ended March 31, 2023 Results

In the Car Dealership Business, operating income grew year on year thanks to our efforts to operate more efficiently. The BtoB Business saw steady performance, particularly at subsidiaries. With the Online Alliance Business also performing favorably, the Car Dealership, BtoB and Online Alliance Businesses turned a profit on a combined basis.

Gross Sales 49,196 million yen
Increased by 1.4% YoY

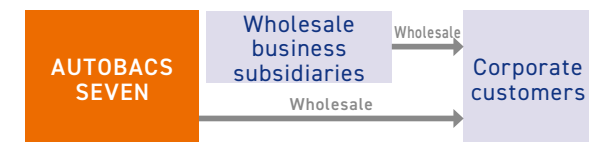
Operating Income 281 million yen
Turned a profit

Business Model

Car Dealership Business In the Car Dealership Business, we sell new vehicles and provide services primarily to the general public in Japan. The Company develops the brands Audi and BYD through AUTOBACS DEALER GROUP HOLDINGS Co., Ltd., our subsidiary to oversee the Car Dealership Business, and our second-tier subsidiaries.

BtoB Business In the BtoB Business, we have two operations of the wholesale of merchandise as well as fleet services. Regarding the wholesale of merchandise, through subsidiaries CAP Style Co., Ltd. and HOT STUFF CORPORATION, we promote sales of wholesale automotive goods to DIY stores and car maintenance garages. We are also gradually expanding our wholesale business, which deals directly with other industries. We have been able to increase both the number of stores we handle and our results. Regarding fleet services, we carry out wholesale to corporate customers outside the AUTOBACS Group with the aim of capturing corporate demand, including the installation of safe driving support devices such as dashboard cameras for company cars owned by

corporate customers. We are also strengthening our activities to build a maintenance network that is compatible with next-generation technology.



Online Alliance Business We are promoting the construction of platforms that will lead to the expansion of both the BtoC and BtoB businesses, using the Internet. AUTOBACS.COM, AUTOBACS official app, and brick-and-mortar stores work together to provide customers with automotive goods and services. We are also collaborating with various companies and organizations, both within and outside the AUTOBACS Group, to increase the speed of our entry into the ever-expanding EC market.

Business Environment and Our Initiatives

New automotive-related services, such as car sharing and car subscription services, have been emerging in the business domains surrounding the automotive aftermarket. Against this backdrop, in the Car Dealership Business, in addition to the profitability and growth potential of our businesses, we have also forecast future market trends based on the trends of automobile manufacturers especially in Europe and the United States, and advanced our efforts to use those forecasts to help transform the Domestic AUTOBACS Business. We have also started to sell zero-emission vehicles (ZEVs), including electric vehicles (EVs).

In the merchandise wholesale area of the BtoB Business, we are leveraging our merchandising strengths to promote the seeking of new suppliers while taking into account the potential impact on franchisees. As for fleet services, we anticipate an increase in the number of vehicles owned by corporations amidst the growing popularity of car-sharing and other services. We are therefore stepping up our corporate sales activities with a view to actively capturing demand for corporate-owned vehicle maintenance and statutory safety inspections.

In the Online Alliance Business, we are moving forward with measures for our Group goal of “integrating our online and physical stores.” To this end, we have been enhancing systems that stay connected with customers, such as MOBILA, a comprehensive car lifestyle information website.

Overview by Segment

Car Dealership Business Planning to Open a BYD Authorized Dealer to Promote EV Sales

In December 2022, we entered into a dealership agreement with BYD Auto Japan Inc. a Japanese subsidiary of the electric vehicle manufacturer BYD. We plan to gradually open BYD AUTO Utsunomiya (tentative name) and BYD AUTO Nerima (tentative name) as BYD authorized dealers.

In the meantime, we have set up pre-opening preparatory offices, where we have started accepting test drives (reservations required) and purchase reservations for the BYD ATTO 3, e-SUV, and other models.

In order to achieve carbon neutrality and realize a decarbonized society, we are taking various measures aimed at reducing our environmental impact, and have also set “promoting the spread of safe and secure EVs toward the realization of a zero-carbon society” as one of our non-financial targets.



Fleet Business Opening of New AUTO IN Shaken and Tire Center Tsuchiura Store

We operate AUTO IN Shaken and Tire Centers as specialized stores to perform car maintenance, including statutory safety inspections, tire replacements, and oil changes. In July 2023, we opened the new AUTO IN Shaken and Tire Center Tsuchiura store.

As a store in or adjacent to a shopping mall or a large-scale DIY store, it is a new business format that focuses on providing convenience for customers, enabling them to get their cars serviced while they shop. All AUTO IN stores are fully certified and designated to perform statutory safety inspections, and thus specialize in car maintenance services. This enables us to provide high-quality work and speedy services.



BtoB Business Collaboration with Nissan Motor Production of Model-specific Interior Items

In April 2021, the Company and Nissan Motor Co., Ltd. formed a business alliance in areas related to automotive goods and services as well as NISSAN/NISMO brand goods. We subsequently established a joint task team and started to develop and sell automotive goods. In collaboration with Nissan, we have developed dedicated items for three models: Kicks Columbia edition* in November 2021, the NISSAN SAKURA in December 2022, and the NISSAN SERENA in March 2023. We have also steadily increased our lineup of items.

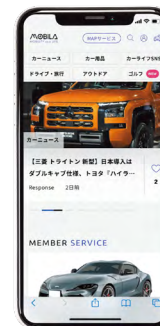
We also supply automotive goods, such as car interior goods and car wash goods we handle to Nissan Motor.

*Special model jointly planned by Nissan Motor and Columbia Sportswear Japan, a comprehensive outdoor maker



Seat back pockets (driver seat/passenger seat)

Online Alliance Business Launch of MOBILA, a Comprehensive Car Lifestyle Information Website



Based on the concept of “Enjoy going out by car more often!” we have released a website that provides information in cooperation with various companies focusing on car lifestyle. MOBILA is a comprehensive car lifestyle information website that provides the latest car news and information about driving, outdoor activities, and other topics that make people want to go out for a drive. It also offers convenient functions such as managing the maintenance of the user’s car.

MOBILA
MOBILITY as a LIFE

Online Alliance Business Started Provision of Company Car Management Services for Corporations

We provide a cloud-based company car management system for corporations that enables the central management of daily driving reports, operation management, statutory safety inspection expiration dates, and other information through a smartphone app or PC. By linking with ALC Cloud, our portable cloud-based service for the detection of alcohol consumption, users can also fulfill compulsory sobriety checks for commercial drivers through the use of an alcohol detector.

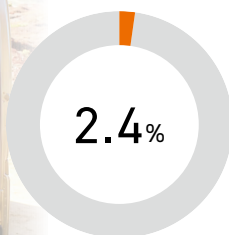


Overview by Segment

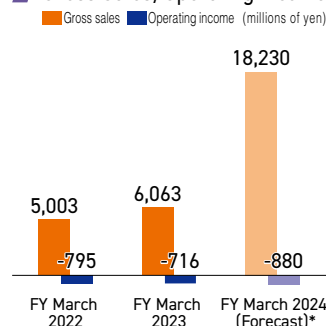
Other Business



Breakdown of Gross Sales



Gross Sales/Operating Income



*The figures have been restated to reflect the new segment classifications according to the change in reporting segments from the fiscal year ending March 31, 2024.

social environment and the growing demand for a sustainable society, the Company will promote sustainability transformation. In this regard, in addition to taking on the challenge of entering new mobility markets, such as the maintenance and sale of electric vehicles and drones, and the exploration of a business for electrifying existing vehicles, the Company is working to resolve social issues related to transportation in local communities.

CASE Strengthening Points of Contact with New Customers through the Expansion of New Brands

GORDON MILLER MOTORS launched the GMLVAN S-01 subcompact camper

The GORDON MILLER MOTORS vehicle label of the garage lifestyle brand GORDON MILLER plans, manufactures, and sells campers focusing on functionality. The third model, the S-01 subcompact camper, has also been well received and continues to enjoy substantial sales.



Concept store ARTA MECHANICS & INSPIRATIONS had its grand opening in May 2023

The store opened in Shinkiba as a flagship store consolidating the ARTA brand business. The store displays special customized cars, and holds events focusing on user experience as a community space centered around cars. The store also displays and sells apparel items.



The VIGALE original custom car

Business Model

Lifestyle Business In the Lifestyle Business, as the experience of cars is diversifying, we are working to enhance our brand value by proposing a new car experience which is different from the conventional AUTOBACS brand through our lifestyle-oriented brands GORDON MILLER.

Expansion Business In the Expansion Business, we are developing the financial business of insurance, loans and credit, and leasing, respectively through our subsidiaries.

Business Environment and Our Initiatives

Lifestyle Business As customer lifestyles and tastes diversify, we are proposing a new car experience through our lifestyle-oriented brands such as GORDON MILLER, which is based on the concept of a garage lifestyle.

Expansion Business The Company aims to keep contact with existing customers by providing services within the AUTOBACS Group through its insurance business and loans and credit business, and to further acquire new customers by providing services outside of the Group as well.

Led by the Sustainability Transformation Department established in April 2022, in order to achieve long-term and sustainable enhancement of corporate value in response to the drastically changing

Materiality at AUTOBACS SEVEN

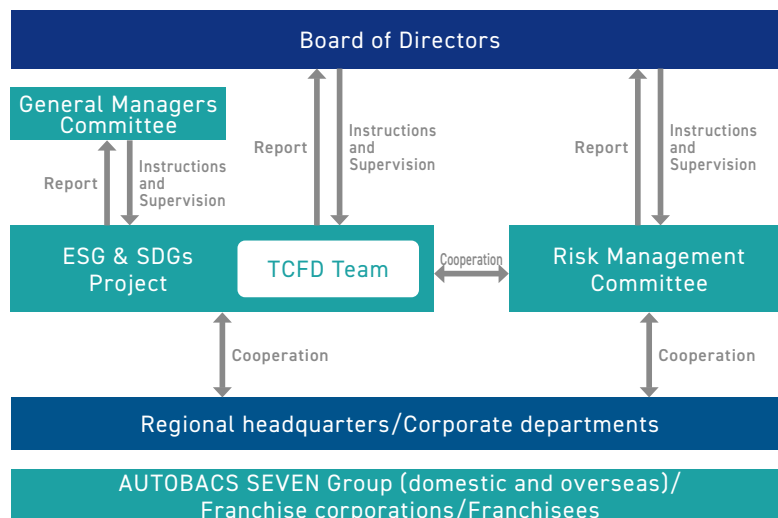
Concept of Sustainability

In its Sustainability Basic Policy, the Group has set “Creation of businesses that solve social issues” and “Enhancing efforts that consider the environment and society” as goals and, through the products and services it provides, the Group aims to create a sustainable society in which people and cars continue to live in harmony. The Group believes that the concerted efforts of its employees towards the realization of such a society will meet society’s expectations of the Group by solving various social issues and also helping achieve the Sustainable Development Goals (SDGs).

