

Analyst Meeting FY March 2017

2017 Medium-term Business Plan

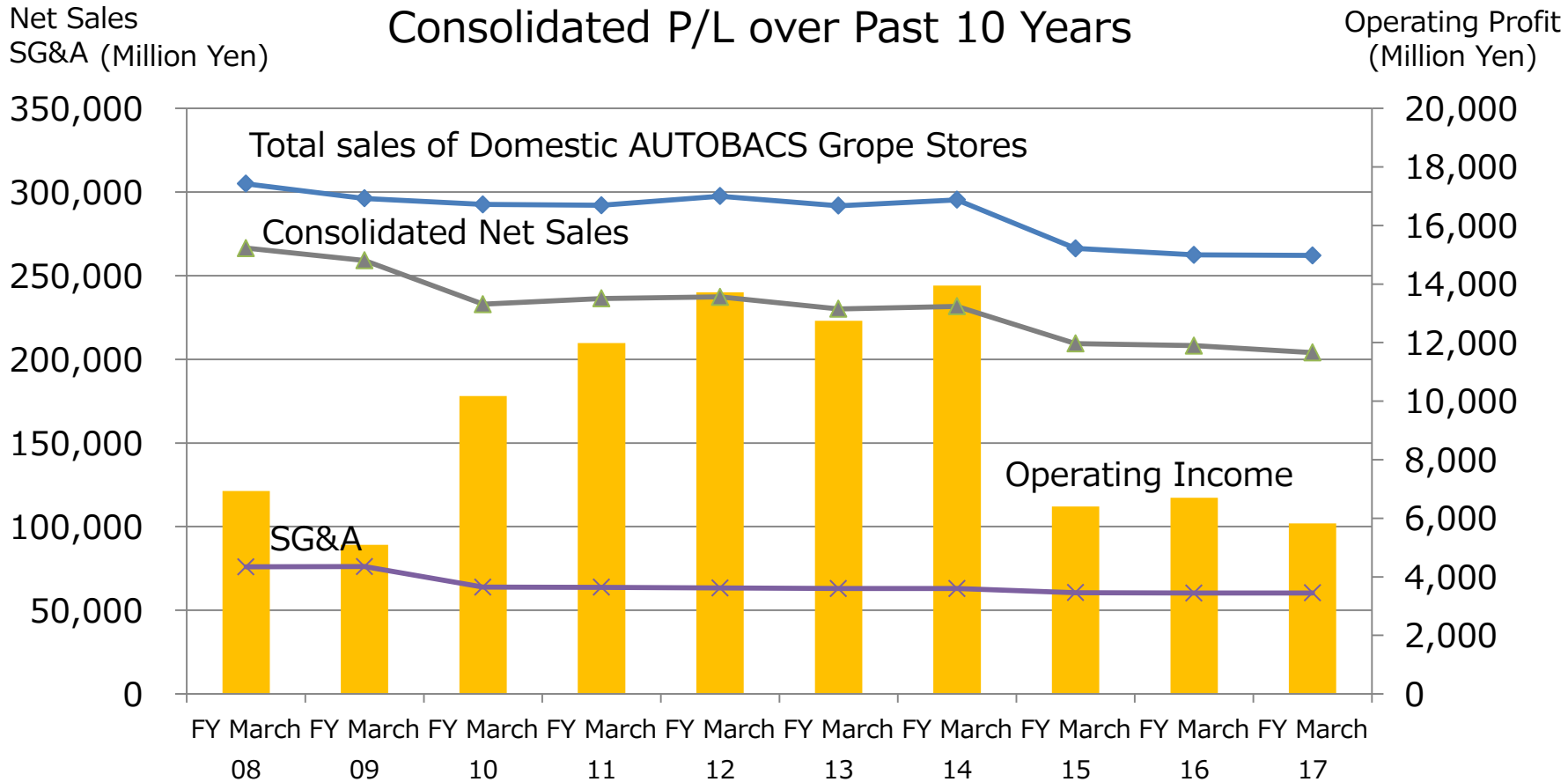
(From FY March 2018 to March 2020)



