

Analyst Meeting

Results of the Six Months
ended September 30, 2018



October 31, 2018

AUTOBACS SEVEN CO., LTD.

Results of the Six Months
ended September 30, 2018
and
Forecasts for Second Half of FY March 2019

Director, Senior Managing Executive Officer,
Corporate Administration

Isao Hirata

First Half of FY March 2019 Consolidated P/L



(Billion Yen)

	Six months ended September 30, 2018				Six months ended September 30, 2017
	Initial Forecast	Actual results	YoY change ratio	Change from forecast	
Net sales	102.0	97.5	▲1.0%	▲4.4	98.4
Gross margin	32.7	30.7	▲3.8%	▲1.9	32.0
Gross margin ratio	32.1%	31.6%	▲0.9pt	▲0.5pt	32.5%
SG&A	29.7	29.2	▲1.7%	▲0.4	29.7
Operating income	3.0	1.5	▲32.3%	▲1.4	2.2
Operating income ratio	2.9%	1.5%	▲0.8Pt	▲1.4Pt	2.3%
Non-operating income/ expenses	0.5	0.3	+52.8%	▲0.1	0.2
Ordinary income	3.5	1.8	▲24.5%	▲1.6	2.4
Extraordinary gains	-	0.0	-	-	0.1
Extraordinary losses	-	0.9	-	-	0.1
Net income	2.2	0.5	▲54.8%	▲1.6	1.3

Amounts are rounded down to the nearest hundred million yen.

Key Figures of First Half of FY March 2019

Operating income YoY -710million Yen

Domestic Autobacs chain retail sales YoY +0.3% / **Autobacs Seven Wholesale -2.1%**

Consolidated sales YoY -1.0% / Gross margin -0.9%

Extraordinary losses 960 million Yen

Extraordinary Income and Extraordinary Loss



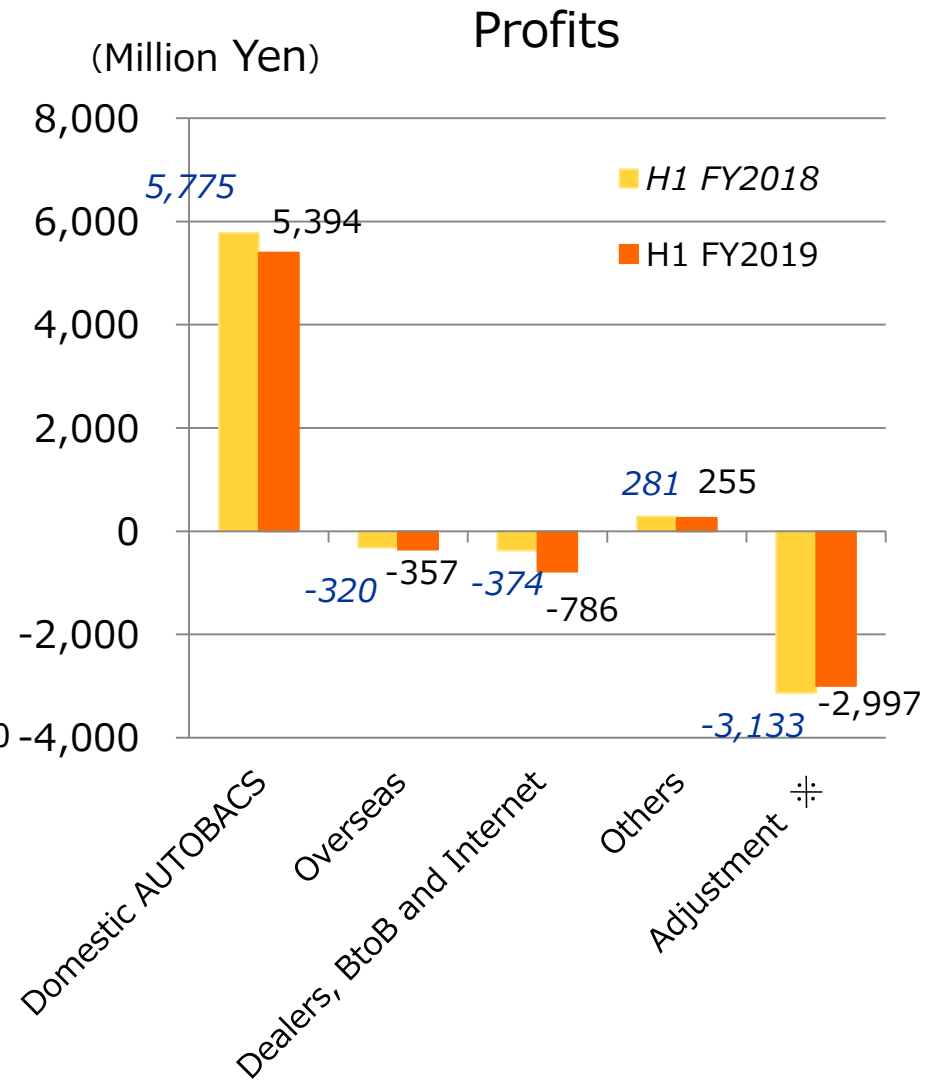
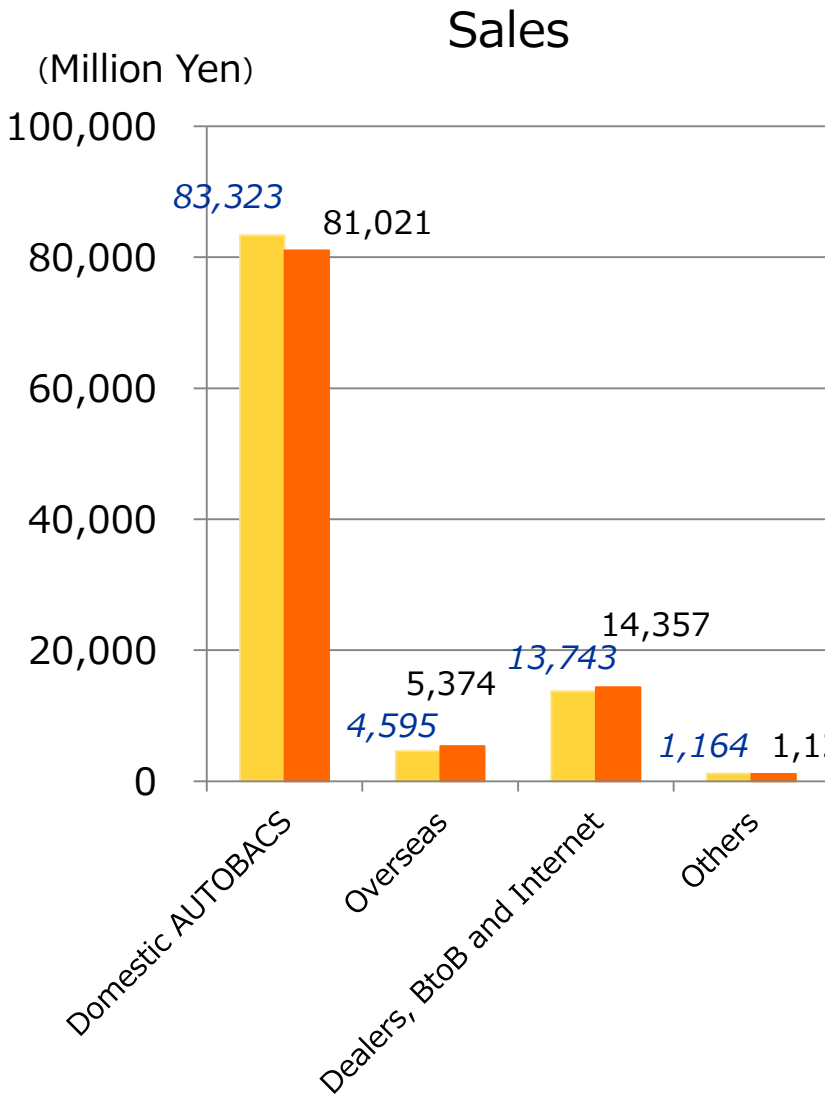
Extraordinary income (Million Yen)

	Amount	
Insurance income	97	Insurance proceeds paid for damage related to Typhoon No. 21 and others

Extraordinary loss (Million Yen)

	Amount	
Loss on disaster	689	For repair of stores and facilities due to Typhoon No. 21 and other causes (Including losses expected to be posted in and after the third quarter) (These losses will be turned into insurance income in and after the second quarter)
Special retirement allowance	270	Due to the merger of subsidiaries (Cores International, Inc. and PALSTAR K.K.)
Total	960	

Sales and profits of Reporting Segments



Round down to the million Yen
Before elimination of transaction
between segments

※ Corporate expenses not allocated to each reporting segment, mainly general and administrative expenses

Segment Information

(Million Yen)



