



May 9, 2017

AUTOBACS SEVEN Announces Formulation of New Medium-Term Business Plan

May 9, 2017 (Tokyo, Japan) — AUTOBACS SEVEN Co., Ltd. (the “Company,” Representative Director and CEO: Kiomi Kobayashi) announces that it has formulated a new Medium-Term Business Plan. Details are as follows.

1. Course of Action for the Group

The business environment surrounding the AUTOBACS Group is characterized not only by changes in cars but also by changes in drivers, with increasing numbers of female and elderly drivers, as well as increasing diversification in the needs of customers. The Company recognizes that it is becoming increasingly important to adapt rapidly to these changes.

In this environment, the Company has formulated a new medium-term business plan, the 2017 Medium-Term Business Plan, in which it positions turnaround in the competitive prowess of the domestic AUTOBACS business” as its top priority. By pushing ahead with cost structure reforms at the same time, the Company plans to quickly improve on current profit levels and achieve new growth.

2. Plan Period

From April 1, 2017 to March 31, 2020

3. Management Targets

Consolidated ROE	7.0%
Consolidated Operating Income	12 billion yen

4. Basic Strategy

(1) Domestic AUTOBACS business

(i) Basic policy

Create new markets and new AUTOBACS and increase customers by “understanding our customers,” “changing merchandise and sales approach,” and “changing points of contact for customers.”

(ii) Priority measures

- Development of new merchandise and services
- Review of membership system and promotions
- Development of new business formats
- Revitalization of existing profit base

(2) Overseas business

(i) Basic policy

Expand business based on two mainstay businesses: retail sales and services business and wholesale business, and seek profit growth

(ii) Priority measures

- Expansion of partnerships with local enterprises
- Establishment and rollout of store model
- Improvement and promotion of service quality

Disclaimer: Please note that this document is a summary translation of the Japanese press release and prepared for reference purposes only. We do not assure the correctness or completeness of this summary translation. Please note that this summary translation may be amended without notice, or be pulled from our website for such amendment purpose, etc., at our own discretion.

- Strengthening of merchandise procurement capability and efficient delivery

(3) New domestic business

(i) Basic policy

Develop imported car dealer business, car purchase business, and automotive goods wholesale business and expand profit.

(ii) Priority measures

- Expansion of profits in BMW dealer business
- Rollout of specialist car purchase stores
- Development of new sales destinations and provision of highly competitive merchandise
- Development of new business for future growth

(4) Shareholder returns

(i) Basic policy

To maintain stable, high returns to shareholders by increasing profitability.

(ii) Shareholder return policy

- To switch from a consolidated dividend on equity ratio (DOE) to consolidated dividend payout ratio
- To determine dividends according to business results, aiming for a consolidated dividend payout ratio of between 50 and 100%, in principle
- To buy back shares where necessary in light of cash flows and on-hand liquidity

Disclaimer: Please note that this document is a summary translation of the Japanese press release and prepared for reference purposes only. We do not assure the correctness or completeness of this summary translation. Please note that this summary translation may be amended without notice, or be pulled from our website for such amendment purpose, etc., at our own discretion.

Analyst Meeting FY March 2017

2017 Medium-term Business Plan (From FY March 2018 to March 2020)



AUTOBACS SEVEN CO., LTD

CEO President
Kiomi Kobayashi

1

Recognition of Current Status of Domestic Business and Business Environment



External Environment: population decline, diversification of customer preferences, change of automotive technologies, emergence of lifestyle proposal-type retailers

Competition : Reinforcement of automotive goods and services by car dealers, etc., increase in online sales due to low prices and extensive product lineup

Problems : Mismatch between products and business format and customer needs
difference between AUTOBACS prices and prices of competitors, diversification of promotion methods

Strengths: Long-established brand, management capability of franchisees

Priority: Increase appeal of stores
(Turnaround of AUTOBACS business)

2



Group Vision

1. Turnaround of AUTOBACS business

Proposal of lifestyle through “new products” and “new business formats”

2. Development of future growth drivers

- New business: Specialized stores for car purchase
BtoB business, imported car dealers, etc.
- Overseas business: Retail sales/services and
wholesale business that meets the
needs of each country

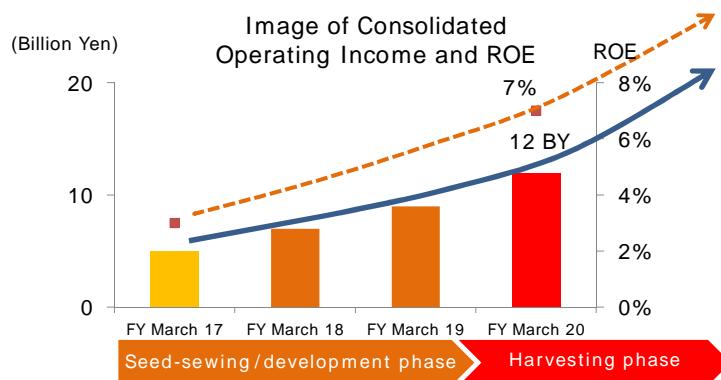
3



Management Targets (FY March 2020)