Promotion System

Addressing overall sustainability issues as an important theme, the Company established the ESG & SDGs Project, led by the Representative Director & Chief Executive Officer, and has been promoting it as a company-wide project. The contents of relevant discussions and decisions are reported to the Board of Directors, and the Board provides approval on the Company’s initiatives, issues instructions and conducts supervision, as necessary. The Board of Directors also makes reports to the General Managers Committee and provides necessary instructions and supervision.

The Group set non-financial targets in May 2022 and also established KPIs for FY2030. The Group adopted a system under which General Managers not concurrently serving as Directors assume responsibility for achievement of these KPIs. Under this system, the Group will continue monitoring the progress of each of the measures implemented, thereby increasing the likelihood of achievement of “a safe, secure, and gentle society in which people, cars, and the environment exist in harmony.”



Materiality Identification Process

In May 2021, the Company identified its materiality. In identifying materiality, we created a list of social issues gathered from the SDGs, ISO 26000, GRI standards, etc. Based on the list, the ESG & SDGs Project members discussed and held workshops to select the social issues to be addressed by the Company. Then, we evaluated the importance of social issues based on the two axes of economy and sociality, and organized them as materiality proposals. The Chief Executive Officer, Directors, and General Managers exchanged opinions with outside experts on the materiality proposals to verify their appropriateness. Then, after holding discussions at the Board of Directors and gaining its approval, we identified four material issues: creation of businesses that solve social issues, enhancing efforts that consider the environment and society, development of organization and personnel, and sustainable and strong management base.

Going forward, we will review the materiality to reflect changes in the social environment and business conditions, while also incorporating ESG perspectives into various Group policies. Through these efforts, we will strive to carry out business activities that contribute to realizing a sustainable society.

January 2021	Launched the ESG & SDGs Project
May 2021	Identified materiality by holding discussions among project members, exchanging opinions with outside experts, and then gaining approval from the Board of Directors
May 2022	Set non-financial targets
April 2023	Established the Sustainability Basic Policy, Human Rights Policy, Diversity Policy, and Procurement Policy. Revised our Environmental Policy
Through 2030	Promoting initiatives to achieve KPIs and review materiality in accordance with changes in the business environment

Four material issues

Creation of businesses that solve social issues
We will develop businesses that contribute to the SDGs, such as response to EVs and create our business structures using an open innovation model.

Enhancing efforts that consider the environment and society
We are striving to reduce CO₂ emissions through energy conservation and other means, reduce our environmental impact, and coexist with local communities.

Development of organization and personnel
We are working to develop the next generation of human resources and mechanics, to reform the way we work, to promote health management, and to achieve diversity and inclusion.

Sustainable and strong management base
We will promote management reform through digital transformation and build a solid management foundation by practicing ESG-centered management.

Non-financial Targets and KPIs to Achieve the Materiality

The Group established initiatives it will focus on for each theme as non-financial targets and set metric and targets for each of these. By clarifying the direction the Group should move in and accurately managing progress, the Group will steadily implement initiatives. Progress made on each metric is monitored via meetings and the level of achievement is reflected in the evaluation of General Managers who do not concurrently serve as Directors.

Materiality		Non-financial Targets and KPIs						
		Non-financial targets	Scope	KPI	FY2021 results	FY2022 results	FY2030 goals	Page
Creation of businesses that solve social issues	Consolidated	Promotion of efforts to eliminate traffic accidents	Consolidated	Sale of merchandise for curbing accidents	170,000 units/year	190,000 units/year	230,000 units/year	
			Consolidated	Building of bases for checking tires and emergency (including bases of partner companies)	232 bases	238 bases	734 bases	▶ P45,46
			Consolidated	Holding regional traffic safety events	0 time/year	2 times/year	4 times/year	
Improving status of certified mechanics and fostering them	Consolidated	Improving status of certified mechanics and fostering them	Consolidated	Ensuring and fostering inspectors	185 persons	467 persons	1,000 persons	
			Consolidated	Ensuring and fostering Level-2 mechanics	303 persons	683 persons	1,100 persons	▶ P44
			Consolidated	Completing education for supporting EVs	414 persons	528 persons	1,096 persons	
Promoting social contribution related to automobiles	Consolidated	Promoting social contribution related to automobiles	Consolidated	Disaster assistance using automobiles	27 units	31 units	111 units	▶ P46
Reducing CO ₂ by establishing environmentally-enhanced stores	Consolidated	Reducing CO ₂ by establishing environmentally-enhanced stores	Consolidated	Promoting environmentally-enhanced stores	60 stores	64 stores	140 stores	
Promoting environmentally conscious business	AUTOBACS SEVEN	Promoting environmentally conscious business	AUTOBACS SEVEN	Developing eco-friendly products	40 products	45 products	300 products	
Realizing circular ecosystem	Consolidated	Realizing circular ecosystem	Consolidated	Reducing oil cans (increasing ratio of oil sale by measure)	—	5,000 cans/year	220,000 cans/year	▶ P41
Promoting spread of safe and secure EVs toward realization of a zero-carbon society	Consolidated	Promoting spread of safe and secure EVs toward realization of a zero-carbon society	Consolidated	Installing fast chargers	5 stores	7 stores	43 stores	
			Consolidated	Promoting statutory safety inspections of EVs (No. of EVs inspected)	200 units/year	363 units/year	3,440 units/year	
			Consolidated	Promoting sale of EVs (No. of EVs sold)	5 units/year	115 units/year	2,500 units/year	
Creating corporate culture full of diversity	Consolidated	Creating corporate culture full of diversity	Consolidated	Increasing ratio of female employees	16.7%	17.9%	30.0%	
			Consolidated	Increasing ratio of female managers	7.8%	8.6%	18.0%	▶ P42
			Consolidated	Promoting acquisition of childcare leave by male employees	—	37.1%	100.0%	
Establishing mechanism for evaluating challenges	AUTOBACS SEVEN	Establishing mechanism for evaluating challenges	AUTOBACS SEVEN	Keeping employees energetic	2.7	2.7	3.0	▶ P43
Creating healthy and active workplaces	Consolidated	Creating healthy and active workplaces	Consolidated	Reducing ratio of smokers	40.3%	34.3%	20.0%	
Reviewing and formulating ESG/SDGs-related policies, and complying with them	AUTOBACS SEVEN	Reviewing and formulating ESG/SDGs-related policies, and complying with them	AUTOBACS SEVEN	Enhancing sustainability policy and related policies	Issue recognition	Established and disclosed policies	Renewal	▶ P46
Further strengthening monitoring	AUTOBACS SEVEN	Further strengthening monitoring	AUTOBACS SEVEN	Further monitoring corporate governance system and progress status	Implementation/Maintenance	Completed progress management method design	Improvement	▶ P27-30
Developing and utilizing data infrastructures toward value creation	Consolidated	Developing and utilizing data infrastructures toward value creation	Consolidated	Promoting data utilization project	Starting data utilization project	Constructed customer data base. Promoting utilization	Collaboration/ utilization of data	▶ P17,20
			AUTOBACS SEVEN	Development of personnel for data analysis	—	50 training participants	320 persons	

Response to Climate Change

Disclosures Based on the TCFD Recommendations

The Company believes that responding to climate change is an important management issue and expressed its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in June 2022.

Based on the TCFD recommendations that require disclosure of information regarding financial impact of risks and opportunities brought about by climate change, the Company will proactively disclose information on governance, risk management, strategy, and metrics and targets. Through the increased disclosure of information related to climate change, it will facilitate a dialogue with stakeholders and aim at enhancing its corporate value in the future.



Governance

Governance related to climate change is promoted by the ESG & SDGs Project, led by the Representative Director & Chief Executive Officer as the Project Leader. The contents of relevant discussions and decisions are reported to the Board of Directors, and the Board provides approval on the Company's initiatives, issues instructions and conducts supervision, as necessary. The Board of Directors also makes reports to the General Managers Committee and provides necessary instructions and supervision.

Strategy

The Company views risks and opportunities associated with climate change as one of the important perspectives to be considered when formulating its business strategy. With 2050 as the timeframe, the Group assumed two scenarios: the 1.5°C/2°C scenario, assumes that governments "work to limit the global average temperature increase to well below 2°C in comparison with pre-industrial revolution levels, preferably to 1.5°C," in line with the overarching goal of the Paris Agreement, and the 4°C scenario, which assumes that greenhouse gas emissions continue to increase at the current pace. Based on these two scenarios, the Company identified climate-related risks and opportunities and then identified the transition risks and physical risks created by climate change and the opportunities arising from adaptation to climate change, in line with the TCFD recommendations.

Examples of climate change risks and countermeasures

	Climate change factors	Countermeasures
Physical risks (4°C)	Increasingly serious natural disasters	<ul style="list-style-type: none"> Extension of the geographical region of logistics bases and data centers Dispersal of suppliers Selection of store-opening locations from BCP perspectives, and improvements in store structures Early recovery of sales functions through store restoration support
	Rise in average temperatures	<ul style="list-style-type: none"> Post-disaster protection through insurance coverage Expansion of merchandise lineup, excluding seasonal merchandise
Transition risks (Less than 1.5°C/2°C)	Introduction of carbon pricing	<ul style="list-style-type: none"> Proactive introduction of LED lighting in stores Promotion of energy savings in stores
	Stricter CO₂ emission regulations	<ul style="list-style-type: none"> Use of government subsidies
	Promotion of recycling-oriented business	<ul style="list-style-type: none"> Expansion of sale of merchandise by measure Expansion of purchase and sale of second-hand automotive goods
	Enhancement of plastics regulation, etc.	<ul style="list-style-type: none"> Promotion of simplified packages
	Increases in demand for ZEVs	<ul style="list-style-type: none"> Increase in the number of electric vehicle (EV) maintenance locations and improvement of relevant facilities Provision of EV chargers

Please refer to our website for detailed disclosure of the analyses of climate change risks and opportunities, the impact on our business, the timing of impact, and countermeasures.