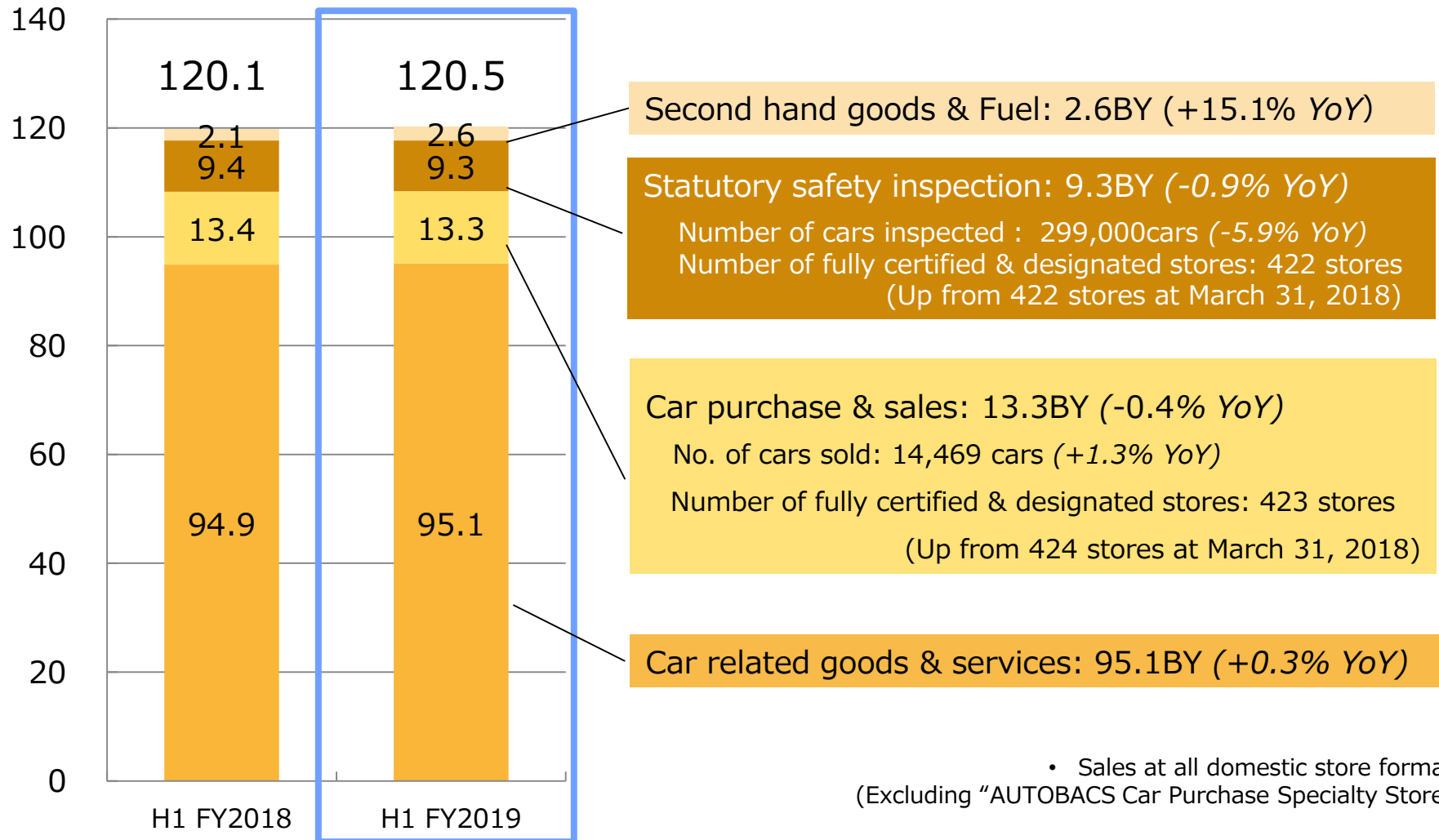
		Six months ended December 30, 2018	Six months ended December 30, 2017	YoY	Summary
Domestic AUTOBACS Business	Sales	80,021	83,323	▲2.8%	Retail sales were strong by covering the fall in demand after the last-minute demand for tires in the previous year. Stock efficiency rose and the gross margin improved. A decrease in wholesale had a significant impact, resulting in a profit decrease.
	Gross margin	25,063	26,626	▲5.9%	
	SG&A	19,668	20,851	▲5.7%	
	Operating income	5,394	5,775	▲6.6%	
Overseas Business	Sales	5,374	4,595	17.0%	Although sales increased thanks to an increase in stores in France and Thailand and the increase in wholesale, expenses also increased, and thus a loss of the same level as that of a year ago was recorded.
	Gross margin	2,700	2,329	15.9%	
	SG&A	3,057	2,650	15.4%	
	Operating income	▲357	▲320	-	
Imported Car dealer, B to B and Internet Business	Sales	14,357	13,743	+4.5%	Although sales increased due to an increase in stores of imported car dealers, the logistics expenses in the BtoB business rose, resulting in a profit decrease.
	Gross margin	2,657	2,652	+0.2%	
	SG&A	3,443	3,026	+13.8%	
	Operating income	▲786	▲374	-	
Other Business	Sales	1,120	1,164	▲3.8%	No significant change as compared to the previous year.
	Gross margin	376	406	▲7.3%	
	SG&A	121	124	▲2.7%	
	Operating income	255	281	▲9.3%	
Reconciling items	Operating income	▲2,997	▲3,133		

Retail Sales in Total AUTOBACS Group Stores



Retail Sales Including FCs: 120.5 billion yen (+0.3% YoY)

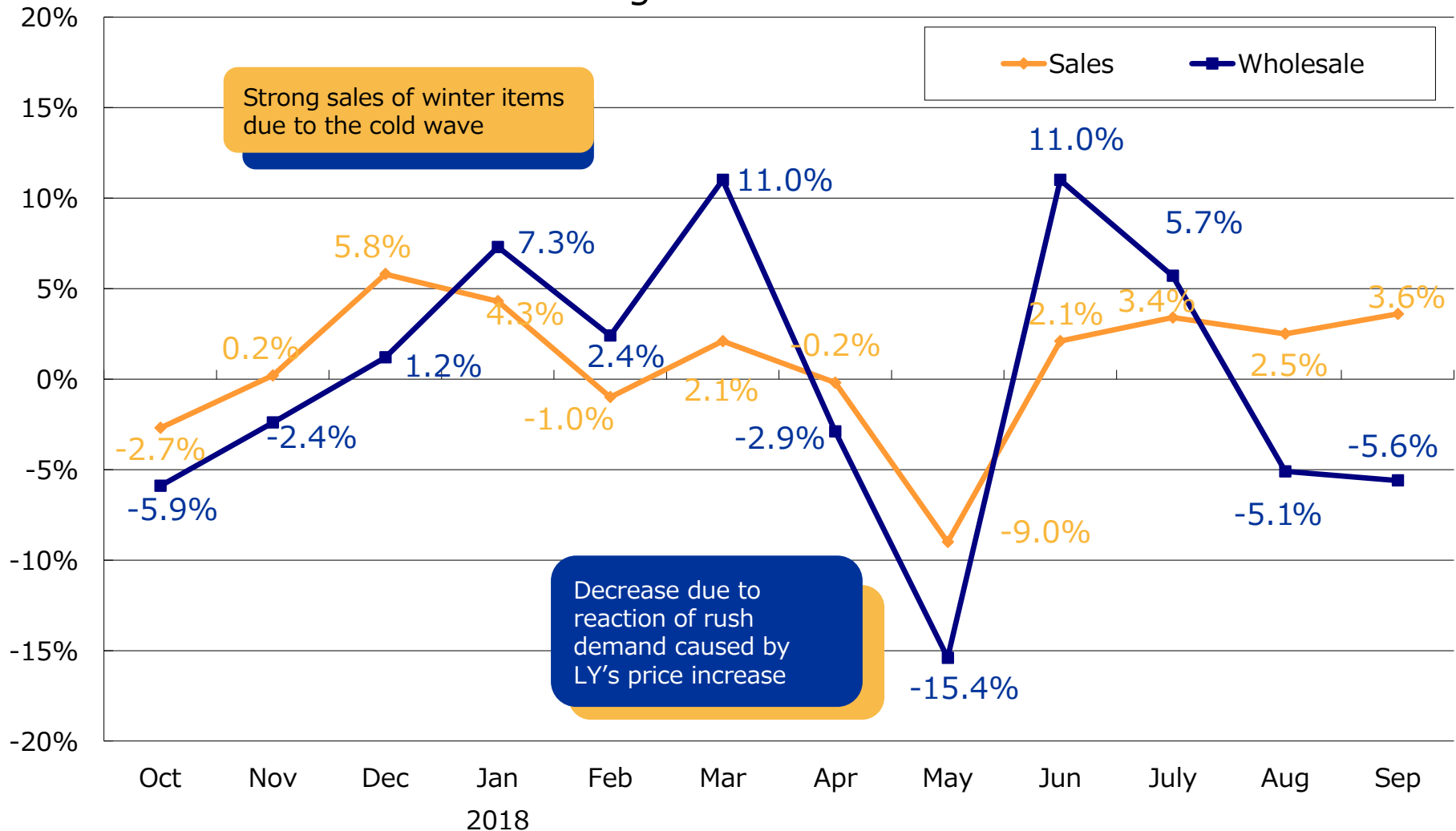
(Billion Yen)



Sales Trend: Retail & Wholesale (Oct. 2017 – Sep. 2018)

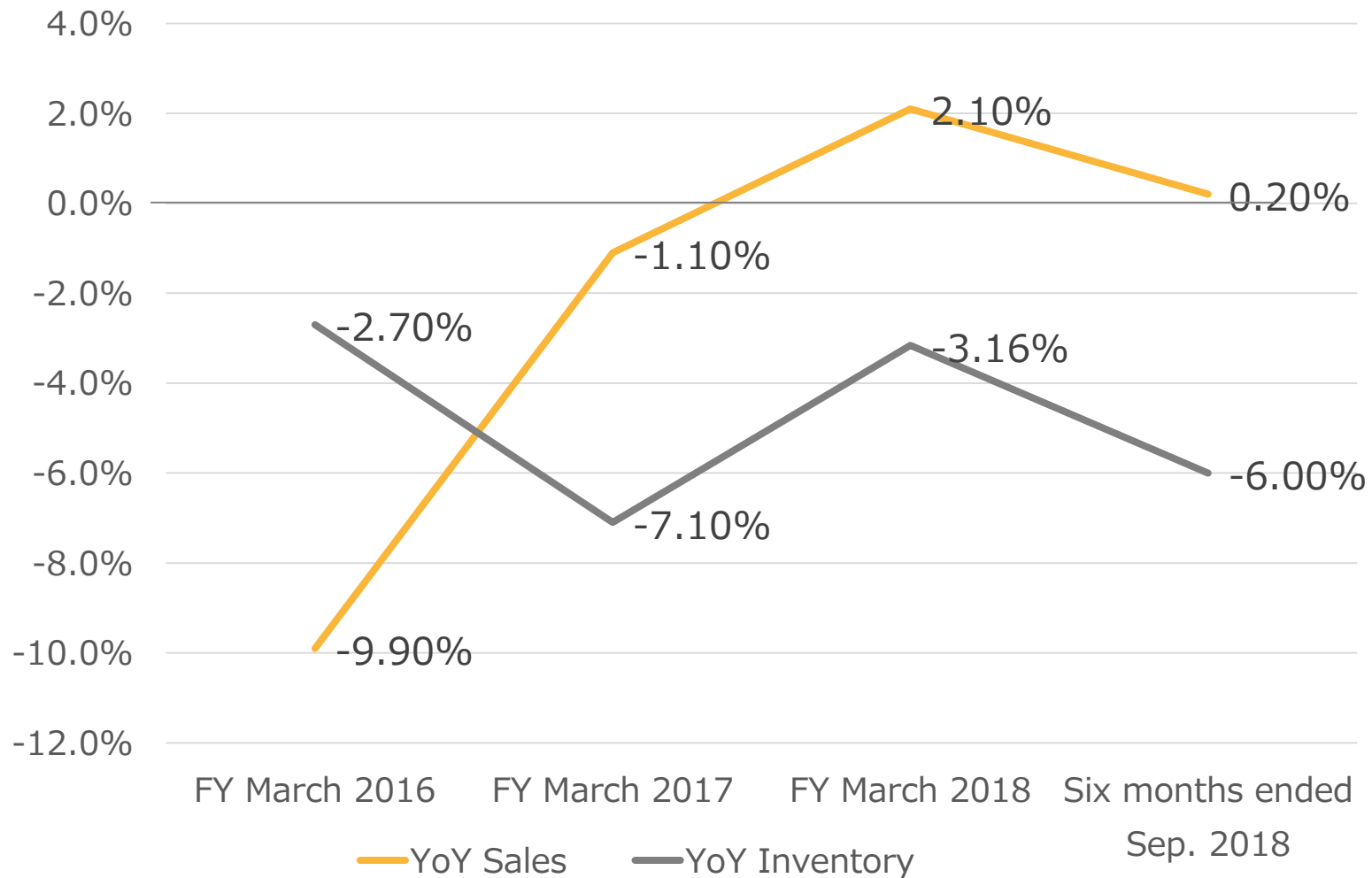


【YoY change for the last 12 months】



- Retail sales at all domestic store formats (AUTOBACS, Super AUTOBACS, AUTOBACS CARS, AUTOBACS Secohan Ichiba and AUTOBACS EXPRESS)
- Wholesale from AUTOBACS SEVEN to all domestic AUTOBACS stores

