

Analyst Meeting

Results of the Six Months
ended September 30, 2017



November 1, 2017

AUTOBACS SEVEN CO., LTD.

Results of the Six Months
ended September 30, 2017
and
Forecasts for Second Half of FY March 2018

Director, Senior Managing Executive Officer,
Head of Corporate Administration

Isao Hirata

First Half of FY March 2018 Consolidated P/L



(Billion Yen)

	Six months ended September 30, 2017				Six months ended September 30, 2016
	Initial Forecast	Actual results	YoY change ratio	Change from forecast	
Net sales	95.4	98.1	+3.5%	+2.7	94.8
Gross margin	31.3	31.6	+3.4%	+0.3	30.6
Gross margin ratio	32.8%	32.3%	±0pt	−0.5pt	32.3%
SG&A	30.3	29.8	+0.6%	−0.4	29.6
Operating income	1.0	1.8	+88.2%	+0.8	0.9
Operating income ratio	1.0%	1.9%	0.9Pt	0.9Pt	1.0%
Non-operating income/ expenses	0.5	0.5	+2.8%	+0.1	0.5
Ordinary income	1.5	2.4	+56.8%	+0.9	1.5
Extraordinary gains	-	0.1	-	-	-
Extraordinary losses	-	0.1	-	-	-
Net income	0.8	1.3	+84.6%	+0.5	0.7

Amounts are rounded down to the nearest hundred million yen.

Major Index of First Half of FY March 2018



Consolidated Sales YoY **+3.5%**
(vs. initial forecast +2.8%)