AUTOBACS SEVEN CO., LTD

CEO President
Kiomi Kobayashi

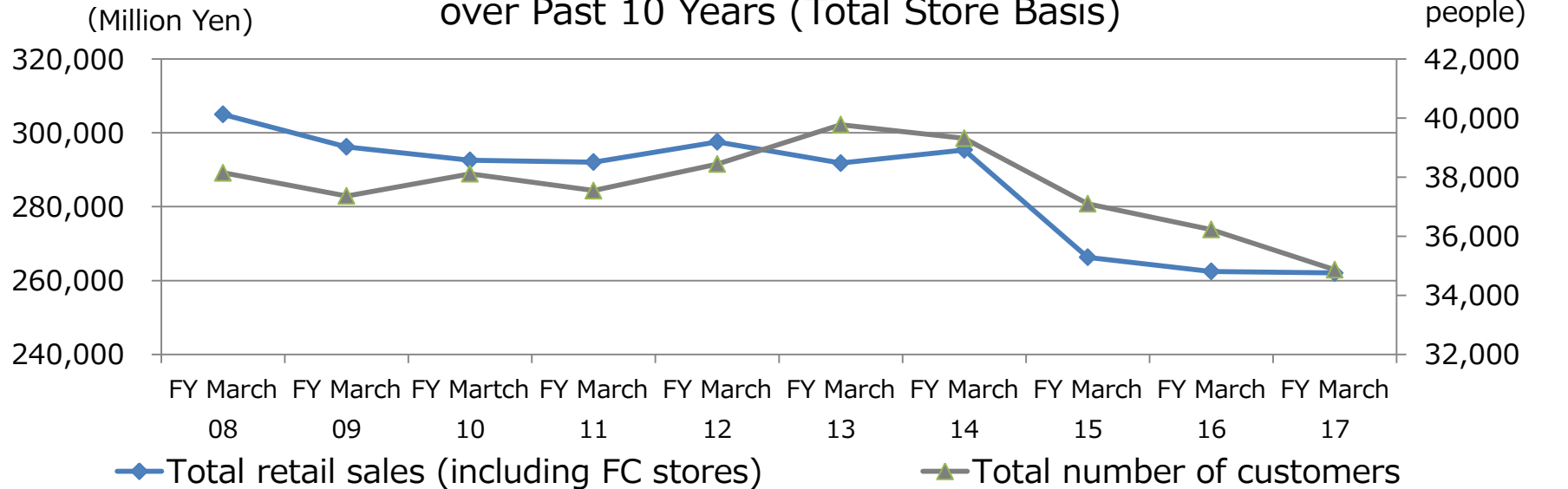
Recognition of Current Status (1)



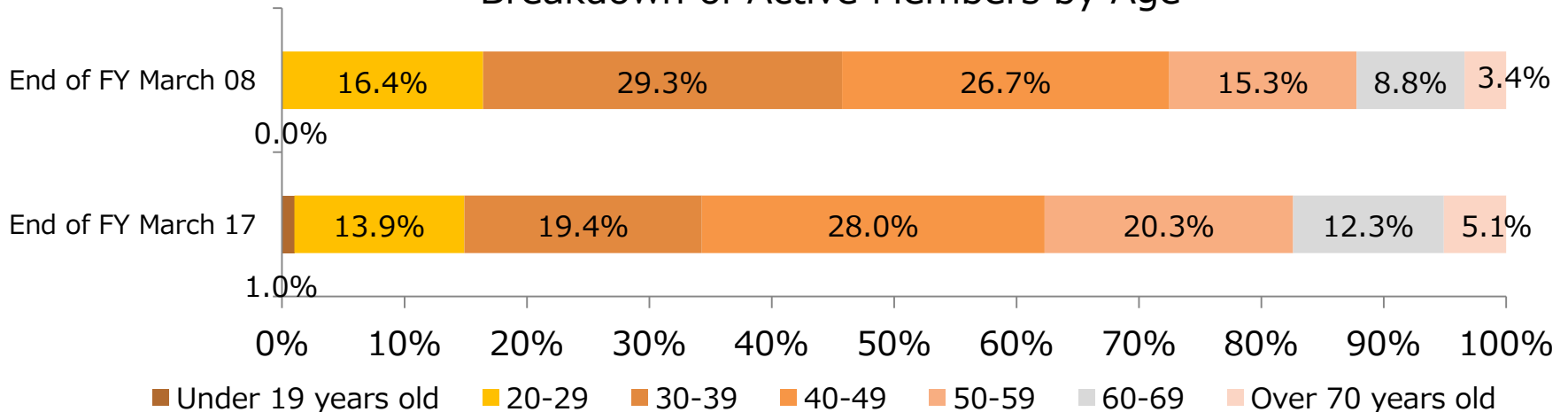
Change in SG&A is small compared to decline in sales of AUTOBACS business