Sales and Inventory of Domestic Stores (YoY)



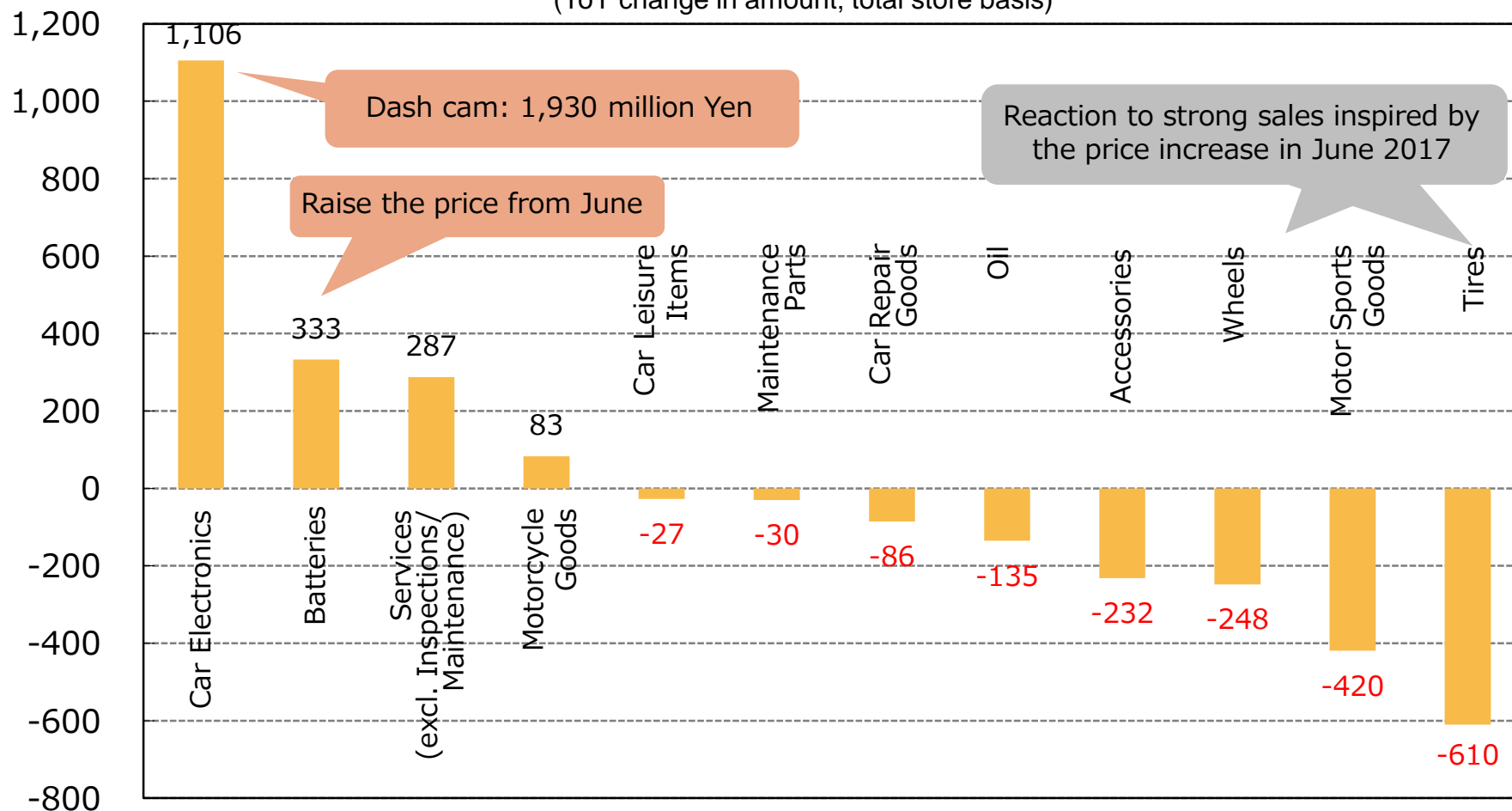
Sales Variance by Merchandise (H1 FY2019)

【Same store basis】 Sales: +0.2% YoY, Number of customers: -2.7% YoY

Sales* changes by merchandise category

(Million Yen)

(YoY change in amount; total store basis)



* Include sales at domestic AUTOBACS-chain stores including FCs; all store formats (AUTOBACS, Super AUTOBACS, CARS, AUTOBACS Secohan Ichiba and AUTOBACS EXPRESS)

Non-Consolidated and Domestic Store Subsidiaries

(H1 FY2019)

(Million Yen)

	Non-consolidated		Domestic Store Subsidiaries	
	Results	YoY	Results	YoY
Net Sales	70,496	-1,723	24,345	-2,470
Gross Margin(%)	14,762 (20.9%)	-437 (-0.1pt)	10,409 (42.8%)	-1,105 (-0.1%)
SG&A	13,215	-181	10,244	-1,190
Operating Income	1,547	-256	165	+85
	<p>Wholesale to the domestic franchisees decreased. Although the rate of the cost of goods purchased by stores returned to the normal level from the low level in the previous fiscal year, the gross margin decreased due to the sales decrease. In selling, general and administrative expenses, depreciation of the logistics system decreased. While promotion campaigns for used cars were reduced, focus was placed on tires and statutory safety inspection and maintenance services.</p>		<ul style="list-style-type: none"> - Sales decreased, but profit increased. - Sales and selling, general and administrative expenses decreased due to the transfer of Michinoku AUTOBACS and AUTOBACS Akita to the franchisees. - Efforts such as wholesale price change management and obsolete inventory reduction to increase gross margin were continued. Gross margin improved substantially. 	

Amounts are rounded down to the nearest hundred million yen.

Performance by Overseas Subsidiaries



	FRANCE		THAILAND		SINGAPORE		CHINA		MALAYSIA	
Number of stores at Sep. 30, 2018 -including FC stores-	11		13		3		0		4	
Period	H1 FY2019	H1 FY2018	H1 FY2019	H1 FY2018	H1 FY2019	H1 FY2018	H1 FY2019	H1 FY2018	H1 FY2019	H1 FY2018
Net sales (Million Yen)	4,172	3,507	223	174	623	698	251	187	23	13
SG&A (Million Yen)	2,197	1,839	143	112	285	305	100	80	34	30
Operating income (Million Yen)	3	4	-72	-60	7	48	-11	-12	-23	-24
Business conditions	Sales increased due to the two stores placed under the umbrella of the local corporation. Although the ratio of service sales grew, the profit level remained at the same level as the previous year, partly due to increased expenses.		Sales increased with the store openings in alliance with the PTG Group; however, expenses incurred in advance.		Although the services for car sharing companies and the wholesale to hypermarkets increased, revenue decreased due to the temporary situation with the store staff.		Although expenses for business expansion increased, the wholesale of automotive goods and services for China grew and operating loss decreased.		Wholesale to hypermarkets increased. Unprofitable stores were closed in September.	

Note: Figures in parentheses are negative.

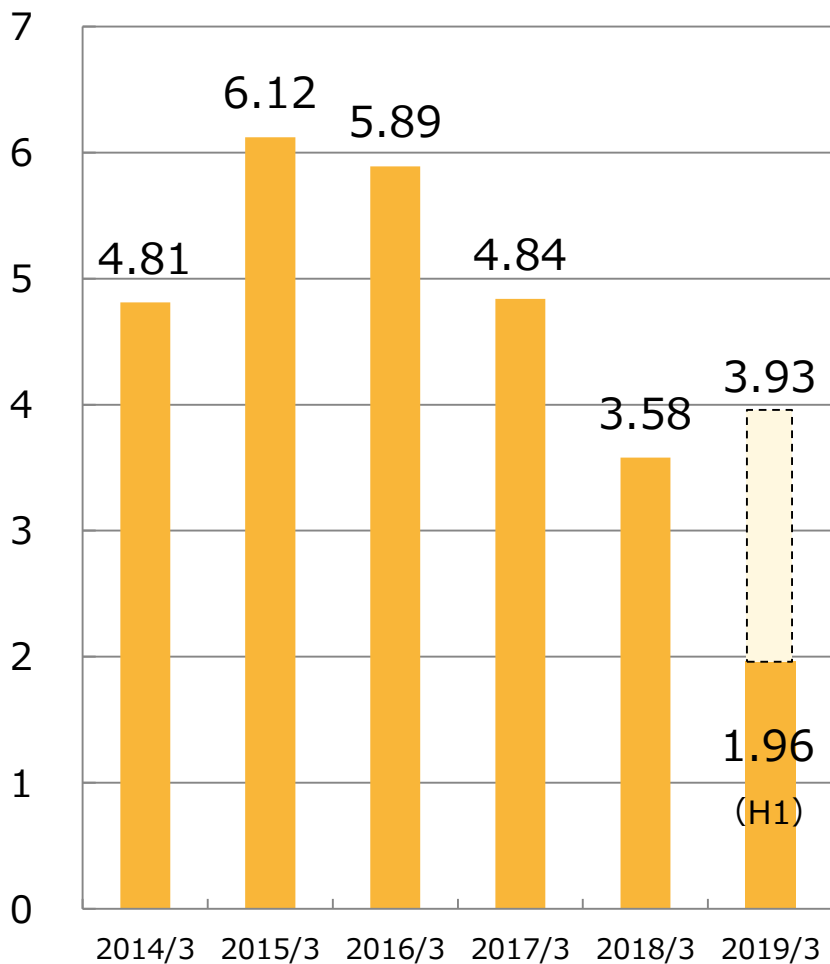
Amounts are rounded down to the million Yen.