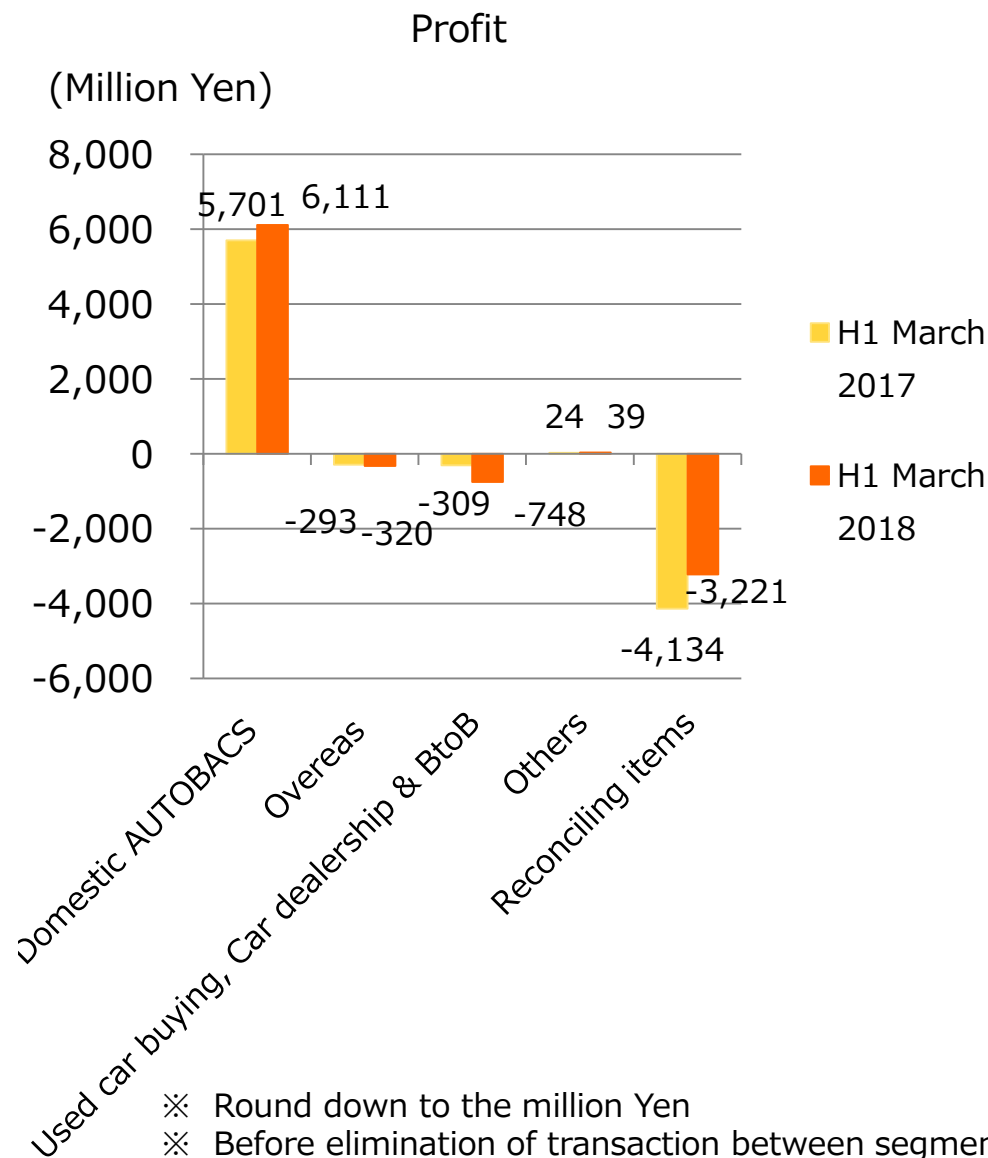
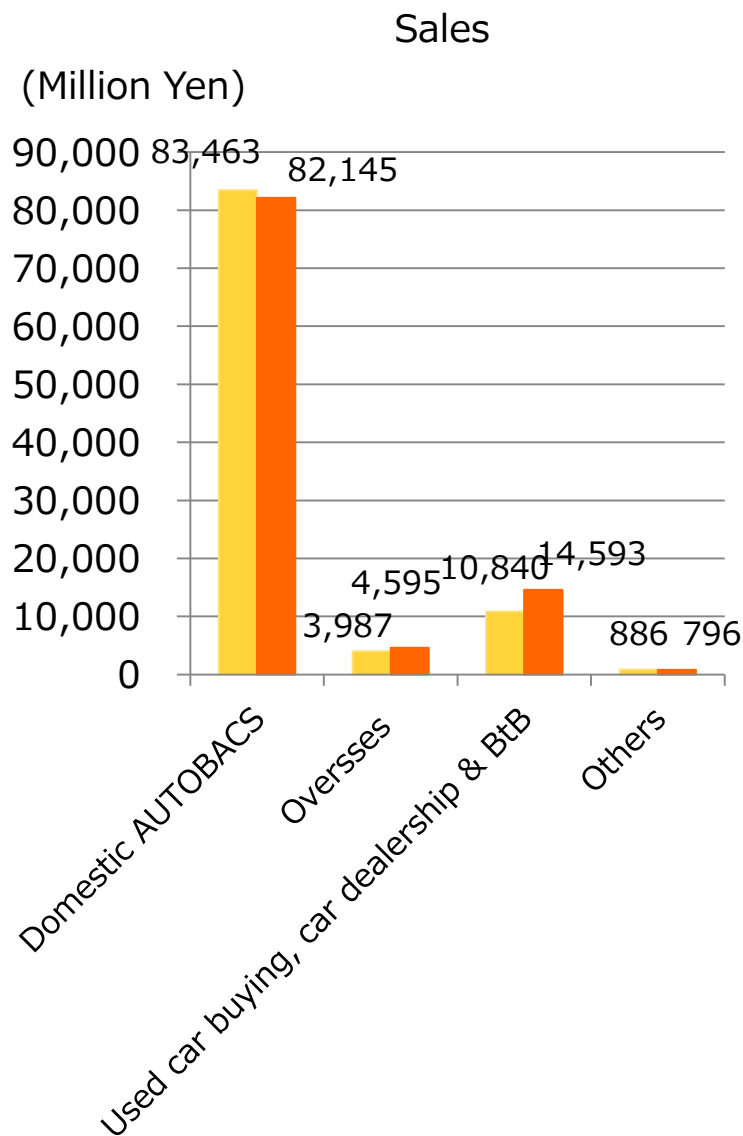
Gross Margin H1 FY 2018 H1 FY 2017
32.3% ← 32.3%
(vs. initial forecast -0.5 point)

SG&A YoY **160 Million Yen Increased**
(vs. initial forecast 460 Million Yen)

Operating Income Result Estimate
1.86 Billion Yen ← 1.0 Billion Yen

- Increase in demand for automotive goods and services due to an increase in the number of new cars registered and rush demand for tires in which the price increased
- Brisk sales of stores due to measures for the reduction of the wholesale price applicable to franchise corporations
- Domestic store subsidiaries moved into the black following their sustained efforts.
- Selling, general and administrative expenses increased within the plan due to the active implementation of promotional campaigns.
- Issues with Cars, Dealers and BtoB Business remain.

