

A MESSAGE FROM THE PRESIDENT

MID-TERM BUSINESS PLAN INITIATIVES PAVE WAY FOR FUTURE IMPROVEMENT OF PROFITABILITY

In fiscal 2009, ended March 31, 2009, operating conditions became challenging due to a combination of unexpected factors, which included lower demand for winter-related products due to unexpected weather and spending cutbacks by households on top of higher gasoline prices and the economic recession.

In response, we have done our utmost on all fronts to create business opportunities to sell automotive goods and services. These efforts included increasing our lineup of low-priced private brand tires, swiftly adapting sales outlets to meet changes in car navigation systems demand trends, and reinforcing sales of electronic toll collection (ETC) devices in anticipation of a fall in expressway tolls. To make the most of the synergies between sales of automotive goods and our statutory safety inspections and maintenance service business, we ran television advertisements to raise our profile, and also through telemarketing, we strongly promoted sales by targeting members of our point-up card membership program. As a result, we recorded a 15.5% year-on-year increase in the number of statutory safety inspections and maintenance services performed by our domestic chains, including franchise stores. However, unable to make up for the decline in sales stemming from the abrupt change in external conditions, consolidated net sales declined 2.7% year-on-year, to ¥259.1 billion.

Operating income fell 26.6%, to ¥5.1 billion. This decline stemmed from a fall in the gross profit margin of tires and wheels, expenses incurred through increasing the number of stores in Japan and overseas, point-of-sale (POS) system-related expenses, and higher selling, general, and administrative expenses incurred as a result of advertising and other related costs. On the positive side, we recorded an increase in net sales from statutory safety inspections and maintenance services.

We posted a net loss of ¥3.4 billion due to losses incurred in association with our withdrawal from unprofitable businesses and assets in accordance with the goals of the mid-term business plan. Main factors were ¥4.9 billion in restructuring expenses associated with our withdrawal from our U.S. business, as well as ¥5.2 billion in impairment losses on fixed assets and ¥3.9 billion on losses on the revaluation and sales of investment securities.

Although we recorded declines in both revenue and earnings and posted a substantial net loss, we believe we have now set the course for improved profitability in the coming years.

SIGNIFICANT PROFITABILITY IMPROVEMENT EXPECTED FOR FY 2010 DESPITE REVENUE DECLINE

In fiscal 2010, we forecast an 11.5% decline in consolidated net sales, to ¥229.3 billion. This outlook is based on a decrease in revenue as we reorganize our business under the mid-term business plan, as well as from consumers holding back on purchasing discretionary and luxury items in the face of the uncertain economic outlook. Despite declining sales of new vehicles, however, we expect to see growing demand for statutory safety inspections and maintenance services, a business on which we are concentrating considerable resources. In addition, we anticipate that reduced expressway tolls and the lower gas prices than last year will stimulate vehicle use. Consequently, we will concentrate to enhance profitability by reinforcing sales from statutory safety inspections and maintenance services and sales of maintenance-related goods with high profit margins, such as tires, oil, and batteries. As a result of these measures, coupled with the effects of business consolidation and elimination undertaken in the previous year, we forecast a 76.8% year-on-year increase in operating income, to ¥9.0 billion. We also believe we will turn around the net loss recorded in fiscal 2009 to net income of ¥5.7 billion in fiscal 2010.

With respect to the payment of dividends, in line with the Company's target of a dividend-on-equity (DOE) ratio of 3% under the mid-term business plan, we announced an annual

Despite the challenging operating conditions, we have almost completed our withdrawal from unprofitable businesses, thereby paving the way for improved profitability in the future.



Picture: AUTOBACS ZAO Store

dividend of ¥100 per share for fiscal 2009, the same as for fiscal 2008. We also reported a DOE ratio of 2.4%. As well as canceling 1.8 million of our own shares in May 2009, we plan to buy back 1.6 million more shares at a maximum purchase amount of ¥5.6 billion by the end of July 2009.

ENHANCE PROFITABILITY BY DEVOTING TO DOMESTIC FRANCHISE CHAIN BUSINESS

In accordance with AUTOBACS BIG Plan, our mid-term business plan launched in May 2008, we have almost completed our withdrawal from unprofitable businesses and reorganized the Group's subsidiaries. At present, we are making steady progress toward achieving the plan's targets by reinforcing our domestic franchise chain business underpinned by our slogan "Anything about cars, you find at AUTOBACS" There is no doubt that we can expect ongoing uncertainty surrounding the business climate. Nonetheless, we will strive for profit growth by turning valuable opportunities into reality while concentrating on our three core businesses of automotive goods and services sales, statutory safety inspections and maintenance services, and car sales and purchases.

We thank shareholders and all other investors for ongoing support and understanding as we embrace the challenges of the future.

July 2009

Setsuo Wakuda

Representative Director and Chief Executive Officer