Recognition of Current Status (2)

Net Sales and Number of Customers of Retail Sales Business over Past 10 Years (Total Store Basis)




Breakdown of Active Members by Age



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)

Group Vision

1. Turnaround of AUTOBACS business

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

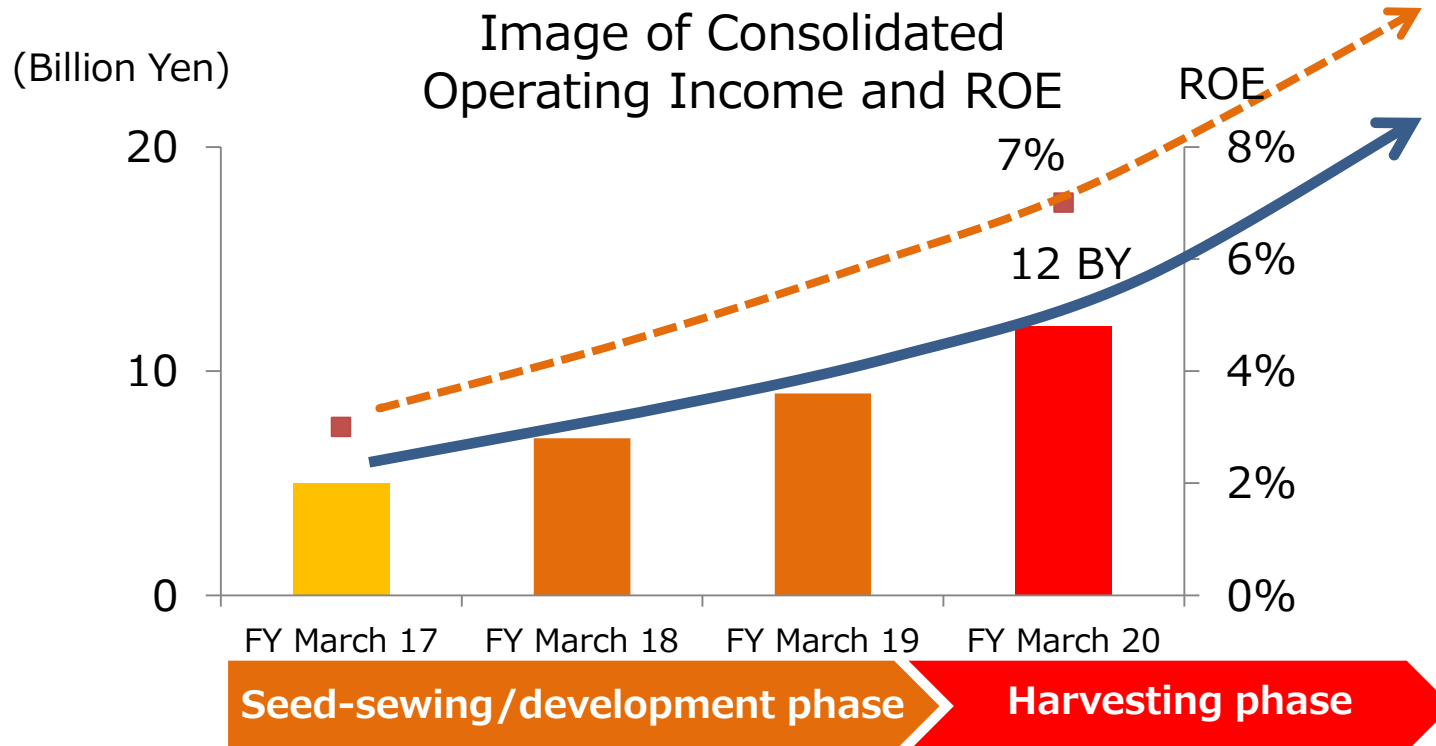
2. Development of future growth drivers