CAPEX and Depreciation



CAPEX

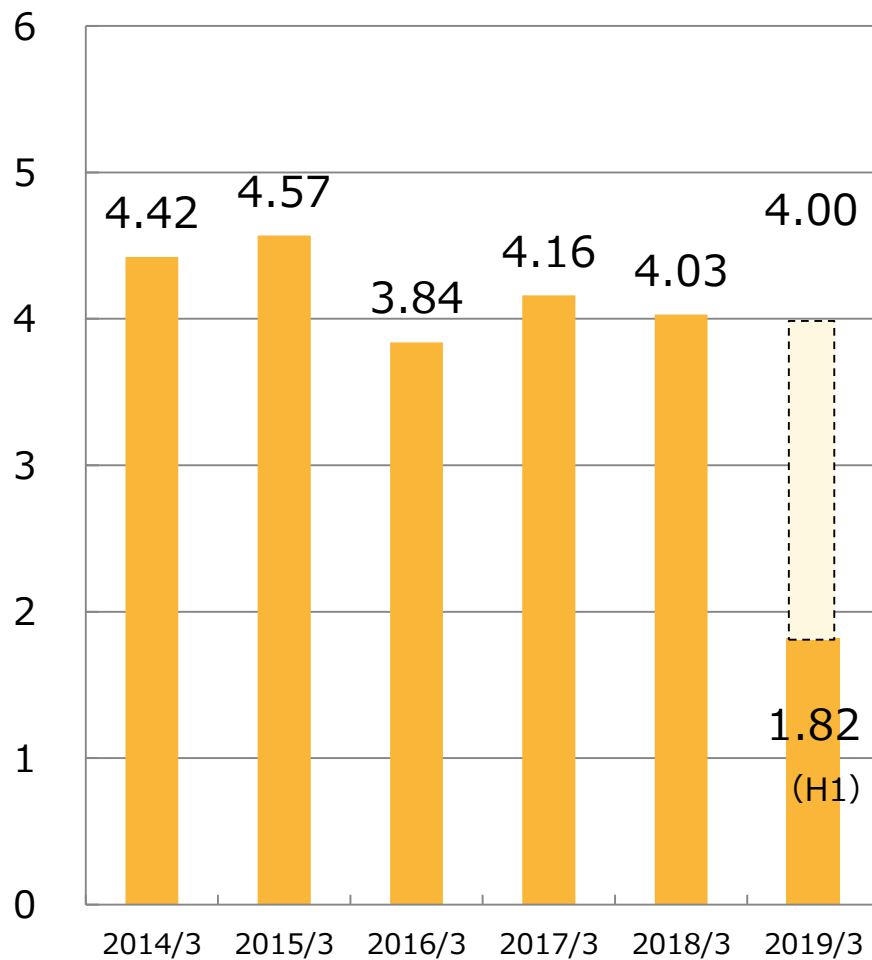
(Billion Yen)



(E)

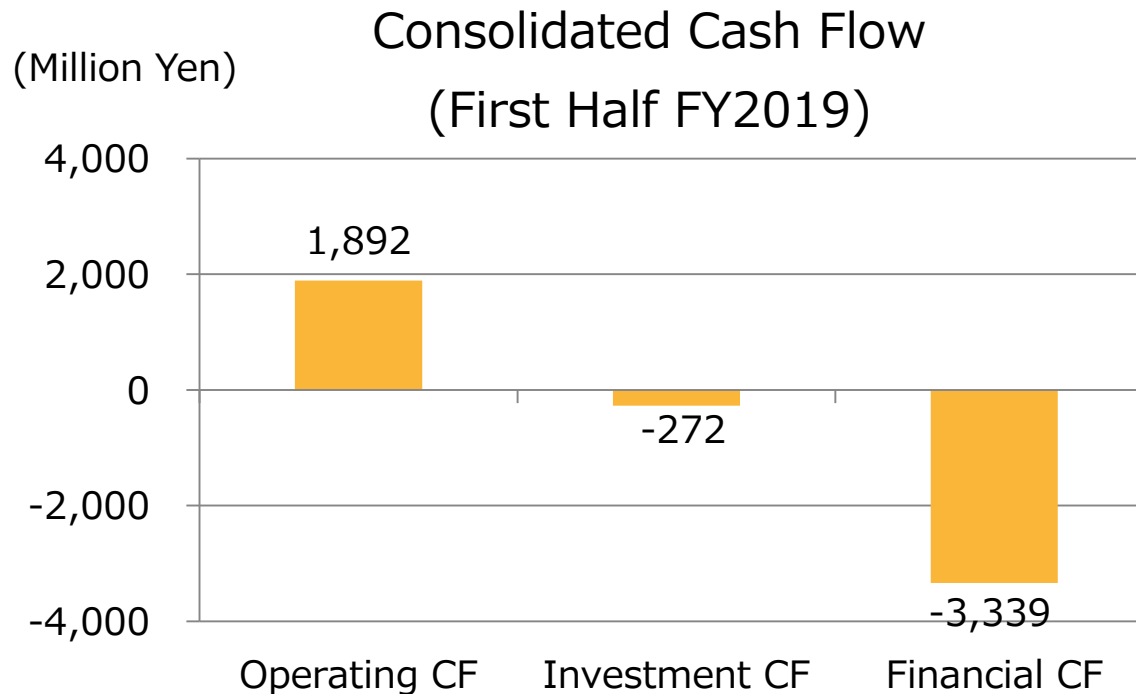
Depreciation

(Billion Yen)



(E)

Cash Flow



Cash and cash equivalents:
37.3Billion Yen
(Sep. 30, 2018)
36.9 Billion Yen
(Sep. 30, 2017)

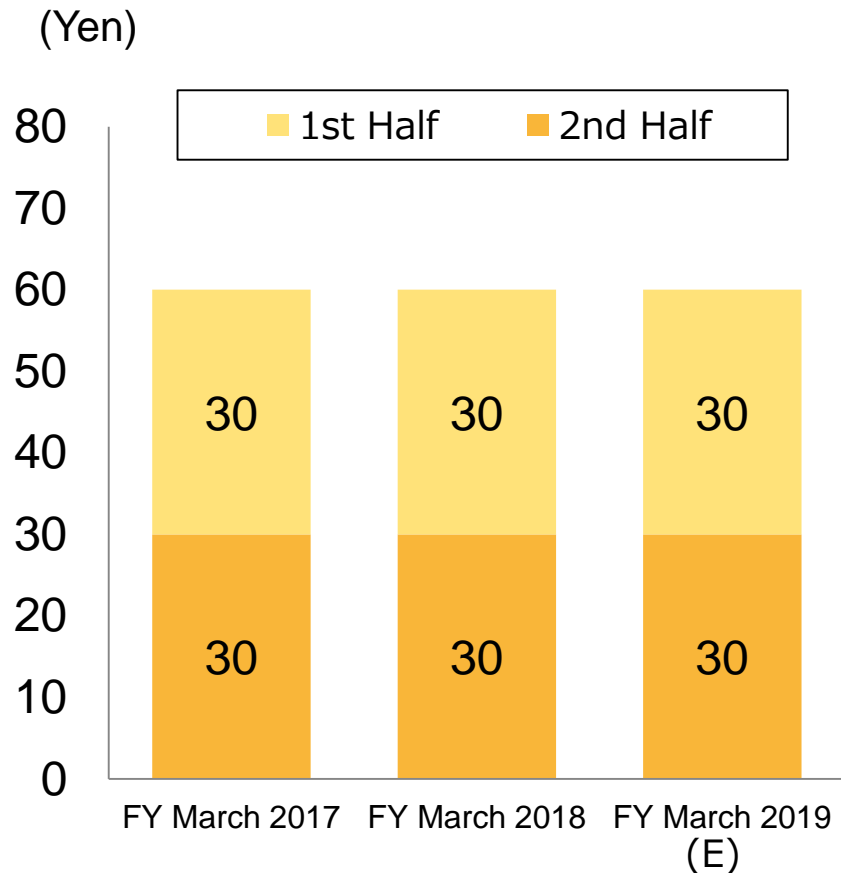
Breakdown of investment items (including items other than CAPEX)

- Development of new business models
- Renovation of existing stores
- Acquisition of imported car dealers and additions and alterations to existing stores
- Relating to information investment

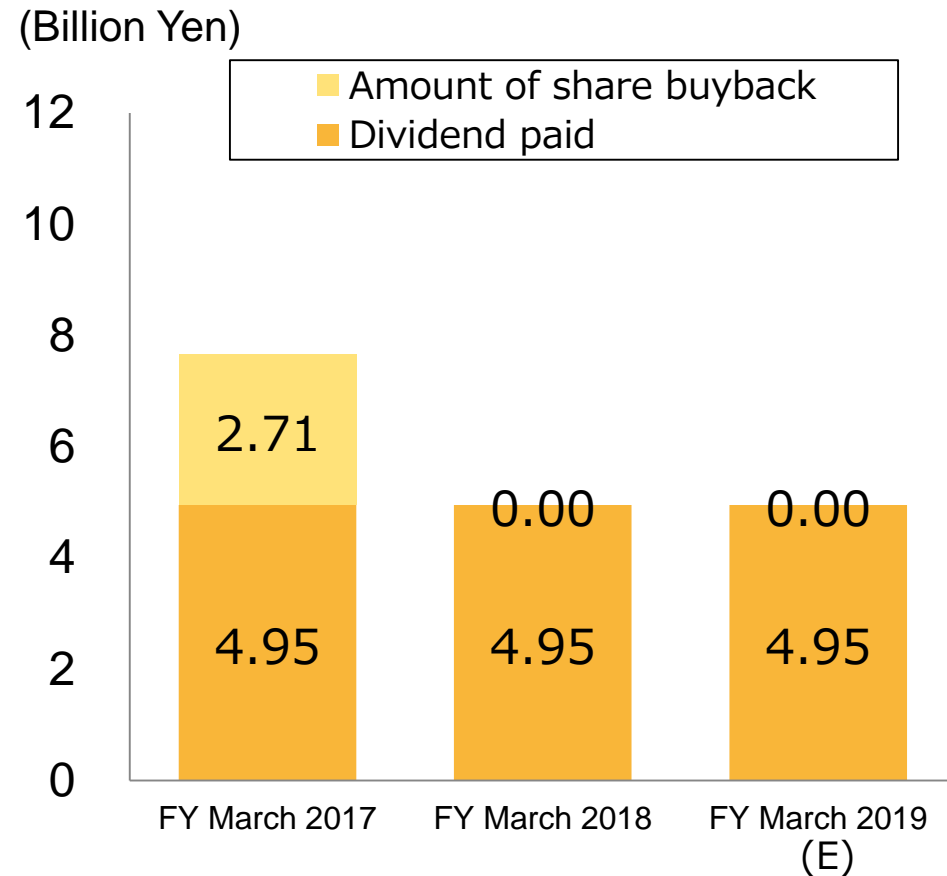
Shareholders Return



Dividends per share



Dividends and share buyback



Estimates of FY March 2019

The results for the first half were behind the internal plan in terms of progress; however, the full-year earnings forecasts are unchanged.