Sales and profits of Reporting Segments

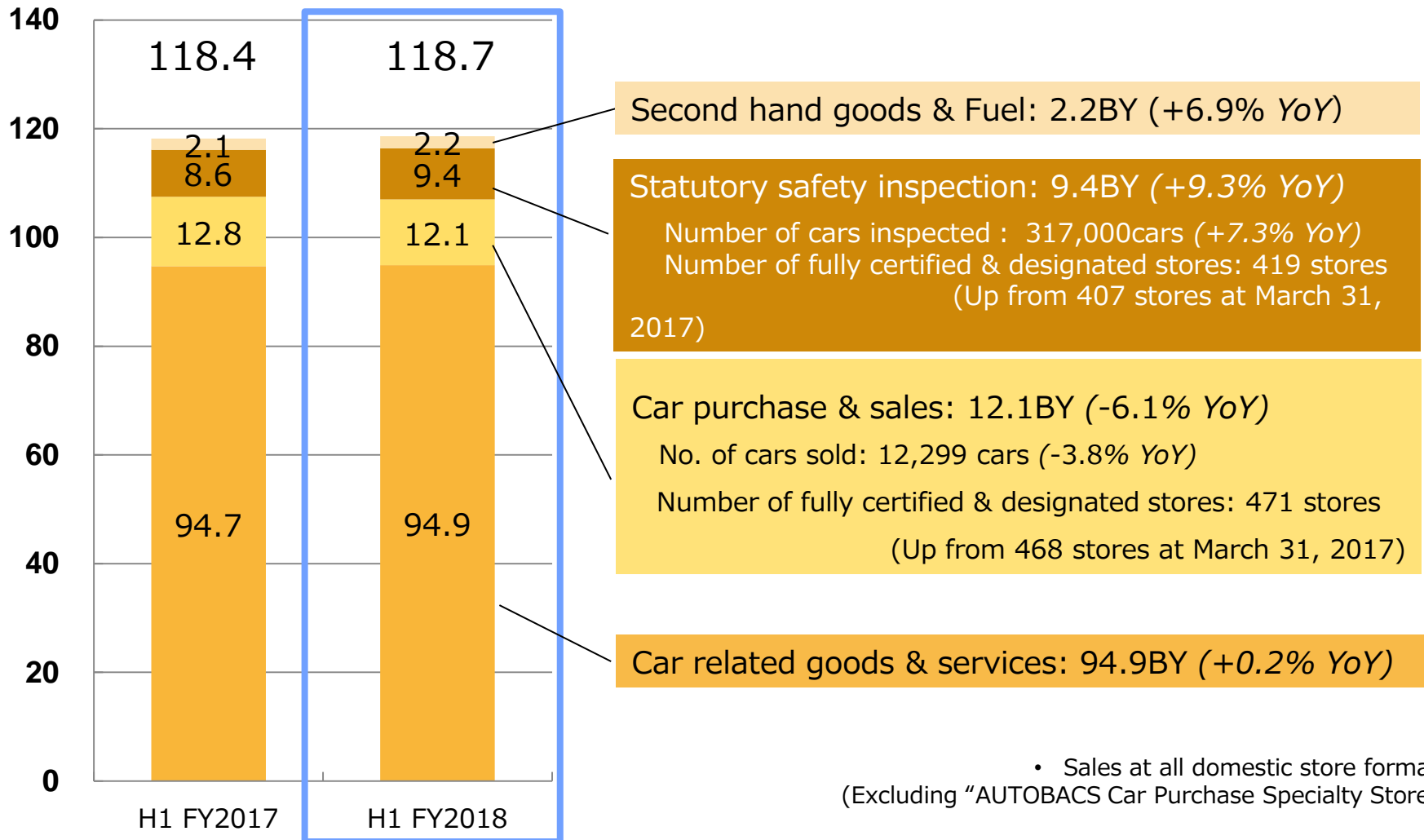


Retail Sales in Total AUTOBACS Group Stores



Retail Sales Including FCs: 118.7 billion yen (+0.3% YoY)

(Billion Yen)