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

Risk management

As an organization to centrally manage company-wide risks, the Company has established the Risk Management Committee, chaired by Representative Director & Chief Executive Officer, for identifying important risks through periodic reviews of latent risks in business activities and the enhancement of risk control systems.

The Committee analyzes and evaluates the risk exposure of the Company's business, frequency of risk occurrence, etc., discusses countermeasures against risks, from the greatest risks to the smallest, and implements control in advance of risks' occurring. Moreover, it reports on important risks to the Board of Directors and provides support to each department in addressing risks in a concrete manner.

Regarding sustainability-related risks, ESG & SDGs Project plays the central role in collecting risk information from each business segment and identifies and evaluates risks. By sharing the identified risks and progress in response with the Risk Management Committee, risks are integrated into a risk control list of the entire organization.

Metrics and targets

Based on the declaration of the Japanese government, the Company will promote initiatives for the emission reduction target of achieving carbon neutrality (effective elimination of CO₂) in FY2050.

Specifically, the Company will review initiatives for the development of eco-friendly functional merchandise that achieve emissions reduction during its use by customers, energy-saving stores, resource recycling, etc. and for the disclosure of target values.

Emissions by scope

(t-CO₂) Domestic AUTOBACS Business: Scope1 Scope2 Car Dealership, BtoB and Online Alliance Business: Scope1 Scope2



FY2050 (Target) **Aim to achieve total emissions of 0t-CO₂**

FY2021 Scope of calculation: [Business] Domestic AUTOBACS Business
Computation period: [Target] In Japan (147 sites including business locations, directly managed stores and stores of subsidiaries, logistics bases)
From April 1, 2021 to March 31, 2022

FY2022 Scope of calculation: [Business] Domestic AUTOBACS Business, and Car Dealership, BtoB and Online Alliance Business
Computation period: [Target] In Japan (196 sites including business locations, directly managed stores and stores of subsidiaries, logistics bases)
From April 1, 2022 to March 31, 2023

Scope 1: All direct greenhouse gas emissions from fuel combustion, industrial processes and other emissions generated by businesses themselves.
Scope 2: Indirect emissions resulting from the use of electric power, heat and steam supplied by other companies

Enhancing Efforts that Consider the Environment and Society

AUTOBACS SEVEN Group Environmental Policy

In 2011, we established our Environmental Policy, under which we strived to engage in low-environmental-impact business management as a franchise headquarters. In April 2023, we revised this Environmental Policy to include perspectives such as biodiversity conservation, thus renaming it the AUTOBACS SEVEN Group Environmental Policy. Under the AUTOBACS SEVEN Group Environmental Policy, we identify the impact of our business in automotive goods and services, statutory safety inspection and maintenance services, and car sales on the environment, striving to engage in low-environmental-impact business management throughout the Group.

Promoting the Spread of Safe and Secure EVs

We have set the “promoting spread of safe and secure EVs toward the realization of a zero-carbon society” as one of our non-financial targets. To meet this target, we have been promoting sales of EVs and their statutory safety inspections, as well as installing fast chargers.

In June 2023, BACS e-Mobility, the Company’s subsidiary, opened an EV specialty store providing one-stop solutions for all aspects of EVs, from the sales of new and used EVs to the installation of charging facilities and EV maintenance, thus making steady progress with measures to promote the spread of EVs for the realization of a zero-carbon society.

Electric vehicle charging stations

We have installed electric vehicle charging stations at 112 stores of the AUTOBACS Group (as of July 31, 2023) and fast chargers at seven stores (as of March 31, 2023). On top of enhancing convenience for our EV and PHV customers, we promote environmental conservation activities across the entire Group. Going forward, we will expand our network of EV fast chargers that can shorten charging speeds, thereby further enhancing customer convenience.



Tesla's Supercharger fast-charging stations installed at A PIT AUTOBACS KYOTO SHIJO

EV-related goals and progress

	FY2021	FY2022	FY2030 goals
Stores installed with fast chargers	5 stores	7 stores	43 stores
Number of EVs inspected	200 units	363 units	3,440 units
Number of EVs sold	5 units	115 units	2,500 units

Product Recycling and Proper Disposal

Used tires collected from customers at AUTOBACS stores are sorted and pulverized by specialists and are recycled as a source of thermal energy.

Used oils and batteries are also separated by material and processed correctly by designated operators and are then recycled. Through recycling them by material, approximately 90% of an entire automobile’s parts are recycled.

Reduction of CO₂ Emissions

Promoting environmentally-enhanced stores

We are working to reduce energy consumption through the promotion of environmentally-enhanced stores that comply with standards such as the installation of LED lights and energy-efficient air conditioners, the use of heat-resistant paint, and greening, as well as the use of renewable energy.

Reducing CO₂ emissions with mega solar projects

In 2013 we installed solar power generation panels using areas of the roof and other unused sections of our West Japan Logistics Center (Miki City, Hyogo Prefecture) to reduce our emissions of CO₂. Total power generated during the fiscal year ended March 31, 2023 was 1.26 million kWh.

Initiatives in distribution

When transporting merchandise not requiring express delivery, we make use of rail freight containers instead of trucks to reduce CO₂ emissions. We also utilize reusable folding containers of various sizes when delivering merchandise to stores in an effort to reduce cardboard box waste.

Developing environmentally friendly private brand products

We are working to minimize the amount of packaging waste generated by reducing the weight and reviewing the materials of our private brand products’ packaging.



Before change

After change

Biodegradable plastics used in merchandise;
FSC-certified package materials

Development of Organization and Personnel

Promoting Diversity and Inclusion

We believe that diverse human resources taking an active role and bringing different perspectives to the organization provides a source of innovation, thereby enhancing corporate value further. Based on this belief, we promote diversity and inclusion by actively utilizing diverse human resources and promoting them to core positions for diversification of knowledge and experience, such as recruiting personnel with various career histories and experience regardless of gender, accepting foreign technical interns at our stores, and strategically deploying core personnel from consolidated subsidiaries.

Since it is important to also foster awareness toward promoting diversity and inclusion within the Company, we are working to foster employees' awareness of diversity, such as by disseminating the Group's approach to diversity from the Representative Director & Chief Executive Officer, and showcasing diverse human resources who play an active role in the workplace through in-house media and other means.

Workplace where both male and female employees can balance childcare and work

By establishing environments that are work-friendly even for women experiencing major life events such as marriage, childbirth, and childcare, we have maintained a 100% return-to-work rate for female employees after maternity and childcare leave. We also encourage male employees to take childcare leave, and work to improve systems to accommodate flexible work styles that take life events into account.

Diversity in recruitment, etc.

Each year, the Group hires diverse human resources regardless of their nationality through new graduate and mid-career recruitment, acceptance of foreign technical interns at stores, and other means. Mid-career hires accounted for 75.0% of the new employees who joined the Company during FY2022. In addition, the Company has 24 employees of foreign nationality (as of March 31, 2023).

We will continue strengthening efforts including those to supplement our human resource pool of specialists and management candidates and to ensure diversity of knowledge and experience.

CASE Round-table Open and Honest Talk by Female Managers

As part of our diversity promotion activities, we held a roundtable talk for female Managers in April 2023. They exchanged opinions on creating environments and systems that help women play an active role. We gained the following perspectives on the work environment at AUTOBACS SEVEN from the participating members, who each have different career histories, different circumstances in which they joined the Company, and work in different departments:

"The work environment has grown more comfortable in the past few years following the introduction of remote work, flextime, and other systems," "it is difficult for male employees to take childcare leave," "there is still a large gap between headquarters and area operation departments/stores." Ayako Kanamaru, an Outside Director of the Company who participated in the roundtable talk, commented that "there is still room for improvement in women's active participation in the workplace, and I would like to continue to support opportunities for talk like this in the future."



Diversity and inclusion targets and progress

	FY2021	FY2022	FY2025 targets	FY2030 targets
Ratio of female employees	16.7%	17.9%	➔ 22.2%	➔ 30.0%
Ratio of female managers	7.8%	8.6%	➔ 15.0%	➔ 18.0%
Acquisition rate of childcare leave by male employees	—	37.1%	➔ 90.0%	➔ 100.0%

Scope: AUTOBACS SEVEN Group (consolidated basis)

Human Resource Development and Education

Under our human resource development policy of providing training tailored to different career and life stages, we develop and implement various training programs by rank, age, and business in order for each and every one of our diverse human resources to develop their careers and maximize their potential. We also encourage employees to be proactive in their skill development by offering career training, setting up consultation services inside and outside the Company to support career autonomy, and providing a self-development subsidy system (cafeteria plan). We are also working to create a work-friendly environment where employees can achieve a work-life balance even after major life events such as marriage, childbirth, childcare, and nursing care, by introducing remote work and flextime systems, expanding the scope of shortened working hours, and promoting the acquisition of childcare leave by male employees.

Selective training

We started conducting selective training for the development of younger employees in FY2017. The training is for employees under 30 years of age who will be serving in manager-level positions in the future, and is designed to develop human resources to take charge of the Group's management over the medium to long term.

Development of young management personnel

Our domestic store subsidiaries have adopted an in-house company system, and the managers of each company are responsible for making high-level decisions regarding strategy, allocation of human resources, and investment, which inevitably requires a management perspective. We train human resources to have a management perspective by strategically allocating them, and thereby work to enhance the organizational strength of the entire AUTOBACS SEVEN Group.

Career rotations and skill enhancements

To ensure that employees gain a wide range of knowledge and experience, we conduct regular personnel transfers with a view toward job rotation. We have also established an internal job posting and free agent system so that employees who meet certain conditions can apply to work in positions they desire. We also offer specialist courses for employees who desire to further pursue their specialization. In these ways, we support the development of careers that match each employee's abilities, aptitudes, and aspirations.