(Billion Yen)

	H1	H2		Full Year	
	Results	Forecasts	YoY	Forecasts	YoY
Consolidated Sales	97.5	117.4	+3.2%	215.0	+1.3%
Gross Margin	30.7	38.0	+5.7%	68.8	+1.2%
%	31.6%	32.4%	-	32.0%	+0.0pt
SG&A	29.2	30.5	+0.4%	59.8	-0.6%
Operating Income	1.5	7.4	+34.7%	8.0	+15.5%
%	1.5%	6.4%	+1.5pt	4.2%	+0.5pt
Recurrent Income	1.8	8.1	+41.1%	10.0	+21.6%
Net Income	0.5	6.2	+51.8%	6.8	+25.8%
ROE	-	-	-	5.3%	+1.1pt

Round down to the 10 million Yen

Business environment

- Increase in demand for winter tires and automotive goods and services due to strong sales of new vehicles
- Continued strong sales of event data recorders
- Recovery of the number of vehicles subject to statutory safety inspections with an expectation of increased sales of statutory safety inspections and tires, among others

Domestic store sales (YoY)

1 st half(Results)		2 nd half(Estimates)		Full Year (Estimates)	
Same store sales	Total store sales	Same store sales	Total store sales	Same store sales	Total store sales
+0.2%	+0.3%	+0.3%	+0.7%	+0.4%	+0.6%

Sales at all AUTOBACS chain stores

Progress of Med-term Business Plan
and
Initiatives for the Second Half FY March 2019

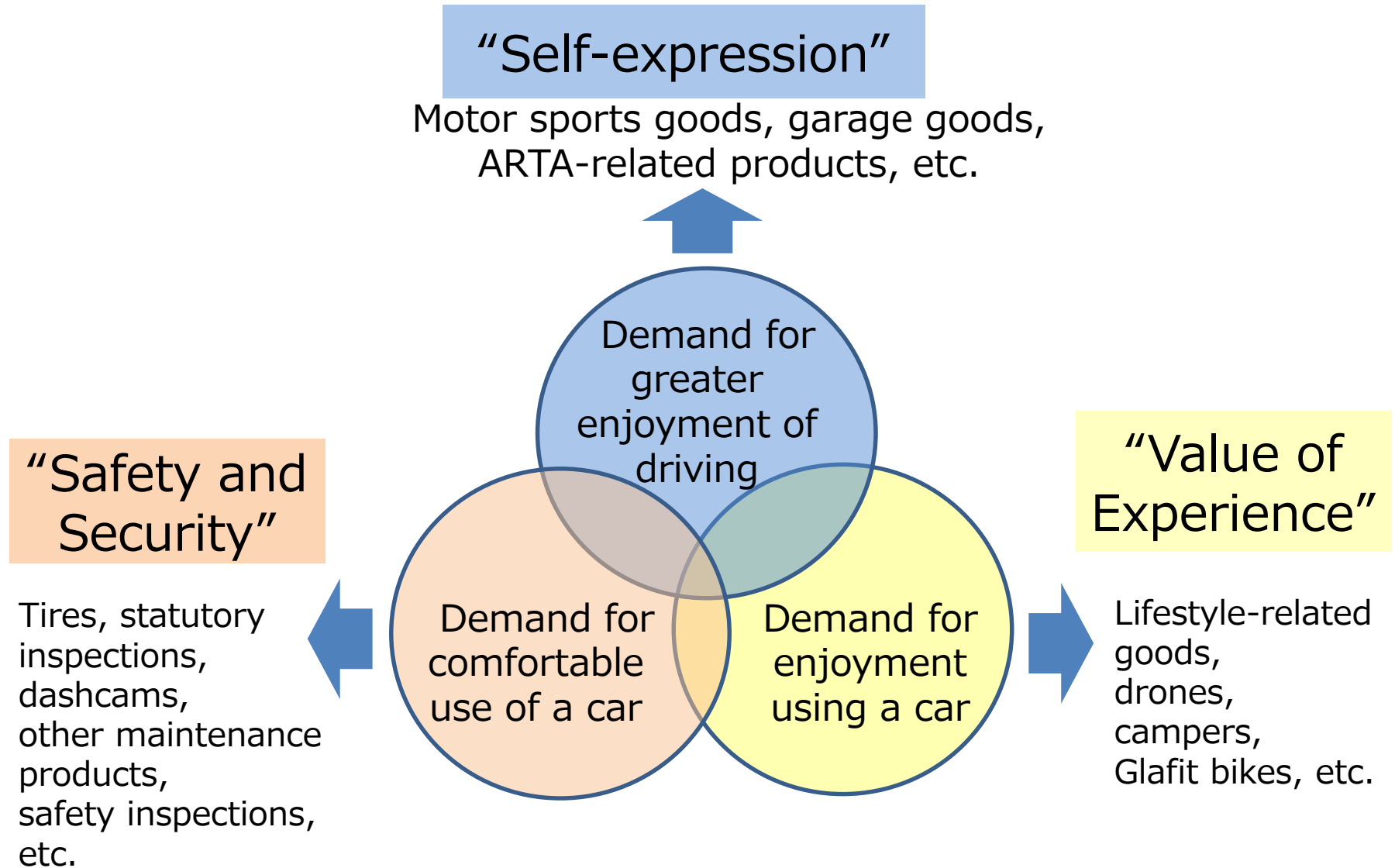
CEO, President

Kiomi Kobayashi

	Review
Domestic AUTOBACS Business	<ul style="list-style-type: none"> - Demand for dashcams and batteries increased and the store sales exceeded the results of the previous fiscal year. - Development of new products advanced. On the other hand, with respect to the wholesale to stores, structural problems remain.
Overseas Business	<ul style="list-style-type: none"> - The wholesale was expanded, failing to reach the planned target. Priority will be placed on the wholesale and the initiatives for increase of income will be accelerated.
Car Dealer Business	<ul style="list-style-type: none"> - New bases were added, failing to reach the planned target. The Company will aim to expand profits in the second half.
BtoB Business	<ul style="list-style-type: none"> - The wholesale subsidiaries were reorganized for income improvement. Costs beyond the estimates were incurred and thus the planned target was revised upward for recovery in the second half.
Online Business	<ul style="list-style-type: none"> - The preparations for construction of a new platform will be implemented with the increased speed.

Expansion of the wholesale to channels other than the AUTOBACS chain is necessary for future profit growth

Value (Merchandise) Provided to Customers by AUTOBACS



Domestic AUTOBACS Business



Safety and security

Strengthening of tire sales



[Initiatives taken]

- Increase of line-ups of low-priced items and tires for all seasons
- Start of supply of winter tires already incorporated (100,000 tires)
- Introduction of online reservations for tire replacement (about 350 stores)



Incorporation at the factory

作業日・時間を選択

予約を待つ車

予約を確定する

タイヤ交換 (90分)

X

時間	2018年11月												時間
	04 (日)	05 (月)	06 (火)	07 (水)	08 (木)	09 (金)	10 (土)	11 (日)	12 (月)	13 (火)			
10:00	X	X	X	X	X	X	X	X	X	X	X	10:00	
10:15	X	X	X	X	X	X	X	X	X	X	X	10:15	
10:30	X	X	X	X	X	X	X	X	X	X	X	10:30	
10:45	X	X	X	X	X	X	X	X	X	X	X	10:45	
11:00	X	△	△	△	△	X	X	X	△	△	△	11:00	
11:15	X	△	△	△	△	X	X	X	△	△	△	11:15	
11:30	△	△	△	△	△	X	X	X	△	△	△	11:30	
11:45	X	X	X	X	X	X	X	X	X	X	X	11:45	
12:00	X	X	X	X	X	X	X	X	X	X	X	12:00	
12:15	X	X	X	X	X	X	X	X	X	X	X	12:15	
12:30	X	X	X	X	X	X	X	X	X	X	X	12:30	
12:45	X	X	X	X	X	X	X	X	X	X	X	12:45	
13:00	X	X	X	X	X	X	X	X	X	X	X	13:00	
13:15	X	X	X	X	X	X	X	X	X	X	X	13:15	

Online reservations for tire replacement

Domestic AUTOBACS Business



Safety and security

Sales expansion of statutory safety inspection services

[Initiatives taken]

- 15-minute acceptance inspection and store operation improvement
Introduced at about 260 stores
(to be introduced at about 130 stores in the second half of FY March 2019)
- Promotion of securing reservations for next statutory safety inspection and maintenance services
- Differentiation with the Three Relief Star



Offering of lifestyle goods (outdoor/indoor goods for vehicles)

- Expansion of the sales floor of JKM (about 230 stores)
Sales of stores and online shopping grew at the rate of 168.6% for the first half of FY March 2019 (as compared to the second half of FY March 2018).
The introduction of the sales floor was promoted following the renovation of the store.
- Expansion of stores that sell drones (about 120 stores)
- Sales of camper vans



Domestic AUTOBACS Business

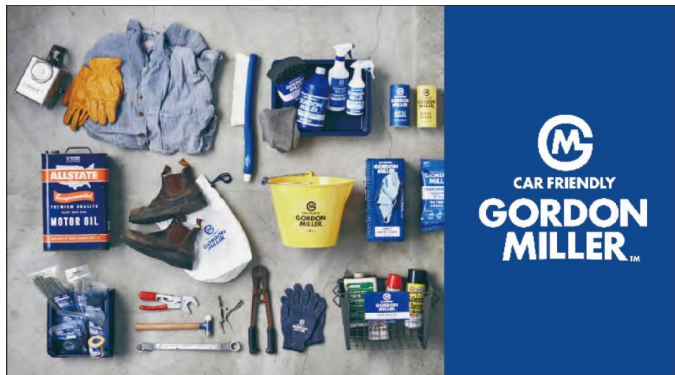
Self-expression Offering of lifestyle goods (garage goods)

[Initiatives]

- Expansion of the sales floor of GORDON MILLER (about 140 stores)

Sales of stores and online shopping grew at the rate of 268.7% for the first half of FY March 2019 (as compared to the second half of FY March 2018).