- 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

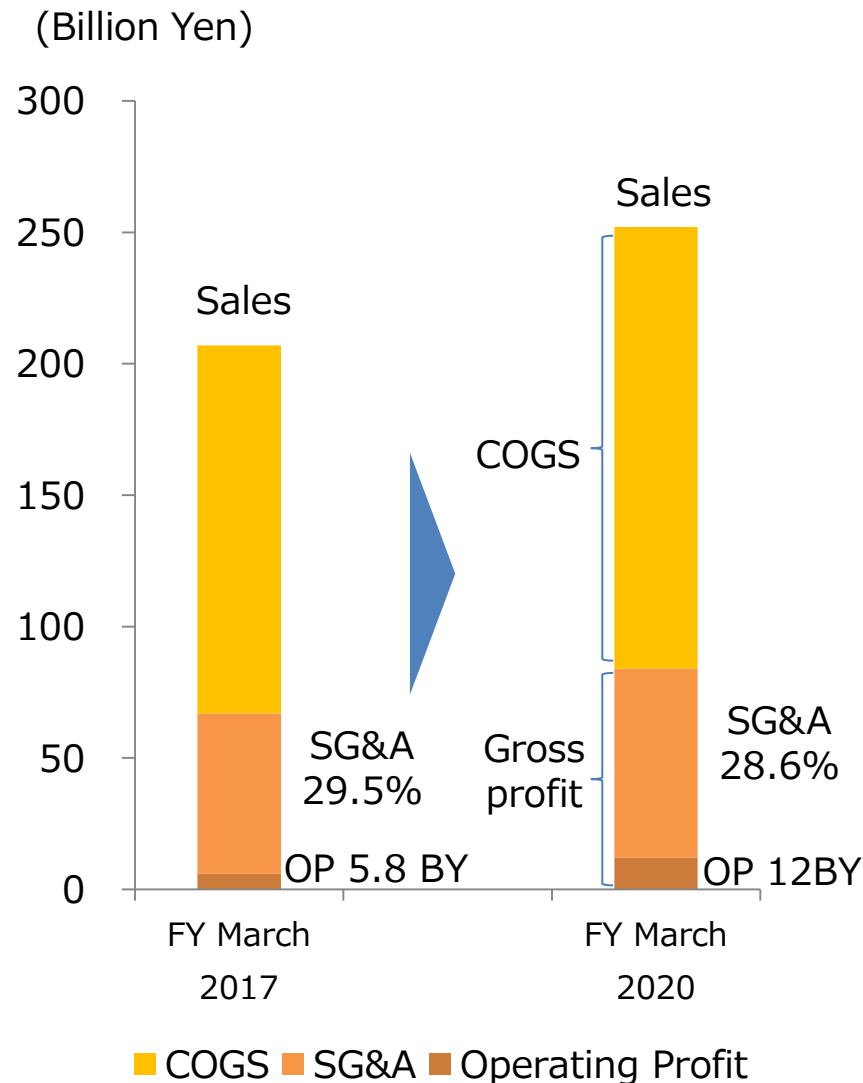
Management Targets (FY March 2020)

Consolidated Operating Income 12 Billion Yen

Consolidated ROE 7%



Vision Expressed in Terms of P/L...



Growth in net sales

- Growth in sales of new products and services, and existing products due to increase in number of customers
- New business, overseas business (car purchases, BtoB)