Personnel development programs

In addition to in-house training, we have a cafeteria plan that offers around 160 courses, including correspondence courses from external organizations, as well as e-learning courses and public seminars. We provide subsidies of up to 100,000 yen a year per person to encourage employees' voluntary career development efforts.

In addition, we have a full range of programs to encourage employees who are proactive in their self-development and skills enhancement. For example, we provide rewards for those who have acquired official qualifications designated by the Company.

Development of Organization and Personnel

Establishing mechanism for evaluating challenges

FY2022 AUTOBACS AWARDS

In order to increase the value of the AUTOBACS Group and customer numbers, the AUTOBACS chain is making efforts to improve the quality of our customer service and technology. As part of these efforts, it introduced an evaluation system and rolled out the Customer Voice Program (CVP). Based on customer feedback, stores and staff who provided customers moving experience are commended for the Customer Experience Award. The AUTOBACS chain gives awards not only to individuals but also to stores, such as the Best Pit of the Year Award and the Tire Grand Championship, with the expectation that this will lead to further improvement and motivation of our franchisees.



We award special nameplates and emblems to commended staff. We believe such staff will become role models for the AUTOBACS Group, and also contribute to further offering moving experience to customers, thereby increasing customer numbers.

2022 Employee Good Value Awards

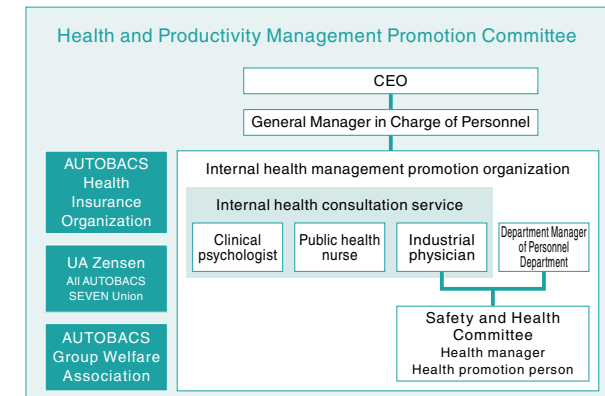
Aiming to develop culture of complimenting and recognizing each other, the Company has held Employee Good Value Awards since FY2018, which is in its fifth year. There are six individual awards, Mood Makers, Connectors, Challengers, Good Listeners, Unsung Heroes, and Health Promoters, in addition to the Team Awards category. In FY2022, a total of 233 employees received awards.

Promoting Health Management

Since its founding, the Company has identified the “physical and mental health of employees” as one of its three pillars of management. Even today, we are promoting health management based on the idea that employees’ physical and mental health is fundamental to our operations. With our goals of health management and efforts therefor organized as the health management strategy chart, the Company has been working on six priority issues based on the strategy. Consequently, all employees with the same vision are further promoting health, while implementing the PDCA cycle.

Health and Productivity Management Promotion Committee

We have established the Health and Productivity Management Promotion Committee comprising internal parties and related organizations to examine not only priority issues related to health management but also occupational safety and health issues such as reduction of overtime work and mitigation of industrial accident risks. The Company’s health management promotion organization headed by the CEO has set up the Safety and Health Committee and an internal health consultation service. In addition, an external professional organization may be contacted for third-party consultation services.



Six Priority Issues Based on the Health Management Strategy Map

1 Anti-smoking

2 Lifestyle-related diseases

3 Cancer

4 Mental health

5 Health-related issues specific to women

6 Workplaces that promote health management

Promotion of Anti-Smoking Activities

It is generally known that smoking has negative impacts on prevention of serious lifestyle-related diseases and cancer. However, the smoking rate of AUTOBACS SEVEN Group is still higher than the average in a society. In order to keep and improve employee’s physical health, we think this is an issue to be addressed first.

The Company is also a member of the No Smoking Promotion Business Consortium, established jointly by the Tokyo Medical Association and the Japan Cancer Society, and has striven to collect cases of other companies and provide our successful cases. In addition, we send information to smokers regarding assistance for remote quit-smoking programs at hospitals to promote anti-smoking. As a result, the smoking rate of AUTOBACS SEVEN was 24.5% as of the end of FY2022. The Company will continuously work to create a culture toward quitting smoking and take anti-smoking assistance measures.

Employee Energetic Level (stress check)

We have raised mental health as a priority issue to be addressed, and are thus conducting stress checks on all employees at AUTOBACS SEVEN once a year. We measure employee Energetic Levels based on questions regarding work engagement and the feeling of unity in the workplace, and have set the level as a KPI. We aim to achieve a score of 3.0 points by FY2030. (2.7 points in FY2022; 4.0 points represent full marks; industry average is 2.5 points)

Development of Organization and Personnel

Improving Status of Certified Mechanics and Fostering Them

Ensuring and fostering certified mechanics is one of urgent issues in the entire automobile industry including the Company. As with development and diffusion of advanced safety technologies such as autonomous driving and driver assistance systems, the Company considers that recruitment, development, and retention of personnel to maintain them are also essential. Regarding automobile mechanics as essential human resources for creation of businesses that solve social issues, the Company has been improving status of certified mechanics and fostering them.

Efforts to Increase the Number of Certified Mechanics

The number of people working as automobile mechanics is about 330,000 in Japan, including about 3,700 certified mechanics of AUTOBACS chain. In Japan, the number of automobile mechanics has slightly decreased over the last five years, and the average age is said to be on an upward trend, around 47 years old.

As an activity for increasing the number of certified mechanics in the medium- and long-term, AUTOBACS Group has continued to support the acquisition of mechanic qualification for those who graduated from general course of high school and who aim to acquire the qualification after employment through the Group's subsidiary.

The Company is also working to improve the working environment of service pits, such as allowing simultaneous breaks of all service pit employees and updating service pit equipment that facilitates efficient work.

Activity to Support Acquisition of Mechanic Qualifications

Through a subsidiary Chain Growth Co., Ltd., the Group has foster automobile mechanics and inspectors who need national qualifications, including personnel for various pit services. With fulfilled education and training systems built and operated, a certified mechanic development program with a high examination pass rate is available.

As part of the program, "Short-term seminar for Fukuoka Level-3 mechanics" and "Short-term seminar for Chiba Level-3 mechanics" are implemented. The Company offers a variety of educational



materials for learning knowledge and skills as certified mechanics, as well as experienced teachers. We will fulfill a role to resolve the urgent issue of a shortage of certified mechanics in the automobile industry, and develop AUTOBACS Group.

Foreign Technical Interns

Through our subsidiary, Chain Growth Co., Ltd., we foster foreign human resources who aim to acquire skills. Assigning Philippine technical interns and specified skilled workers to stores in Japan, we are passing on Japan's advanced automobile maintenance techniques to them.

The AUTOBACS Group has been implementing this initiative since 2006, and has produced 515 foreign technical interns so far.

Our goal is for foreign technical interns to use the skills they learned to contribute to the development of motorization in their countries and to the safety and security of their communities.

CASE Joint Project with University to Train Foreign Certified Mechanics

Acceptance of four technical interns from the Philippines

The Company is working on a project to provide high-quality guidance and training to graduates from the College of Engineering at the University of Perpetual Help System DALTA, a comprehensive private university in the Philippines. The ultimate goal is for these interns to acquire Japanese automotive inspector qualifications. After obtaining the qualification, they will work as certified mechanics in the AUTOBACS Group, enabling us to secure mechanic personnel, of which there is a shortage in Japan.

Through this project, our goal is for these graduates to acquire maintenance-related qualifications (Level-3 automobile mechanic, Level-2 automobile mechanic, inspectors) over 8 years by utilizing the status of residence of the Technical Intern Training and Specified Skilled Worker.

Four graduates from the Philippines are participating in the first round of the project. They are currently training hard while also working as employees at our stores.



Creation of Businesses That Solve Social Issues

Theme	Activity	Activity overview
Efforts to prevent traffic accidents	Merchandise supporting safe driving	To prevent accidents caused by the misuse of pedals, we are developing and selling merchandise that prevent sudden acceleration.
	Building of bases for checking tires and emergency	Prevention of accidents due to insufficient tire maintenance through activities to promote the widespread use of tire inspection kits
	In-store traffic safety awareness activities	We hold community-based events, such as hosting bicycle simulator experiences, in cooperation with the nationwide campaign for traffic safety held in spring and autumn
Community support for natural disasters	Support station for returning home during disasters	We have concluded agreements with local governments to use our stores as support stations for people who have difficulty returning home after a disaster, and to provide them with maps and other road information, as well as information obtained from radio and other sources.
	Participation in the Mobility Resilience Alliance	In cooperation with the Japan Car Sharing Association, we have been donating cars to affected areas and providing support such as the transportation and maintenance of those cars. In July 2021, we concluded an agreement with the Japan Car Sharing Association to provide vehicle support in the event of a disaster, and joined the Mobility Resilience Alliance, which was established with this organization as its secretariat.
	Support for areas affected by heavy rains in July 2022 and from August 3, 2022	In cooperation with the Japan Car Sharing Association, we donated four vehicles to Shibata City in Niigata Prefecture and provided free rental of vehicles and support for maintenance and servicing costs to people whose cars were damaged.
Creating an automotive culture	ARTA (AUTOBACS RACING TEAM AGURI)	We have established the ARTA Project (AUTOBACS RACING TEAM AGURI) together with former F1 driver Aguri Suzuki with the aim of training Japanese drivers who can compete on the world stage, and have been discovering young people with the potential to become racing drivers.
	The SUPER GT challenge	ARTA participated in SUPER GT, the highest-level race in Japan, and the Company supported the race as a special sponsor. Through these activities, we contributed to the revitalization of motorsports overall and to the transformation of drivers across the world into car fans. We promote the creation of race lovers and car lovers.
	Aiming to develop e-motorsports	We supported the e-motorsports JEGT GRAND PRIX as a tournament sponsor and held the AUTOBACS JEGT GRAND PRIX 2022 Series as an official series with the largest prize money in Japan.
Supporting the development of children, who are our future	Exhibiting a pavilion at KidZania	As an official sponsor, we are exhibiting the Car Lifestyle Support Center pavilion at KidZania Tokyo, KidZania Koshien, and KidZania Fukuoka.
	Nurturing the perception of work: Kodomobacs	We give children the chance to try their hand at a number of activities, including working in service pits where they change a car tire wearing AUTOBACS overalls, taking souvenir photographs in a racing suit, and decorating cars with drawings.