Consolidated Operating Income 12 Billion Yen

Consolidated ROE 7%



4



To Increase the Appeal of Stores

Vision of AUTOBACS Chain Stores

Achieve continuous development of the AUTOBACS chain by being a “professional” and “friendly” presence that continues to connect with customers



5



For the Turnaround of the AUTOBACS Business (1)

Win back family and young customers groups

1. Know our customers

- Customer voice program (with guidance to each store)
- Analysis of member data

2. Review of membership system

- Integration with T Points
- System change for expanding regular customers

3. Review of promotions

- Appropriate distribution of mass-media ads and ads using SNS, etc.
- Promotion of “professional & friendly AUTOBACS”

6

For the Turnaround of the AUTOBACS Business (2)



Development of appealing products

1 . Development of new products

- Safety-related
- Lifestyle-related
- New automotive electronics, IoT-related
- Improvement of existing categories

2 . Development and improvement of selling methods

- Establishment of sales spaces dedicated to proposing different uses

7

For the Turnaround of the AUTOBACS Business (3)



Development of selling methods that meet customer needs

1. Business formats that can propose a certain lifestyle

- Renovation of existing stores (sales space and service bay facilities)
- Launch of new brand "JACK&MARIE"
- Development of lifestyle products and rollout to existing sales spaces

2. Stores for specific products and services

- Products and services meet local needs
- Expansion of services provided by appointment made via the website, etc.
- Development of low-cost business formats

8

For the Turnaround of the AUTOBACS Business (4)



Training and Activation of Human Resources

1. Initiatives to train and retain maintenance engineers (Establishment of Chain Growth Co., Ltd.)
 - Training of maintenance engineers at training school and dispatch to AUTOBACS stores
 - Consulting services to help franchisees retain human resources
2. Development of rewarding workplace (stores, headquarters)
 - Working hours, shifts
 - Training structure
 - Remuneration, qualification programs for employees
 - New incentive program



1st AUTOBACS Awards
(for staff and stores selected based on customer feedback)

9

For the Turnaround of the AUTOBACS Business (5)



Strengthening of foundations to increase appeal

1. Establishment of stable profit structure through statutory safety inspections and car purchases
 - Expansion in number of vehicles receiving statutory safety inspections mainly through “15-minute inspections procedure”
 - Expansion of “statutory safety inspection depot” channel
 - Improvement of existing car purchase personnel/operations
2. Labor-savings in store operations
 - Survey of store business volume
 - Redevelopment of manuals
 - Determination of new operations and renovation of stores
3. Improvement of cost efficiency
 - Reduction of cost of purchases and logistics costs
 - Reduction of cost of store facilities and equipment
4. Continued implementation of measures to improve gross profit margin and measures to improve inventory efficiency

10

Development of future growth drivers Overseas Business



1. Retail sales and services

France Strengthening of maintenance proposals, expansion of EC (own and other companies platform)
Improvement of gross profit margin through expansion of service revenue



Store inside gasoline stand in Singapore

Singapore Expansion of stores inside gasoline stands

Thailand Expansion of flagship store + small stores

Malaysia Opening of mid-sized stores in commercial facilities



Store inside shopping mall in Indonesia

Indonesia Stores for wealthy customers (with/without pit)

2. Wholesale sales business

- Procurement of products mainly in regions where stores have been opened and sales of products in these regions, including Japan
- Sales of PB across regions where stores have been opened

11

Development of future growth drivers New Business



1. Specialist car purchase stores (AUTOBACS CARS)

- Properties that are going concerns in urban areas where there are no AUTOBACS stores
- Stores directly operated by existing franchisees
- Call at customer site

2. Imported car dealer business

- Business expansion through BMW dealers in Tochigi in addition to Ikebukuro
- Efficient management through cooperation within the Group
- Improvement of management quality and acquisition of knowhow

3. BtoB business

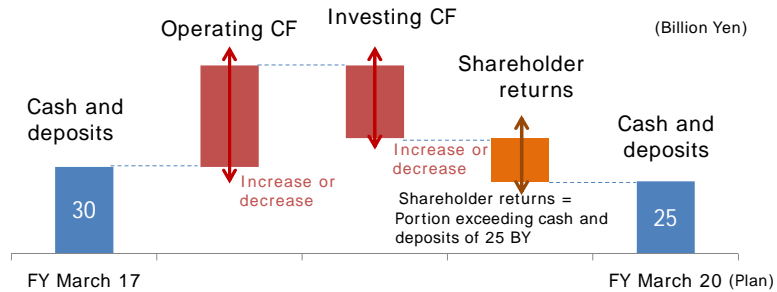
- Expansion of wholesale sales of products handled by the Company to DIY stores, car maintenance firms, used car dealers, etc.
- Expansion of sales of parts via e-commerce

12

Financial Strategy (Cash Flows and Shareholders Returns)



Model plan toward FY 2020



Cash and cash equivalents on hand: Improvement of efficiency, aiming for 25 BY

Investment : Investment of approx. 21 BY

Shareholder returns

Dividends : Stable dividends + Dividend payout ratio of 50% ~ 100%
Share buybacks using surplus funds will be considered

13

“Turnaround of AUTOBACS business” and “Development of future growth drivers”



14