Increase in gross profit

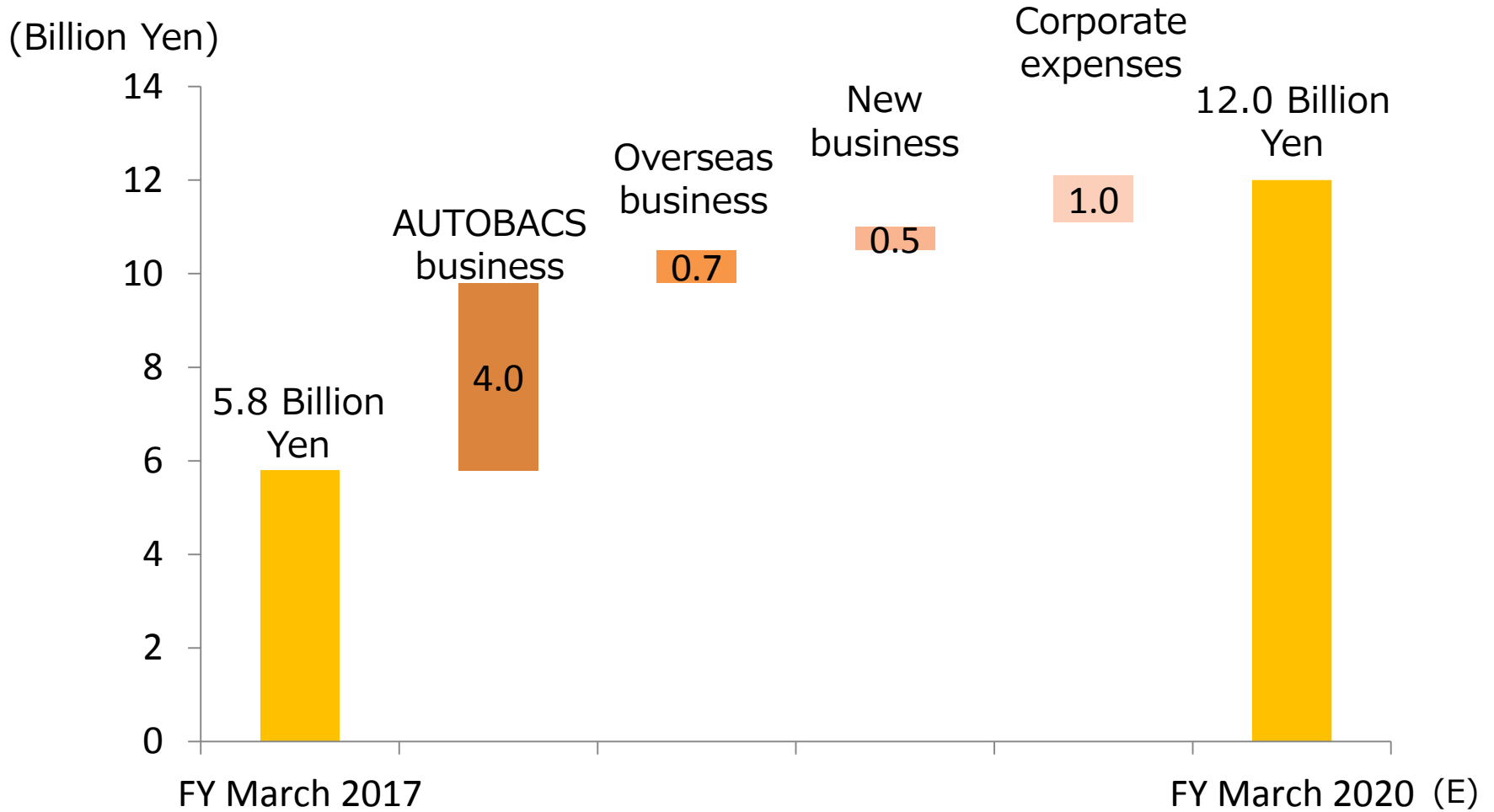
- Reduction of cost ratio
- Higher service ratio due to strengthening of statutory safety I inspections
- Increase in car purchases (pushes down gross profit margin)

Lower SG&A ratio

- Reduction of IT and other costs
- Shift of personnel to product and business format development
- Shift of personnel to car purchases and BtoB
- Improvement in efficiency of sales promotions

Breakdown of Improvement of OP by Business

Operating Income



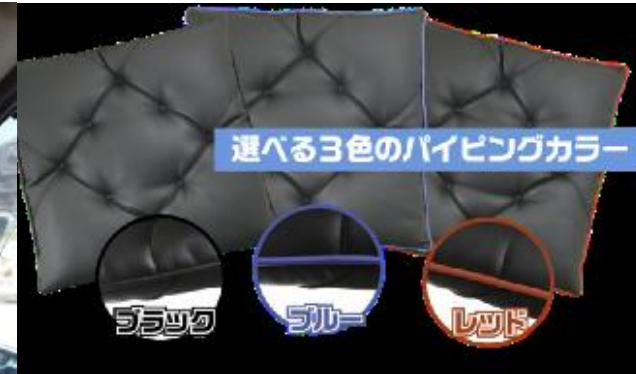
To Increase the Appeal of Stores

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



Existing Accessories and Leisure-related Products (Emphasis on Function)



Increase lifestyle proposal-type products in new and existing categories

Car washing



GO OUT



Interior & Fragrance



Create a worldview and ambiance that propose a certain lifestyle



Staff who are professional and friendly in their dealings with customers

Professional, reliable and reassuring



Friendly and approachable



Specific Measures

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”

TV commercials stressing “professional & friendly”