Exhibit at the Automobile Mechanic Experience Pavilion at KidZania Fukuoka

In July 2022, we held the exhibit Car Lifestyle Support Center pavilion, where children can experience maintenance services, at KidZania Fukuoka, a facility where children can gain work and social experiences. By exhibiting this pavilion at KidZania, we aim to convey to children the joy of experiencing automobiles, promote understanding of their mechanisms and safety, and contribute to the building of a safe automotive society in the future. We also want to nurture the next generation of car enthusiasts and encourage children to have dreams for the future, such as “When I grow up, I want to drive a car by myself!” or “I want to repair cars by myself!” At the Car Lifestyle Support Center pavilion, in addition to tire, oil, and battery inspections, children can also experience advanced automotive technology, such as the ADAS (advanced driver assistance system) inspection using a touch monitor.



Creation of Businesses That Solve Social Issues

Promotion of Efforts to Eliminate Traffic Accidents

Holding of community-based events

The Company and our franchisees collaborate with the local police and other government offices to jointly hold community-based traffic safety awareness activities as needed. We aim to contribute to accident prevention and safe driving by showcasing police cars and letting visitors ride in them, as well as offering a try-on experience of bicycle helmets, which are now obliged to make the best efforts.



Disaster Assistance Using Automobiles

In July 2021, the Company concluded an agreement with the Japan Car Sharing Association to provide vehicle support in the event of a disaster, and joined the Mobility Resilience Alliance.* In disaster-stricken areas, cars play a major role in taking the first step toward reconstruction. As such, we have been providing support to lifelines after the occurrence of disasters, such as donating vehicles and providing free maintenance services for rental cars to the areas affected by natural disasters. We have decided to donate vehicles to the Japan Car Sharing Association every year through FY2030, and donated 10 subcompact cars in June 2023. Going forward, we will continue to donate vehicles during normal times before disasters such as typhoons and torrential rains frequently occur, so that in the event of a disaster, we can promptly deliver the vehicles to the affected areas.



*The Mobility Resilience Alliance is a disaster relief network composed of corporations and local governments, with the Japan Car Sharing Association acting as its secretariat.

In Japan, a country prone to natural disasters, support for lifelines, including cars, is essential. Together with the Japan Car Sharing Association, we will continue to support the swift recovery of disaster-stricken areas and contribute to society by embodying our slogan of "Anything about cars, you find at AUTOBACS" even in times of disaster.

In addition to supporting this project, we hope to expand the circle of support for disaster-stricken areas as much as possible through cars.

Yugo Horii
Representative
Director & Chief
Executive Officer



Sustainable and Strong Management Base

Enhancing Sustainability Policy and Related Policies

In April 2023, we established the Sustainability Basic Policy, Human Rights Policy, Diversity Policy, Environmental Policy, and Procurement Policy, with the aim of further stepping up the Group's efforts to achieve both long-term enhancement of corporate value and the sustainable development of society.

Based on these policies, we will strive to enhance corporate value throughout the Group and realize a sustainable society.

Sustainability Basic Policy	https://www.autobacs.co.jp/en/sustainability/concept.html
Human Rights Policy	https://www.autobacs.co.jp/en/sustainability/society/human_rights.html
Diversity Policy	https://www.autobacs.co.jp/en/sustainability/society/diversity.html
Environmental Policy	https://www.autobacs.co.jp/en/sustainability/environment.html
Procurement Policy	https://www.autobacs.co.jp/en/sustainability/society/supplychain.html

AUTOBACS SEVEN Group Sustainability Basic Policy

- 1. Enhancing efforts that consider the environment and society**
- 2. Creation of businesses that solve social issues**
- 3. Respect for the human rights of all people involved in business activities**
- 4. Development of organization and personnel**
- 5. Ensuring compliance**
- 6. Maintenance and enhancement of sound and solid corporate governance system**

Quality Control of Products and Services

Merchandise Quality Control

Quality assurance

Merchandise quality guidelines

Recognizing that the merchandise and services we provide to our customers are directly related to their safety, we have established the AUTOBACS Group Product Quality Guidelines and are striving to maintain and improve quality.

1. We will comply with laws and regulations related to our products.
2. We will provide products that meet the product quality standards defined by the AUTOBACS Group.
3. We will strive to improve our quality control skills with the aim of maintaining and further improving the quality of the products.
4. We will actively engage in the purchase and provision of environmentally friendly products.

Acceptable Quality Level (AQL)

As we outsource the manufacturing of many of our private brand products to overseas factories, we audit and advise them at their production sites to ensure consistent quality. In addition, just before shipment from the factory or upon arrival at the logistics center, we inspect the products based on the Acceptable Quality Level (AQL) standards, which is widely adopted globally.

Merchandise quality standards

We control the quality of our merchandise in accordance with our Product Quality Control Regulations. In addition to the private brand products that we sell, we also work with manufacturers and suppliers of national brand merchandise to manage merchandise from multiple perspectives, including the legality of the merchandise themselves and their use, and consumer protection based on the Product Liability Act.

Quality improvement

Buyer development training

To provide safe, reliable, and high-quality merchandise to our customers, we conduct buyer training every year. The role of buyers and the knowledge and skills they need are explained to participants in a structured manner. They are trained not only in profit and loss management and cost structure, but also to be flexible and strategic buyers who can respond to future changes in the environment. Such buyers enhance the strength of the AUTOBACS brand as they develop product lineups and sales floors.

Quality Control of Services

Safety and security assurance

Quality control for pit services

At our Group stores, we have prepared pit service manuals and wheel drop prevention manuals to ensure that our operations always put customer safety first. We have also established mechanic qualifications and are working to improve the skills of our pit staff through technical training and e-learning. In the area of statutory safety vehicle inspections, we ensure the consistency of work procedures across the Group to improve quality and operational efficiency.

Personal information protection

To protect personal information, the Group takes the best possible measures for information security, which is outlined in our privacy policy. Our policy is disclosed both internally and externally. We have established an internal communication system to minimize the damage to the owner of the personal information in the unlikely event of a leak of personal information, and to prevent the incident from affecting the business activities of the Group.

Cybersecurity measures

In response to the cybersecurity risks that have been increasing in recent years, we have been implementing information protection measures to verify all accesses to our systems, in addition to entrance control and exit control such as firewalls. We have also established regulations related to information security, such as IT Governance Regulations and Information Security Regulations, and strive to provide thorough education and training, including e-learning courses on information security and training for officers and employees through targeted attack email drills.

We take measures against potential risks by selecting data centers in consideration of their resilience against disasters such as natural disasters, power outages, and fires, as well as their security, and using multiple data centers to disperse risk. We have also established a system that regularly backs up data, enabling the restoration of this data and the resumption of our services as soon as possible in the event of an emergency.

Improving convenience

HVs Work Handling Store certification system

To service hybrid car batteries, etc., Japanese laws and regulations require all relevant employees to take the special training for maintenance of electric vehicles.

We conduct hybrid car training for Group employees and certify stores equipped with the following four items as HVs Work Handling Stores: special training for maintenance of electric vehicles, insulation tools, diagnostic machines, and hybrid car training. The certified stores place this certification near the store entrance. As of March 31, 2023, 373 stores have been certified.



Car Lifestyle Support Center

There are a variety of inquiries from customers, such as merchandise inquiries, opinions about in-store service, reservations for oil and tire change work, and inquiries to stores. To respond to these inquiries, we have established call centers in the Toyosu headquarters and in Yamagata to support our customers' car lifestyles.

Compliance

Compliance System

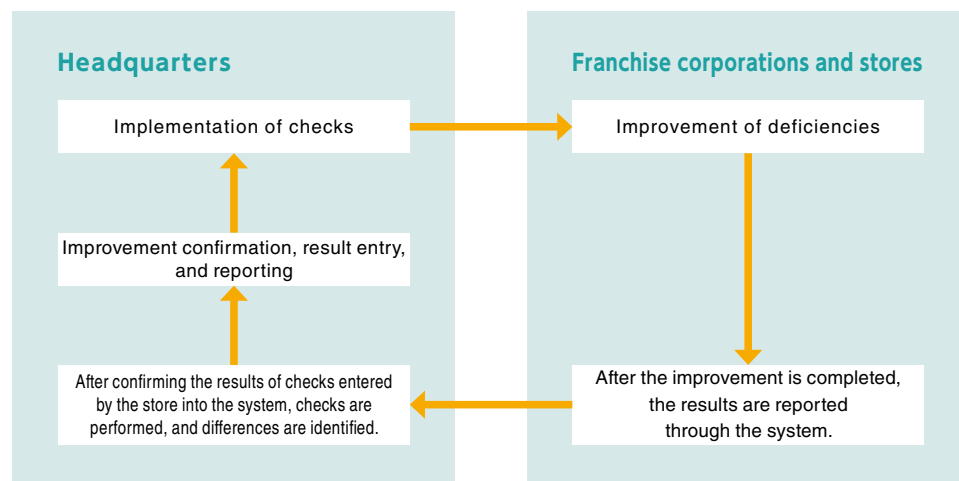
The Company has been strengthening its compliance system. At the same time, we are making sure that everyone at headquarters, subsidiaries, and all AUTOBACS Group stores, including those of franchisees, are fully aware of the importance of conducting business activities in compliance with laws and regulations and ethics.

Compliance with laws and regulations and corporate ethics is looked upon as a matter of course. Based on this premise, we have clearly defined our Code of Conduct and Guidelines for Action to meet the legitimate expectations of all stakeholders. With these as our basic principles, we promote thorough compliance and education and training activities not only within the Company, but also for our franchise corporations. Our Code of Conduct and Guidelines for Action include matters related

Compliance Check at Stores

AUTOBACS stores nationwide conduct annual compliance checks to continuously identify risks and implement improvements. We conducted a compliance check consisting of 68 items including those on laws and regulations related to our business such as the Fire Service Act and the Act on Recycling of End-of-Life Automobiles, as well as on labor management, franchise management for store safety, and other matters (in FY2023). We implement improvement activities for any deficiencies found and report them to the headquarters.