As with JKM, the introduction of the sales floor was conducted following the renovation of the store.



Domestic AUTOBACS Business: Store Renovation

Number of renovated stores in the first half of FY March 2019: 52 stores

Before change



After change



Improved visibility from the checkout counter



Change of the layout of goods that require customer service



Giving the waiting area an elegant appearance



Offering JKM/GORDON MILLER items

Improvement effects of renovated stores

- (1) Increase in sales of automotive goods and services
- (2) Increase in the efficiency of customer services and the resulting growth in sales and gross margin per person

Domestic AUTOBACS Business: Store Development

Flagship store under the new concept

A PIT AUTOBACS SHINONOME

(Open on November 2018)

- Renovation of Super AUTOBACS TOKYO BAY SHINONOME
- New AUTOBACS that provides new value relating to automobiles to all drivers centered around "PIT"



Domestic AUTOBACS Business Store Development

SUPER AUTOBACS MORIOKA-MINAMI
(Renewal opened on October 19, 2018)



Smart+1 UTSUNOMIYA Store (Opened on September 7, 2018)



Domestic AUTOBACS Business: JACK & MARIE



JACK & MARIE Lifestyle shop through automobiles GO FOR A RIDE

■ Promotion of opening of stores

Second store: LaLaport NAGOYA minato AQUA
AQUA

(opened on September 28, 2018)

Third store: Yokohama Landmark Plaza
(to be opened on November 3, 2018)

Fourth store: MARK IS fukuoka-momochi
(to be opened on November 21, 2018)



JACK & MARIE
LaLaport NAGOYA minato AQUA



JACK & MARIE
Yokohama Landmark Plaza



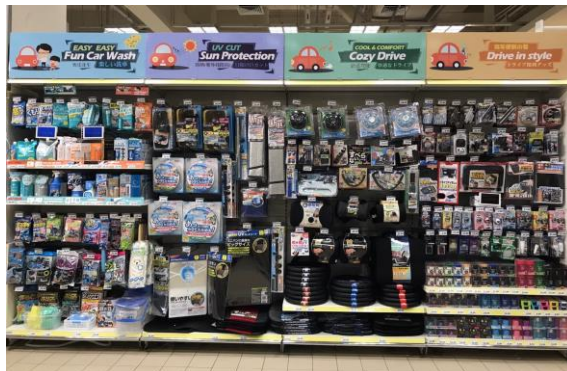
JACK & MARIE MARK IS fukuoka-momochi

Overseas Business

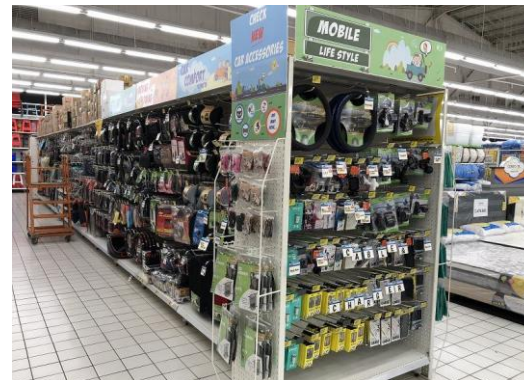
- Wholesale private brand products for overseas through local partners



- Introduction of goods through proposals for the sales floor to the local hypermarkets (Singapore, Indonesia and Malaysia)



Example of sales floor where goods are offered (Singapore)



Example of sales floor (Indonesia)

Giant

TRANSmart

Carrefour 

Overseas Business

Acquisition of the shares of AudioXtra Pty Limited of Australia

- Acquisition of AudioXtra (engaging in wholesale of radio equipment for vehicles and ships and manufacturing and sales of automotive electronics equipment) to make it a subsidiary
- To engage in the wholesale business in Australia through the said subsidiary in the future

Opening of the Company's store at the cross-border e-commerce site for the Chinese market, "JD Worldwide"

- Sales of Japanese brand goods, such as indoor goods for automobiles, deodorants for automobiles and goods for car washing

Car Dealer Business

- Increase the number of BMW dealer store

Ogikubo BMW (Operation started in August 2018)



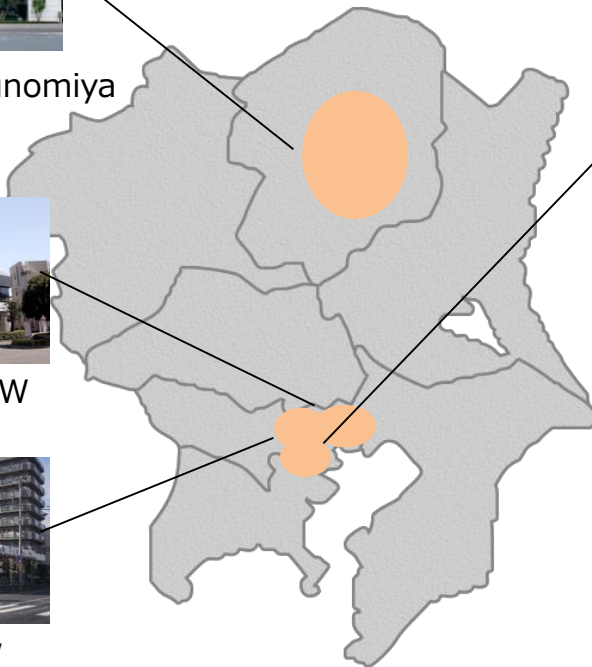
Tochigi BMW Utsunomiya
Head Store



Ikebukuro BMW



Nerima BMW



Ogikubo BMW

The number of BMW authorized dealers operated by AUTOBACS Group totaled 10

- Consolidation of the businesses of the two existing subsidiaries toward future business expansion

Cores International, Inc.
(Wholesale of car goods)

PALSTAR K.K.
(Wholesale of oil and car goods)



CAP Style Co., Ltd.
Establishment: July 2018

To start under the new organizational structure
from the second half of FY March 2019

Internet Business

1. Improvement of the existing e-commerce site
 - Consolidation of the external malls
 - => Consolidation into the Company's own site and Yahoo! shopping site
 - Improvement of the Company's own site
 - => Strengthening of the functions for goods searches and renovation of the pages for tires and wheels



Oil search screen



Tire/wheel search screen

2. Promotion of preparation for construction of the next-generation platform for BtoC/BtoB

Initiatives for earnings increase in the near future

- Sales/profit expansion with sales expansion of tires/statutory safety inspection service
- Promotion of store renovation (about 100 stores are to be renovated in the second half.)
- Focus on expansion of the wholesale in the overseas business

Initiatives for the subsequent fiscal years

- Profit improvement of the BtoB business
- Preparation for construction of the online platform for BtoC/BtoB

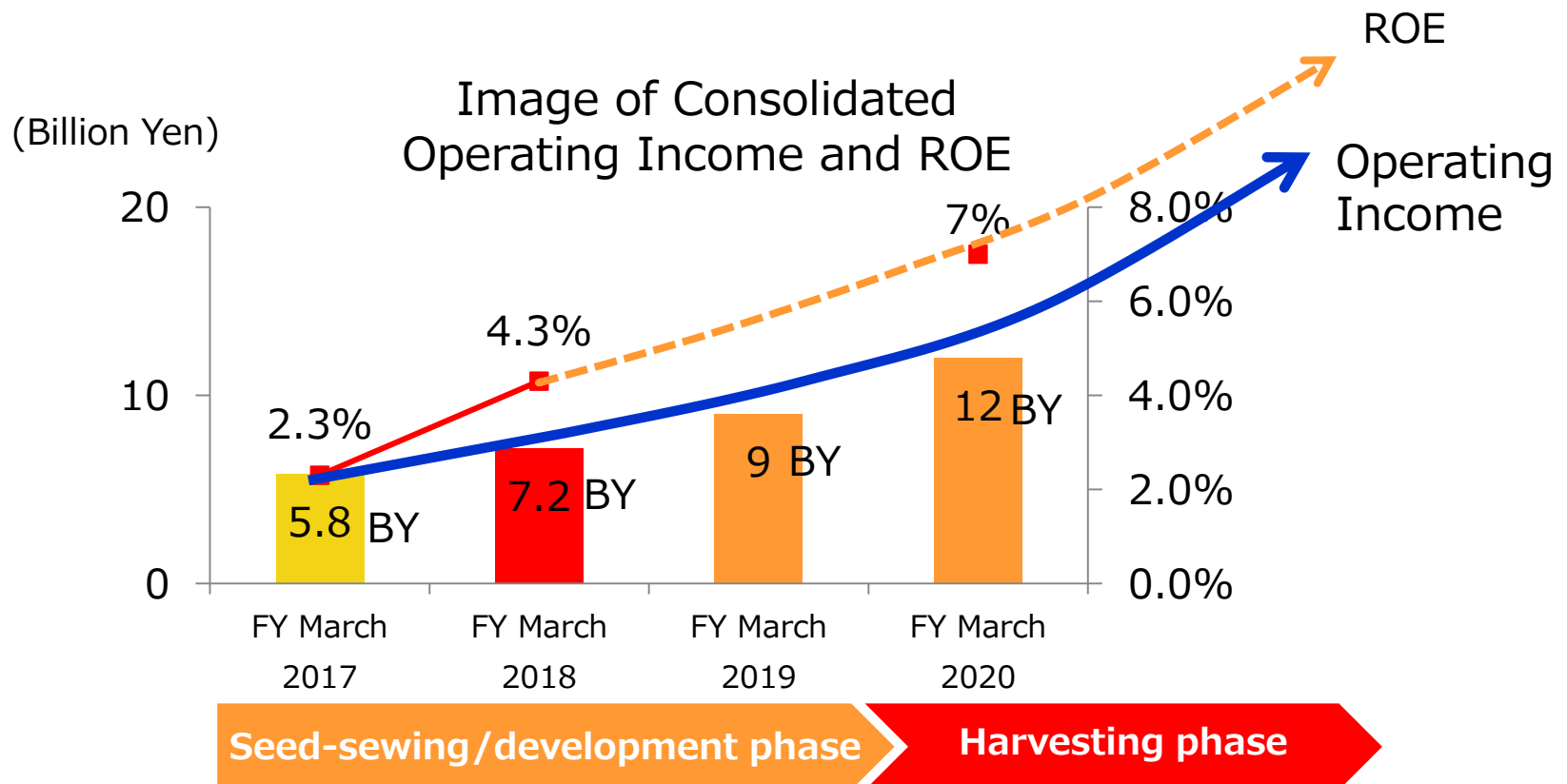


In addition to the existing business,
the expansion of sales channels other than the AUTOBACS chain
will be implemented for the future growth