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

Examples of New Products and Sales Spaces



Pedal Watcher



360° car video recording system



Camping car



Products of UPQ



Bluetooth speaker



Reverse folding umbrella



Sales space promoting having fun washing the car



“Health & Beauty” sales space

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

Examples of New Business Formats

Lifestyle
proposal-type

Stores handling specialist products and providing
services by appointments (low-cost stores)



Specialist lifestyle
experiment store
(still at planning stage)



Reflection of same
concept in sales space,
interior/exterior of
certain existing stores



Smart +1
(Car washing service and car
parts, located in large cities,
services provided by appointment)



AUTOBACS store offering services
by appointment
(located outside large cities, services
provided by appointment)



Statutory safety inspection
depot
(contact place for existing
stores)



Gasoline stand with
AUTOBACS store

Motoring Lifestyle Brand: "JACK&MARIE"



IN

ZOZOTOWN

2017年6月1日OPEN

Products: Aiming for approx. 1,000 items



Tote bag



Folding
container



Fragrance
tag



T shirt



Sun shade

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)

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

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
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Store inside gasoline stand in Singapore

Singapore	Expansion of stores inside gasoline stands
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Thailand	Expansion of flagship store + small stores
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Malaysia	Opening of mid-sized stores in commercial facilities
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Indonesia	Stores for wealthy customers (with/without pit)
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Store inside shopping mall in Indonesia

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

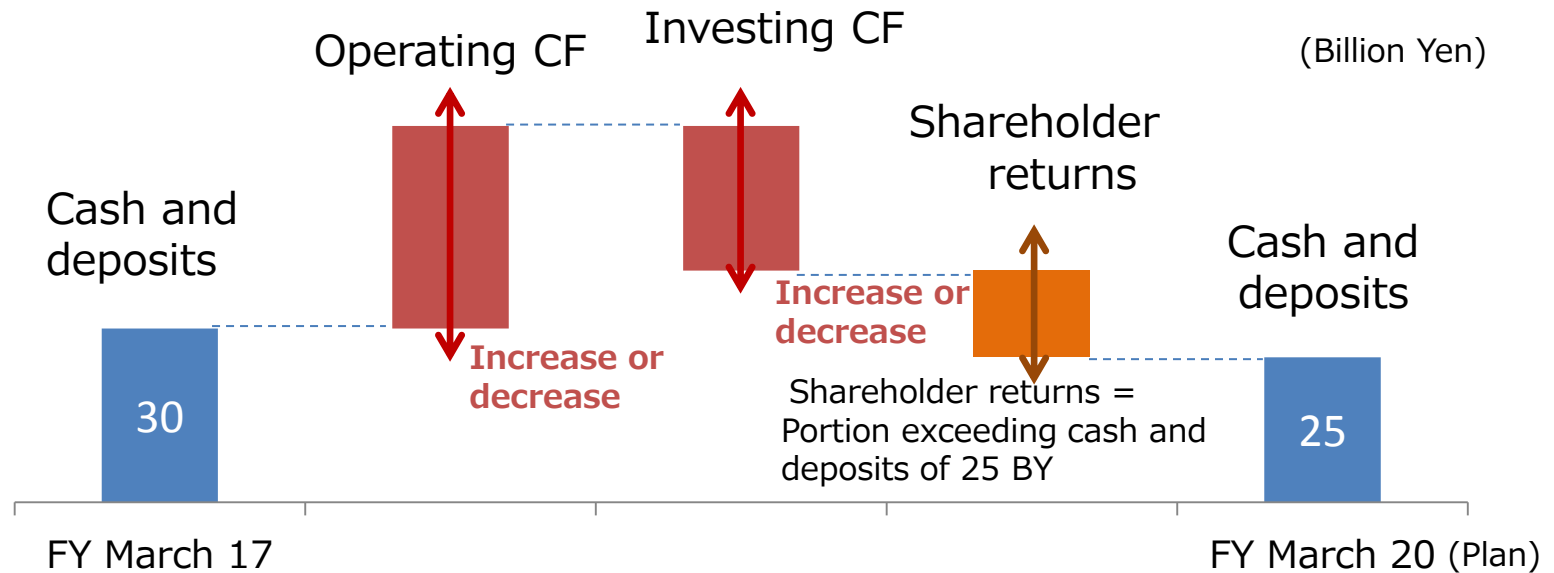
New Business

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

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

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