Compliance investigation operational flow



to anti-corruption, the prohibition of insider trading, and the prohibition of business with antisocial forces. As a means to monitor the status of compliance, we hold monthly meetings of the Integrated Risk Management Secretariat Council, which consists of relevant departments. We have established a system to check for any deviation from the Code of Conduct and Guidelines for Action and take prompt action if a problem is identified.

Ongoing educational initiatives regarding compliance

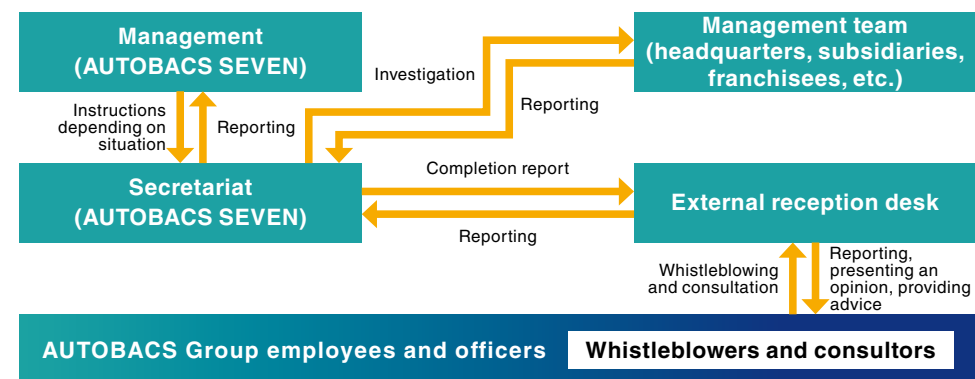
In accordance with our Basic Rules on Compliance, we provide compliance education on insider trading and security for all employees. We also conduct a "compliance awareness survey" of all employees. In our FY2022 survey, we identified issues related to harassment and labor management, and responded to each issue. We also ensured compatibility with changes in the business environment and selected major risks to be addressed.

Orange Hotline

In accordance with the Code of Conduct and Guidelines for Action of the AUTOBACS SEVEN Group, we operate the Orange Hotline, a group whistleblowing system. Internal reporting is handled through an external hotline, not only for internal reporting within the Group but also throughout the AUTOBACS Group, including franchisees. In addition, we have established a system to promptly report all cases of whistleblowing to the Audit and Supervisory Committee through the Audit and Supervisory Committee Office. In FY2022, we established a system to ensure the accuracy and appropriateness of responses by introducing primary screening at the time of reporting.

*If the whistleblowers wish to remain anonymous, the report will be made anonymously.

Orange Hotline operational flow



Risk Management

Approach to Integrated Risk Management

Through the AUTOBACS franchise system, we provide a variety of merchandise and services to numerous customers. We recognize that our most important management task is to continue working to maintain and improve the AUTOBACS brand—an effort which will win even greater support and trust from all stakeholders.

To this end, we not only respond to the daily changes in the environment surrounding the Group, but also accurately identify, evaluate, and appropriately control various risks that may hinder the achievement of our goals. In addition, we strive to fulfill our corporate social responsibility by establishing a system that enables us to minimize damage and loss in the event of a serious incident and prevent the spread of such damage.

We believe that it is our corporate social responsibility to establish an integrated risk management system that combines the risk management system we employ during normal times with the crisis management arrangements

we employ during emergencies, and continuously work to improve upon our integrated risk management. We have established the principles of integrated risk management in our Integrated Risk Management Policy. We will continuously work on improving integrated risk management throughout the Group and aim to become a corporate group that is trusted by its stakeholders.

Ongoing educational initiatives regarding integrated risk management

The Risk Management Committee continues to educate directors, officers, and employees on integrated risk management to ensure that the integrated risk management system functions properly during both normal times and emergencies.

Integrated Risk Management System

The Risk Management Committee, chaired by the Representative Director & Chief Executive Officer, formulates the annual risk management policy to accurately identify and assess various risks and control them appropriately. Based on this policy and risk management regulations, the system promotes the smooth and appropriate implementation of risk management activities.

The Risk Management Committee identifies risk issues on an annual basis, and monitors the status of their implementation in cooperation with the General Affairs Department, Legal Department, Corporate Audit Department, and Car Lifestyle Support Center. In addition, the Risk Management Committee reassesses enterprise risks, ensures that these risks reflect changes in the business environment, and selects critical risks that need to be addressed.

The Board of Directors receives reports on these matters from the Risk Management Committee and examines them as appropriate.

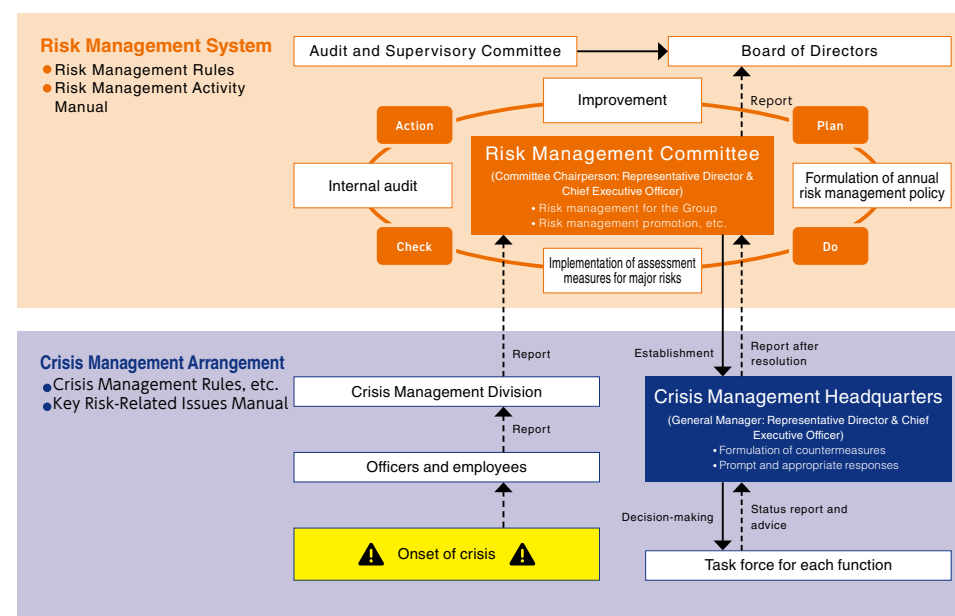
Moreover, the department in charge of the compliance function reports to the Board of Directors on the status of serious incidents and measures taken in accordance with the rules for key risk-related issues. They also share that information with the Audit and Supervisory Committee and other related departments.

If an unforeseen event causing a serious impact occurs or is likely to occur, the Chief Executive Officer, who is the chairperson of the Risk Management Committee, will establish a Crisis Management Headquarters. The Chief Executive Officer will then take command and strive for a quick and appropriate response and recovery.

BCP (Business Continuity Plan)

To respond to major crises, such as large-scale disasters, we have set up a Crisis Management Headquarters based on our Crisis Management Rules and BCP (Business Continuity Plan) Manual to ensure a system that can deliver a quick response. Following on from the previous fiscal year, in FY2022, we also conducted drills twice a year, and maintained the Crisis Management Headquarters for COVID-19.

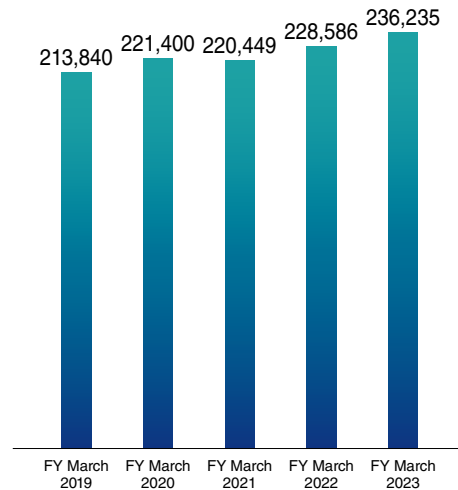
Integrated risk management system conceptual diagram



Financial & Non-financial Highlights

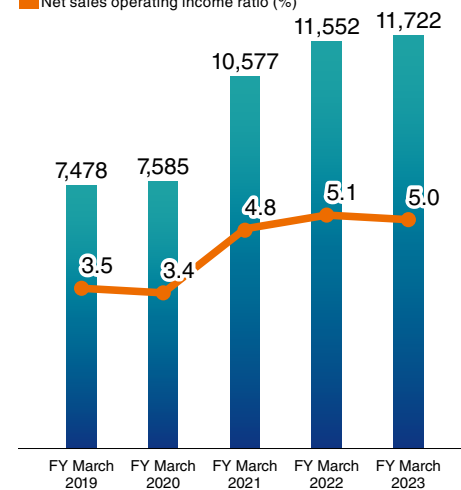
Net sales

(millions of yen)



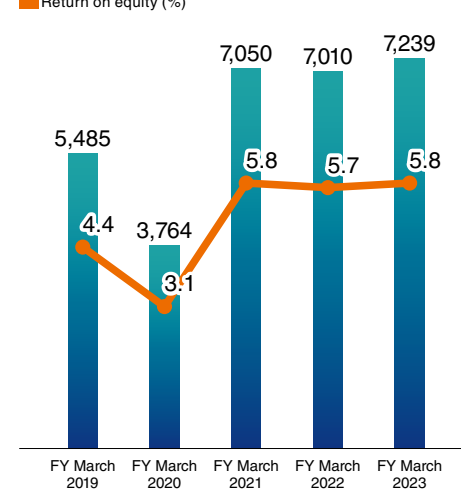
Operating income/ Net sales operating income ratio

Operating income (millions of yen)
Net sales operating income ratio (%)



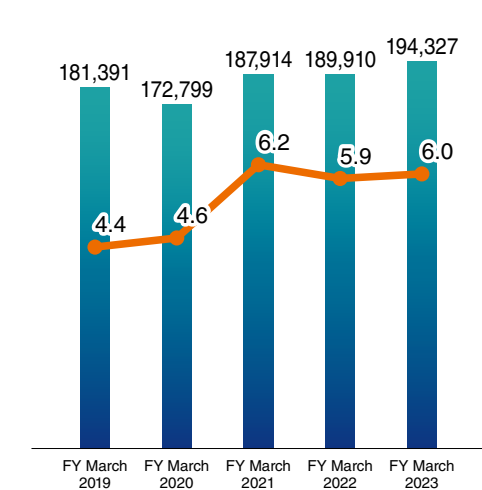
Profit attributable to owners of parent/ Return on equity