Management Targets (FY March 2020)

Consolidated Operating Income 12 Billion Yen

Consolidated ROE 7%



AUTOBACS SEVEN VISION Create Future Together 2050

Professional and Friendly

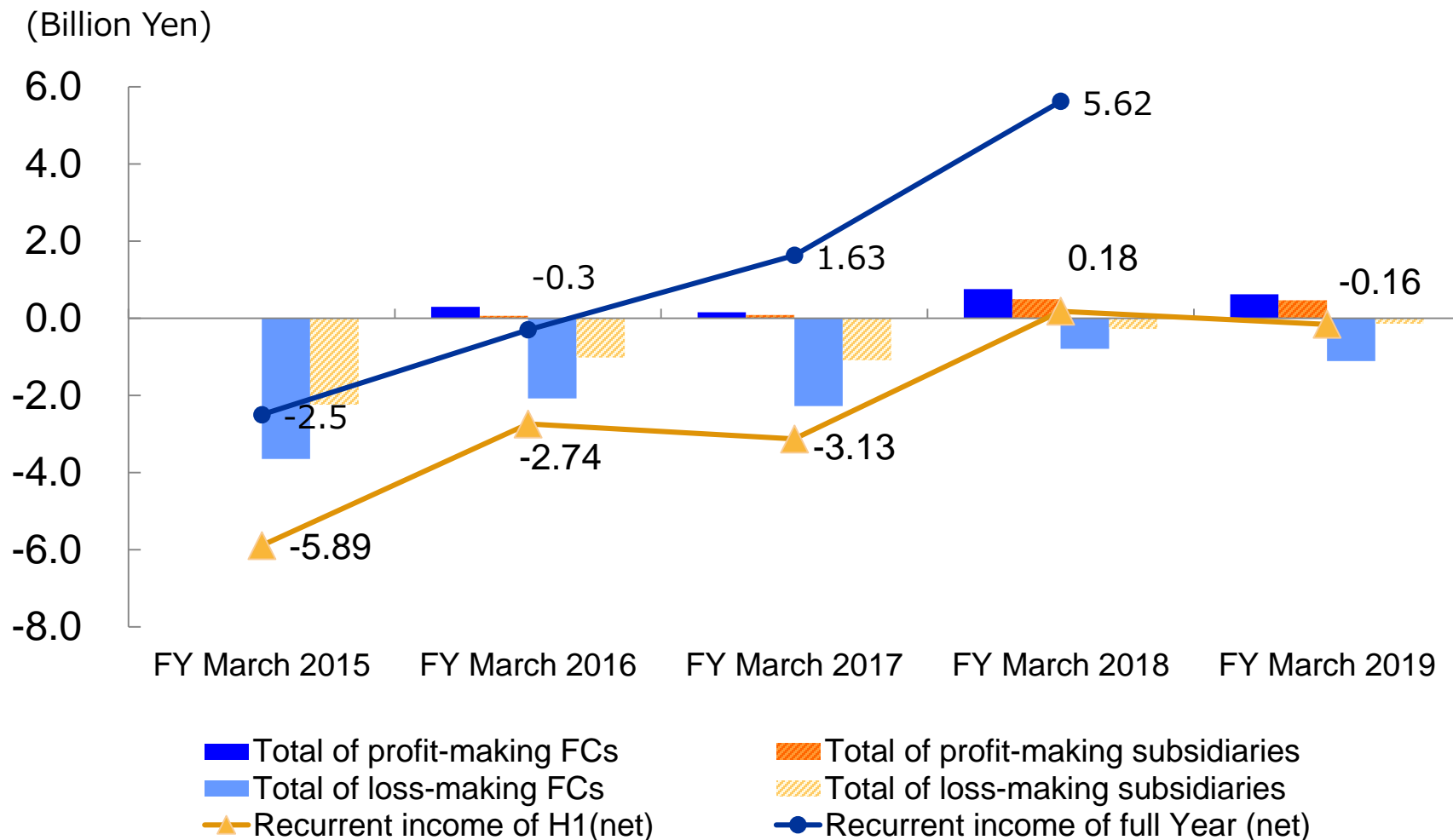


Appendix

Performance Results of Franchisees

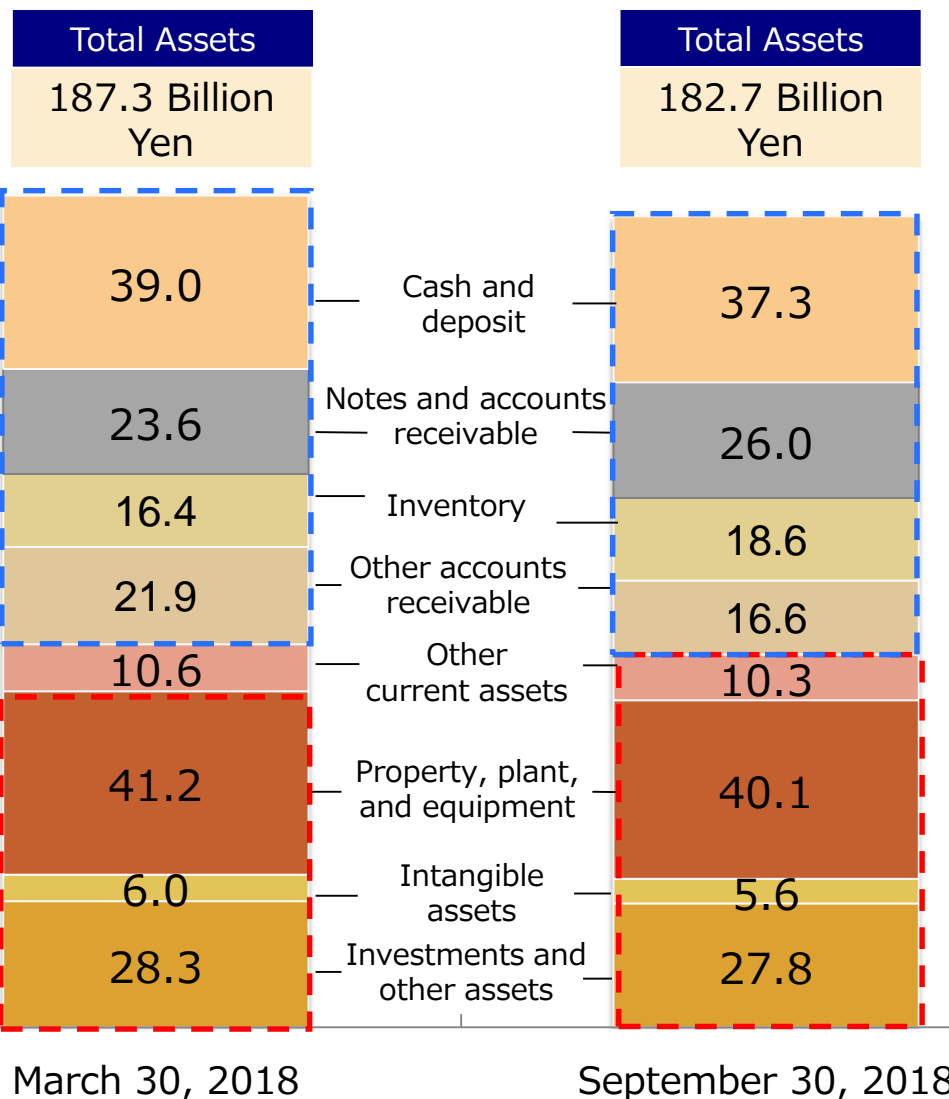


Ordinary Income of Franchise Companies (Preliminary)