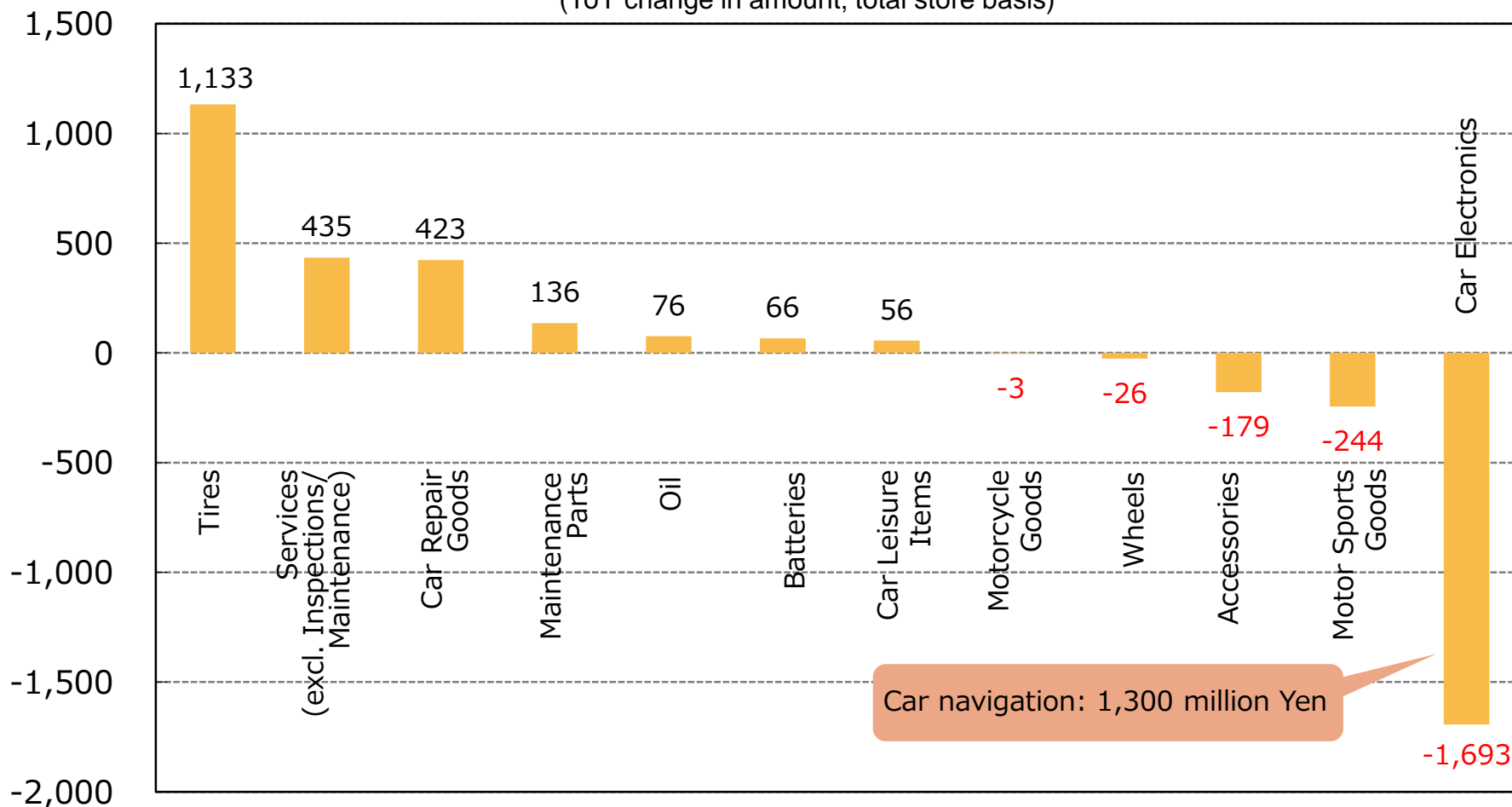
Sales Variance by Merchandise (H1 FY2018)

【Same store basis】 Sales: +1.2% YoY, Number of customers: -1.4% 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



(Million Yen)

	Non-consolidated			Domestic Store Subsidiaries		
	Results	YoY	Vs. Plans	Results	YoY	Vs. Plans
Net Sales	72,219	+1,351	+1,319	26,816	-4,447	-383
Gross Margin(%)	15,200 (21.0%)	+829 (+0.7pt)	+400	11,514	-671	+314
SG&A	13,396	+704	-403	11,435	-1,880	-214
Operating Income	1,803	+125	+803	79	+1,209	+529
	<ul style="list-style-type: none"> - Despite the measures for reducing the wholesale gross margin were implemented, the total gross margin improved due to good wholesale results of tires. - E-commerce and automobile purchase contributed to the improvement of the gross margin. - Selling, general and administrative expenses increased, mainly due to the strengthening of advertisements for automobile purchases and statutory safety inspections. 			<ul style="list-style-type: none"> - Although sales decreased upon the transfer of Autobacs Hokkaido and Yamagata to franchise corporations, profit improvement exceeded it, resulting in the black. (Total sales of 4.2 billion yen and operating income of -290 million yen for the two companies for the first half of the last year) - Increase in gross margin due to efforts to increase the gross margin and good sales of tires - More efficient use of expenses. 		