Profit attributable to owners of parent (millions of yen)
Return on equity (%)



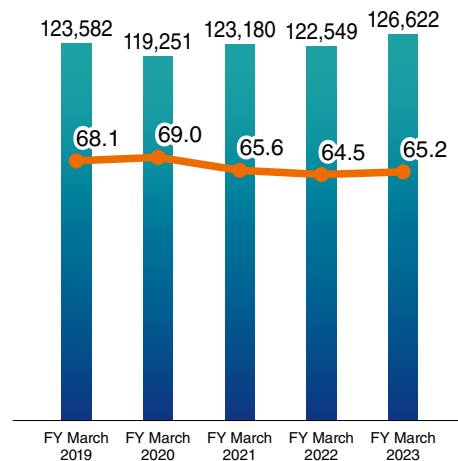
Total assets/Return on assets

Total assets (millions of yen) Return on assets (%)



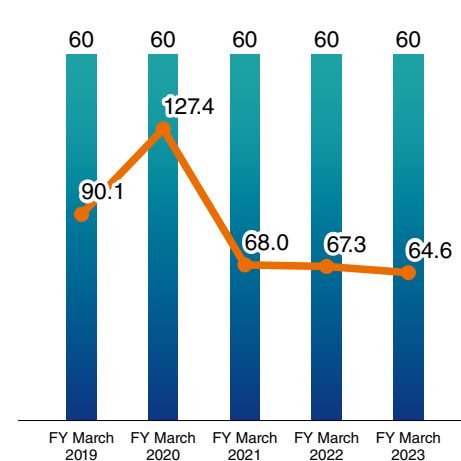
Equity/Capital-to-assets ratio

Equity (millions of yen) Capital-to-assets ratio (%)



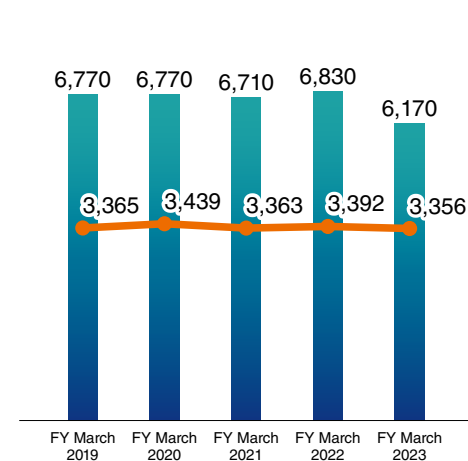
Dividends per share/ Dividend payout ratio

Dividends per share (yen) Dividend payout ratio (%)



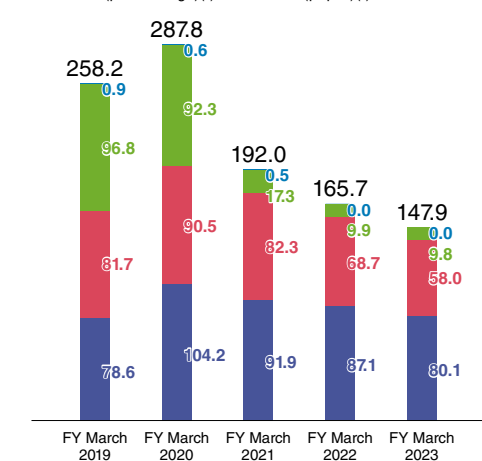
Electricity usage/CO₂ emissions

Electricity usage (MWh) CO₂ emissions (t-CO₂)



Volume of packaging used at AUTOBACS chain and headquarters

Product packaging (plastics)(t)
Product packaging (paper)(t)
Stores (plastic bags)(t) Stores (paper)(t)



*The Accounting Standard for Revenue Recognition began to be applied in the fiscal year ended March 31, 2022. The standard was not applied on figures for up to the fiscal year ended March 31, 2021.

*Total for headquarters of AUTOBACS SEVEN Co., Ltd., regional business locations, directly managed stores, and logistics centers.

Financial Data

	FY March 2014	FY March 2015	FY March 2016	FY March 2017	FY March 2018	FY March 2019	FY March 2020	FY March 2021	FY March 2022	FY March 2023
Profit and Loss Situation (millions of yen)										
Net sales	231,697	209,454	208,142	204,033	211,630	213,840	221,400	220,449	228,586	236,235
Wholesale	132,733	124,279	117,848	115,637	121,081	124,214	126,931	124,763	126,430	127,364
Retail	95,540	82,039	87,310	85,566	87,357	86,018	90,762	90,971	96,405	102,239
Others	3,422	3,136	2,983	2,830	3,889	3,607	3,705	4,713	5,751	6,631
Operating income	13,944	6,403	6,701	5,829	7,284	7,478	7,585	10,577	11,552	11,722
Ordinary profit	16,421	8,250	7,780	7,120	8,226	8,203	8,059	11,219	11,246	11,574
Profit attributable to owners of parent	9,786	4,609	4,371	3,015	5,403	5,485	3,764	7,050	7,010	7,239
Cash flows from operating activities	12,072	11,829	10,564	9,488	16,394	4,447	10,603	17,163	5,712	10,687
Cash flows from investing activities	1,519	(2,403)	(4,984)	(7,147)	(2,915)	(3,078)	(3,370)	(6,085)	(7,710)	(7,652)
Cash flows from financing activities	(11,166)	(12,617)	(11,154)	(7,457)	(5,840)	(9,876)	(9,684)	(309)	(12,300)	(3,495)
Free cash flows	13,591	9,426	5,580	2,341	13,479	1,369	7,233	11,078	(1,998)	3,035
Capital investment	4,819	6,127	5,895	4,842	3,587	4,618	3,429	3,996	6,300	7,182
Depreciation and amortization of goodwill	4,550	4,804	4,012	4,384	4,131	4,045	4,665	4,154	4,554	4,686
Financial Situation (millions of yen)										
Total assets	201,481	186,531	180,454	176,708	187,405	181,391	172,799	187,914	189,910	194,327
Equity	143,978	138,337	131,455	127,078	126,866	123,582	119,251	123,180	122,549	126,622
Interest-bearing debt	8,124	6,844	6,297	8,284	6,896	4,991	7,303	12,667	10,763	12,195
Per Share Data (yen)										
Profit	107.71	52.83	51.60	36.00	65.49	66.58	47.10	88.28	89.17	92.87
Dividends	64	60	60	60	60	60	60	60	60	60
Dividend payout ratio (%)	59.4	113.6	116.3	166.7	91.6	90.1	127.4	68.0	67.3	64.6
Dividend on equity (DOE) (%)	4.1	3.7	3.8	3.9	3.9	3.9	4.0	4.0	3.9	3.8
Total shareholder return ratio (%)	105.8	222.2	235.4	255.7	91.6	142.5	182.8	68.0	109.5	64.6
Management Indicators										
Net sales operating income ratio (%)	6.0	3.1	3.2	2.9	3.7	3.5	3.4	4.8	5.1	5.0
Return on equity (%)	6.8	3.3	3.2	2.3	4.3	4.4	3.1	5.8	5.7	5.8
Return on assets (%)	8.1	4.3	4.2	4.0	4.5	4.4	4.6	6.2	5.9	6.0
Capital-to-assets ratio (%)	71.5	74.2	72.8	71.9	67.7	68.1	69.0	65.6	64.5	65.2

*The Accounting Standard for Revenue Recognition began to be applied in the fiscal year ended March 31, 2022. The standard was not applied on figures for up to the fiscal year ended March 31, 2021.

Non-financial Data

Environment

Items	Unit	FY March 2020	FY March 2021	FY March 2022	FY March 2023	Target Value [Deadline]
CO ₂ emissions (consolidated)* ¹	t-CO ₂	—	—	14,804	17,018	Carbon Neutrality [March 2051]
Scope1	t-CO ₂	—	—	1,128	3,009	
Scope2	t-CO ₂	—	—	13,676	14,009	
CO ₂ emissions (non-consolidated)* ²	t-CO ₂	3,439	3,363	3,392	3,356	
Electricity usage (consolidated)	MWh	—	—	31,650	33,230	
Electricity usage (non-consolidated)	MWh	6,770	6,710	6,830	6,170	

Social

Items	Unit	FY March 2020	FY March 2021	FY March 2022	FY March 2023	Target Value [Deadline]
Personnel Data						
Number of employees (consolidated)	People	4,385	4,279	4,388	4,477	
Number of employees (non-consolidated)	People	1,070	1,094	1,050	1,057	
Male	People	893	903	842	840	
Female	People	177	191	208	217	
Ratio of female employees* ³	%	—	—	16.7	17.9	30.0% [March 2031]
Ratio of female managers* ³	%	—	—	7.8	8.6	18.0% [March 2031]
Employment rate of persons with disabilities	%	2.18	2.47	2.24	2.25	
Number of employees re-employed after retiring at 60	People	42	30	36	44	
Number of foreign employees	People	14	16	19	24	
Acquisition rate of childcare leave by men	%	—	—	—	37.1	100.0% [March 2031]
Acquisition rate of childcare leave by women	%	100.0	100.0	100.0	100.0	
Return-to-work rate after childcare leave	%	100.0	100.0	100.0	100.0	
Number of employees working shortened hours for childcare	People	27	28	28	30	
Number of new graduates hired	People	28	20	18	23	
Human Resources Development						
Average cost of training per employee	Thousands of yen	—	13.0	23.1	24.2	
Average training hours per employee	Hours	—	4.00	9.61	10.51	
Number of participants in recommended training (Total count)	People	—	110	139	115	
Number of successful transfers on internal job posting	People	6	6	9	5	
Number of individuals who used free agent system	People	8	13	9	7	

The information for AUTOBACS SEVEN alone indicated unless otherwise noted.

*¹ The scope of calculation for the fiscal year ended March 31, 2022 covers domestic business locations, directly managed stores, subsidiary stores, and logistics bases (147 bases) related to the Domestic AUTOBACS Business. The scope of calculation for the fiscal year ended March 31, 2023 covers domestic business locations, directly managed stores, subsidiary stores, and logistics bases (196 bases) related to the Domestic AUTOBACS Business and the Car Dealership, BtoB and Online Alliance Business.