1) Excluding three listed companies
 2) Including some FC's latest estimates

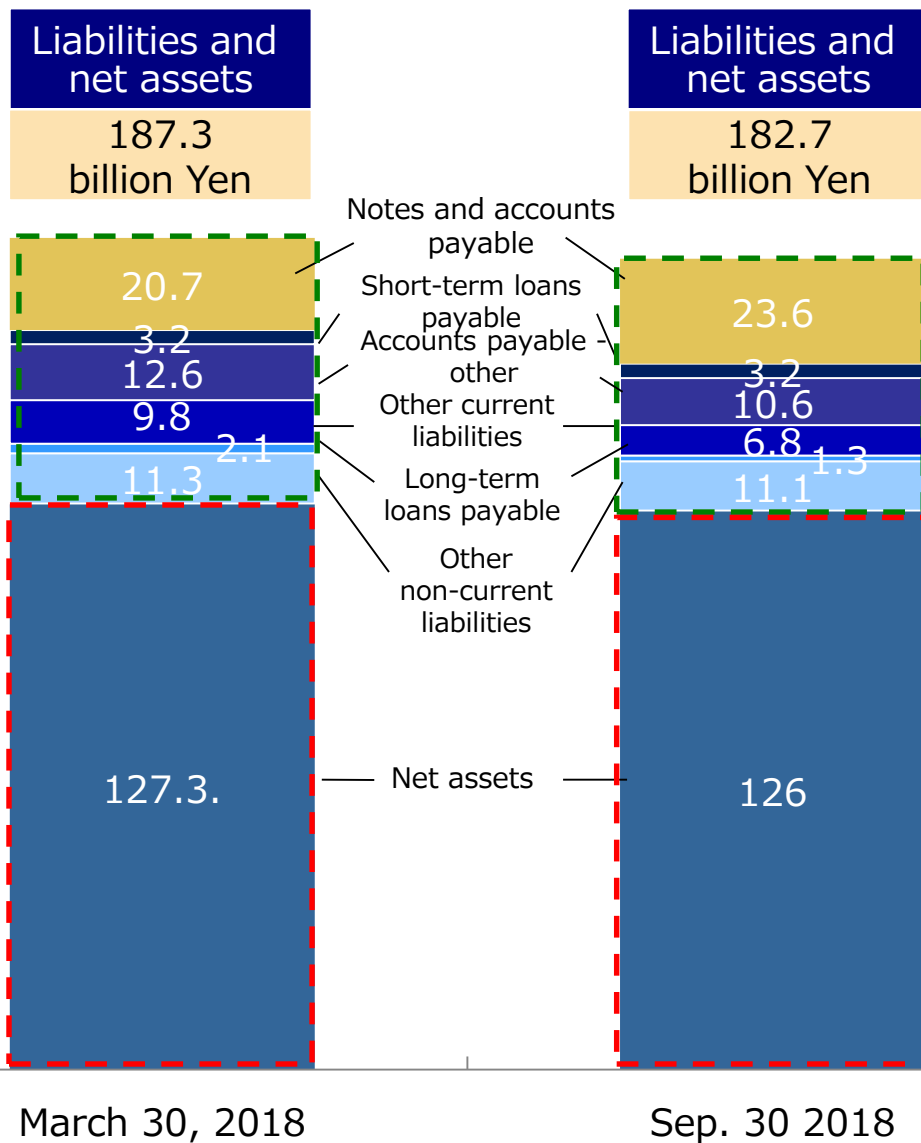
Balance Sheets / Assets



* Billion Yen

* Round down to the 10 million Yen

Balance Sheets / Liabilities and Net assets



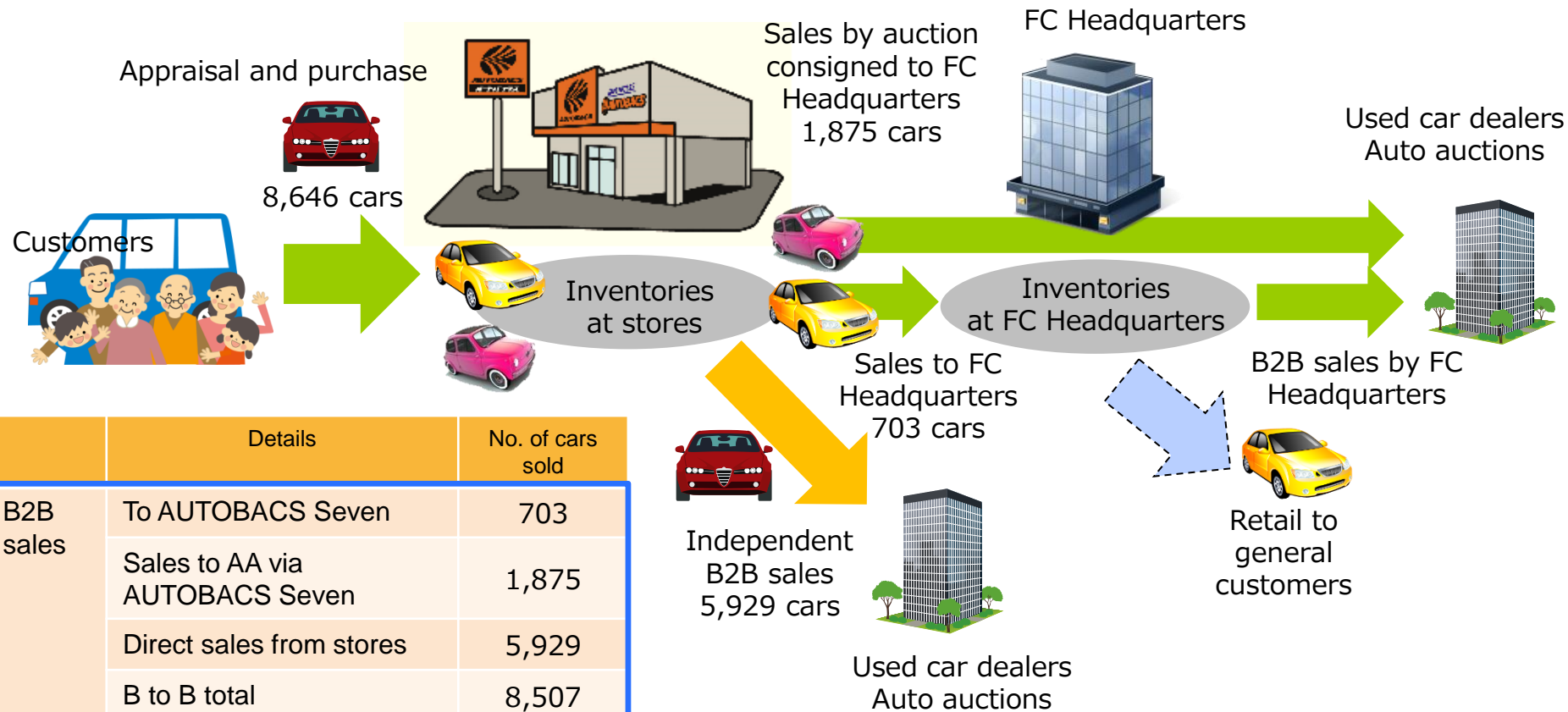
* Billion Yen

* Round down to the 10 million Yen

Automobile purchase and sales (1)

Commercial flow of car purchase and B2B sales

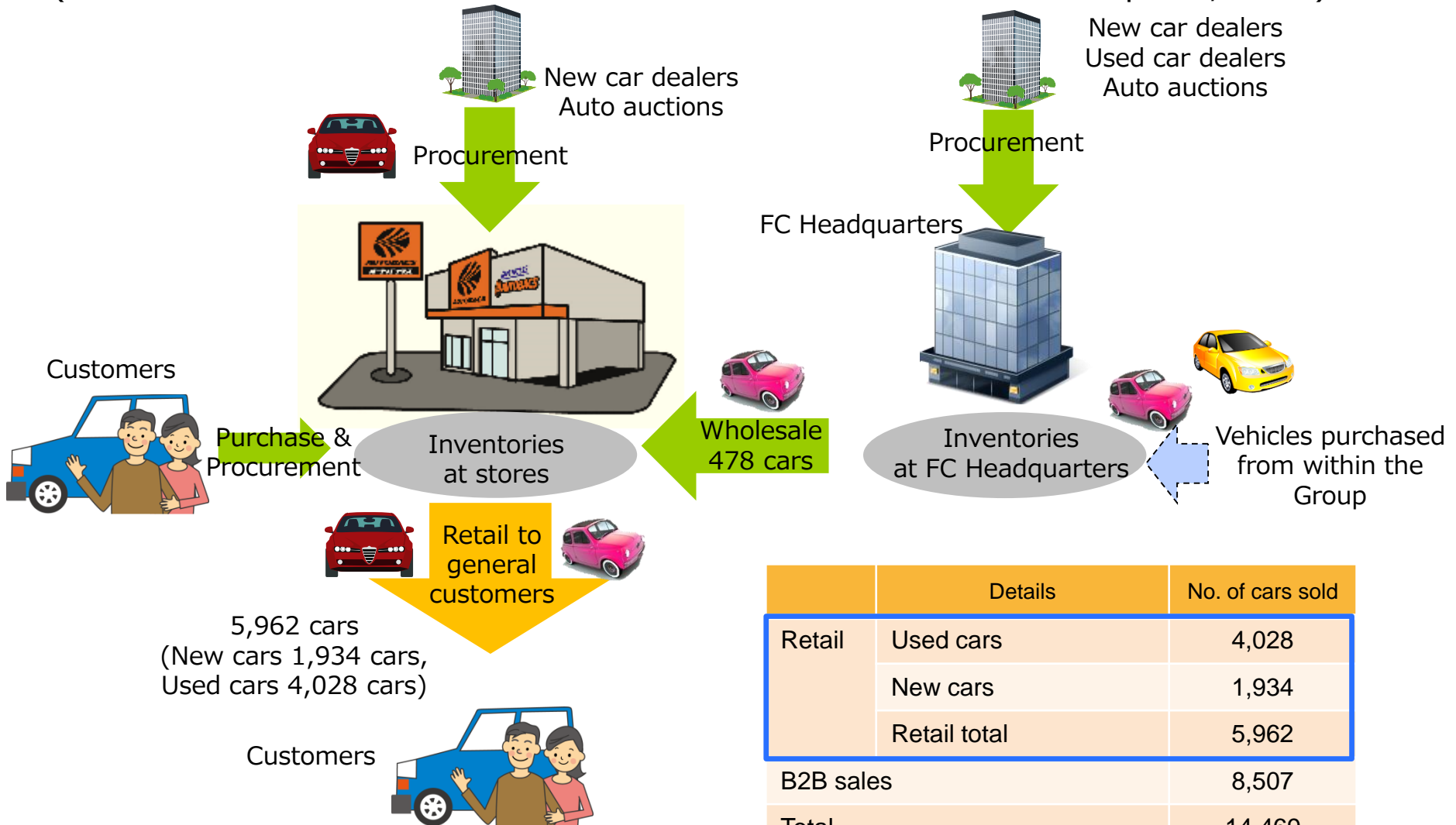
(No. of cars denotes cumulative units for the six months ended Sep. 30, 2018)



Automobile purchase and sales (2)

Commercial flow of retail sales

(No. of cars denotes cumulative units for the six months ended Sep. 30, 2018)



Store Openings and Closings (Plan)



Domestic stores

	No. of stores as of March 31, 2018	Fiscal year ending March 31, 2019							No. of stores as of March 31, 2019 (Plan)
		H1 (results)			No. of stores as of Sep. 30, 2018	H2 (Plan)			
		New	S/B•R/L	Close		New	S/B•R/L	Close	
AUTOBACS	497	+1		−4	494	+1	+3/-3		495
Super AUTOBACS	74				74		+2/-2		74
AUTOBACS <i>Secohan Ichiba</i>	8				8				8
AUTOBACS EXPRESS	11				11				11
AUTOBACS CARS	13			−3	10			-1	9
Total	603	+1	0	−7	597	+1	+5/-5	-1	597

Overseas stores

S/B=Scrap & Build, R/L=Relocation

Country / Region	No. of stores as of March 31, 2018	FY March 2019 (Results & Forecasts)			No. of stores as of March 31, 2019 (Plan)
		H1 (results)	No. of stores as of Sep. 30, 2018	H2 (Plan)	
France	11		11		11
Thailand	9	+4	13	+13	26
Singapore	3		3	-1	2
Taiwan	6	+2	8		8
Malaysia	5	-1	4		4
Indonesia	4	-1	3	+1/-1	3
Philippines	4		3		3
Total	41	+4	45	+8	57



Forward-Looking Statements

These materials include forecasts regarding the Company's future plans, strategies, and performance. This information is based on judgments and estimates made in accordance with information currently available. Actual results may differ materially from forecasts due to such factors as changes in operating circumstances.