*² The scope of calculation covers AUTOBACS SEVEN Co., Ltd.'s headquarters, regional business locations, directly managed stores, and logistics centers.

*³ Figures are for the AUTOBACS SEVEN Group on a consolidated basis.

Items	Unit	FY March 2020	FY March 2021	FY March 2022	FY March 2023	Target Value [Deadline]
Work-style Reforms/Corporate Culture Reforms						
Monthly average overtime hours	Hours	6.8	4.8	5.5	7.3	
Annual paid leave take-up rate	%	64.7	62.2	52.2	52.4	
Number of days working remotely (Total count)	Day	10,285	105,915	131,276	173,385	
Health Management						
Ratio of individuals who underwent periodic health examination	%	100.0	99.9	100.0	100.0	
Implementation ratio of specific health guidance	%	55.0	46.9	50.7	—	70% and more [March 2024]
Checkup rate of stress check	%	95.6	96.3	95.1	95.6	
Smoking rate	%	34.0	29.9	27.0	24.5	Less than 20% [March 2024]
Work engagement (individual)* ⁴	Point	2.6	2.7	2.6	2.7	3.0 points and more [March 2024]
Presenteeism* ⁵	%	—	87	87	87	90% and more [March 2024]
Investment related to health management	Thousands of yen	19	32	43	54	
Number of members/automobile mechanics						
Number of AUTOBACS members* ⁶	1,000 people	7,272	7,303	7,578	7,765	
Number of automobile mechanics* ⁷	People	3,768	3,721	3,746	3,690	

Governance

Items	Unit	As of July 2020	As of July 2021	As of July 2022	As of July 2023
Number of Directors	People	7	8	10	9
Outside Directors	People	3	3	4	4
Female Directors	People	1	1	1	1
Audit and Supervisory Committee Members	People	3	3	3	3

Number of stores

Items	Unit	FY March 2020	FY March 2021	FY March 2022	FY March 2023
Number of domestic stores	Store	585	584	588	588
Domestic stores operated by franchisees	Store	453	451	453	453
Number of overseas stores	Store	45	45	62	78
Overseas stores operated by franchisees	Store	15	33	50	64
Designated stores (Private statutory safety inspection stores)	Store	423	430	434	440

*⁴ Average of ratings on a scale from 1 to 4, with a higher rating representing a better status.

*⁵ An indicator to measure the impact of mental and physical health on performance, with a higher score indicating better performance.

*⁶ The number of active members who have made a purchase within one year.

*⁷ All AUTOBACS chain employees who have obtained the automobile mechanic (Level 1, 2, or 3) national qualification.

Store Brands/Major Subsidiaries

Store Brands (as of July 31, 2023)

AUTOBACS



Position Standard-type store
Sales floor space From 400 m²
Commercial area 5 km radius

Super AUTOBACS Type I



Position Large format store (Flagship store)
Sales floor space From 1,650 m²
Commercial area 20 km radius

Super AUTOBACS Type II



Position Large format store
Sales floor space From 990 m²
Commercial area 10 km radius

A PIT AUTOBACS



This facility sells not only automotive goods but also outdoor goods and miscellaneous items. It features a bookstore and café, where people of all ages, ranging from car enthusiasts to students and families, can enjoy the store together.

AUTOBACS GARAGE



The store proposes lifestyle goods mainly for cars and also serves as a place for customers unfamiliar with cars to easily drop in and seek advice.

AUTOBACS CARS



Stores that handle the purchase and sale of used cars as well as new cars. They also offer various types of loans, guarantees, and Marunori car leases.

AUTOBACS EXPRESS



The AUTOBACS EXPRESS stores are self-service gas stations and car wash stores adjacent to AUTOBACS.

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 Secohan Ichiba



AUTOBACS Secohan Ichiba is a specialty store that purchases second-hand automotive goods, and sells trade-in automotive goods from AUTOBACS Group stores nationwide, as well as outlet products.

RECARO Specialty Store ASM



AUTOBACS store specializing in the German RECARO automobile seat. The store features the original Ruby model series, available only through ASM.

AUTO IN Shaken & Tire Center



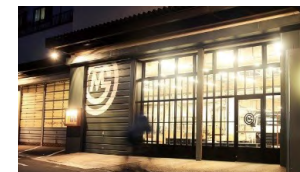
Stores specializing in car maintenance including statutory safety inspections, oil changes, and tire replacements.

ARTA MECHANICS & INSPIRATIONS



This facility is the first concept store for the ARTA brand. It is a new user experience facility focusing on special customized car displays and user-experience-oriented events.

GORDON MILLER



GORDON MILLER was launched on the theme of an "exciting garage lifestyles." It proposes a lifestyle that expands from the garage with beloved cars through a variety of products.

JACK & MARIE



JACK & MARIE is Japan's first select shop that proposes a lifestyle that combines cars and outdoor style.

Major Consolidated Subsidiaries (As of July 31, 2023)

Domestic AUTOBACS Business

- AUTOBACS Higashi-Nihon Sales Ltd.
- AUTOBACS Chubu Sales Ltd.
- AUTOBACS Minami-Nihon Sales Ltd.
- Shaken-Bankin DEPOT Inc.
- AUTOBACS Tsukuba Co., Ltd.
- AUTOBACS Kansai Sales Ltd.
- Chain Growth Co., Ltd.

Overseas Business

- AUTOBACS VENTURE SINGAPORE PTE LTD
Head office: Singapore
- AUTOBACS CAR CARE (SINGAPORE) PTE. LTD.
Head office: Singapore
- AUTOBACS FRANCE S.A.S. Head office: France
- AUTOBACS CAR SERVICE MALAYSIA SDN. BHD.
Head office: Malaysia
- AUTOBACS (CHINA) AUTOGOODS COMMERCE Co., Ltd.
Head office: China
- AUTOBACS AUSTRALIA PTY LTD Head office: Australia

Car Dealership, BtoB and Online Alliance Business

- Seiwa Automobile Sales Co., Ltd.
- AUTOBACS DEALER GROUP HOLDINGS Co., Ltd.
- CAP Style Co., Ltd.
- BACS Boots Co., Ltd.
- Takamori Jidousha Seibi Kogyo Co., Ltd.
- HOT STUFF CORPORATION

Other Subsidiaries

- VEEMO, Inc.
- AUTOBACS Financial Service Co., Ltd.
- AUTOBACS Management Service Co., Ltd.
- ABT Marketing Co., Ltd.
- FATRASTYLING Inc.
- ADE Co., Ltd.
- AUTOBACS Digital Initiative Co., Ltd.

Corporate Profile/Stock Information

Corporate Profile (As of March 31, 2023)

Name	AUTOBACS SEVEN CO., LTD.
Headquarters	6-52, Toyosu 5-chome, Koto-ku, Tokyo, Japan
Date of Foundation	February 1947
Capital Stock	33,998 million yen
Number of Employees (Consolidated)	4,477
Main Business Offices	Northern Japan Regional Headquarters (Sendai, Miyagi) Kanto Regional Headquarters (Ichikawa, Chiba) Chubu Regional Headquarters (Nagoya, Aichi) Kansai Regional Headquarters (Osaka, Osaka) Southern Japan Regional Headquarters (Fukuoka, Fukuoka) Eastern Japan Logistics Center (Ichikawa, Chiba) Western Japan Logistics Center (Miki, Hyogo)

External Evaluation and Initiatives (As of July 31, 2023)



FTSE Blossom
Japan Sector
Relative Index



TASK FORCE ON
CLIMATE-RELATED
FINANCIAL
DISCLOSURES



2023
健康経営優良法人
Health and productivity



DBJ健康格付
2022



SPORTS
YELL
COMPANY
2023



★★★ 2023



Digital Transformation
Certification

Stock Information (As of March 31, 2023)

Number of Authorized Shares	328,206,900 shares
Number of Shares Issued	82,050,105 shares (including 4,060,066 of treasury share)
Number of Shareholders	68,097
One Unit	100 shares
Stock Listings	Tokyo Stock Exchange
Independent Auditor	Deloitte Touche Tohmatsu LLC
Administrator of the Register of Shareholders	1-4-1 Marunouchi, Chiyoda-ku, Tokyo Sumitomo Mitsui Trust Bank, Limited

Major Shareholders	Name	Number of Shares Held (Thousands)	Shareholding Ratio (%)
	The Master Trust Bank of Japan, Ltd. (Trust Account)	9,183	11.77
	Sumino Holdings, Ltd.	4,243	5.44
	The Yuumi Memorial Foundation for Home Health Care	3,990	5.11
	Custody Bank of Japan, Ltd. (Trust Account)	2,919	3.74
	K Holdings, Ltd.	2,750	3.52
	The Master Trust Bank of Japan, Ltd. (Retail Trust Account 820079252)	1,800	2.30
	Foreman Kyoei, Ltd.	1,560	2.00
	Hiroshi Sumino	1,384	1.77
	STATE STREET BANK WEST CLIENT-TREATY 505234	1,197	1.53
	Live Field Co., Ltd.	1,000	1.28

(Notes) 1. The number of treasury shares are excluded in the calculation of shareholding ratios.
2. The numbers of shares held are rounded down to the nearest thousand. The shareholding ratios are rounded down to the second decimal place.

Contact Us

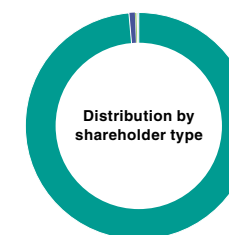
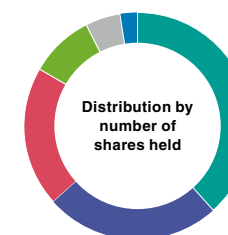
PR & IR Department, AUTOBACS SEVEN CO., LTD.

NBF Toyosu Canal Front, 6-52, Toyosu 5-chome, Koto-ku, Tokyo, 135-8717

PHONE: +81-3-6219-8718

E-mail: investors@autobacs.com

URL: <https://www.autobacs.co.jp/en/>



* Figures for the distribution by number of shares held and distribution by shareholder type are rounded off to two decimal places.



**AUTOBACS
SEVEN**

INTEGRATED REPORT 2023