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, 2017 -including FC stores-	11		7		3		0		4	
Period	H1 FY2018	H1 FY2017	H1 FY2018	H1 FY2017	H1 FY2018	H1 FY2017	H1 FY2018	H1 FY2017	H1 FY2018	H1 FY2017
Net sales (Million Yen)	350	311	17	11	69	60	18	12	1	1
SG&A (Million Yen)	183	164	11	8	30	21	8	5	3	3
Operating income (Million Yen)	0	-2	-6	-5	4	07	-1	-0	-2	-2
Business conditions	In addition to the trend of economic recovery, sales of tires and services with safety inspections grew, resulting in the black.		Sales increased due to store openings from the previous fiscal year. The model business of small-scale stores progressed and losses are declining. In an alliance with the gas station chain PTG, preparations for store openings at gas stations were made.		Expenses increased, mainly due to new store openings and staff increases, and operating income decreased. The service business for vehicles used for car sharing and wholesale to DIY stores were strengthened.		The results of exports to Autobacs stores were good. Wholesale in China struggled.		Losses are decreasing, mainly due to good sales of new stores and closures of unprofitable stores.	

Note: Figures in parentheses are negative.

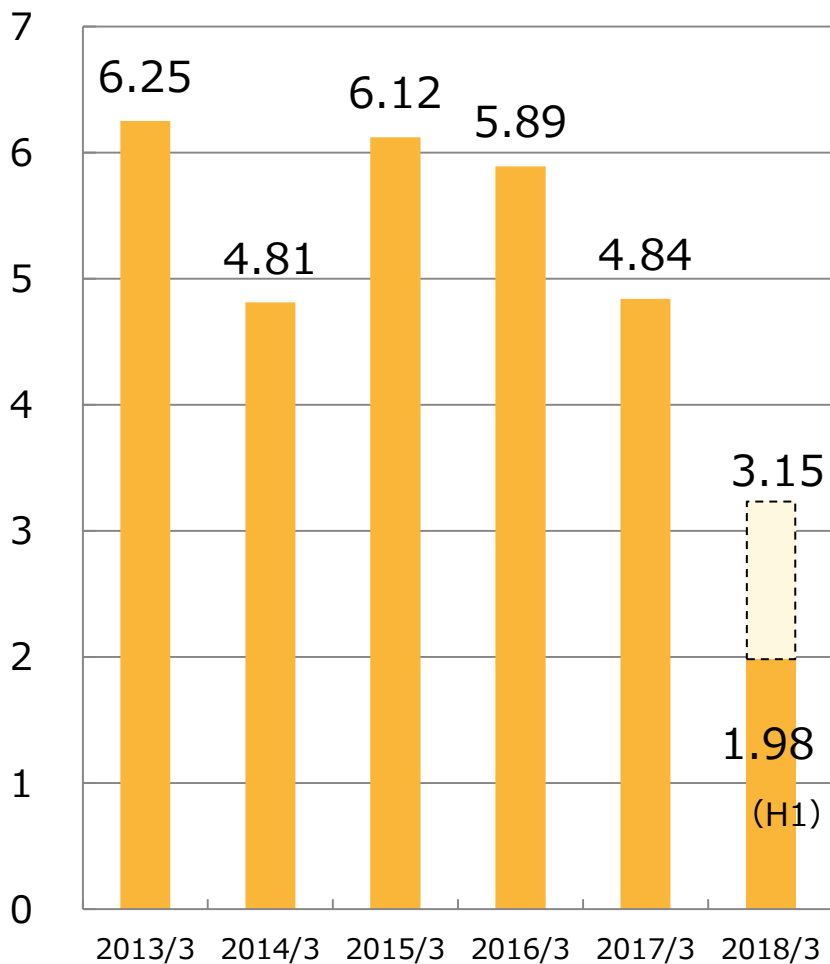
Amounts are rounded down to the million Yen.

CAPEX and Depreciation



CAPEX

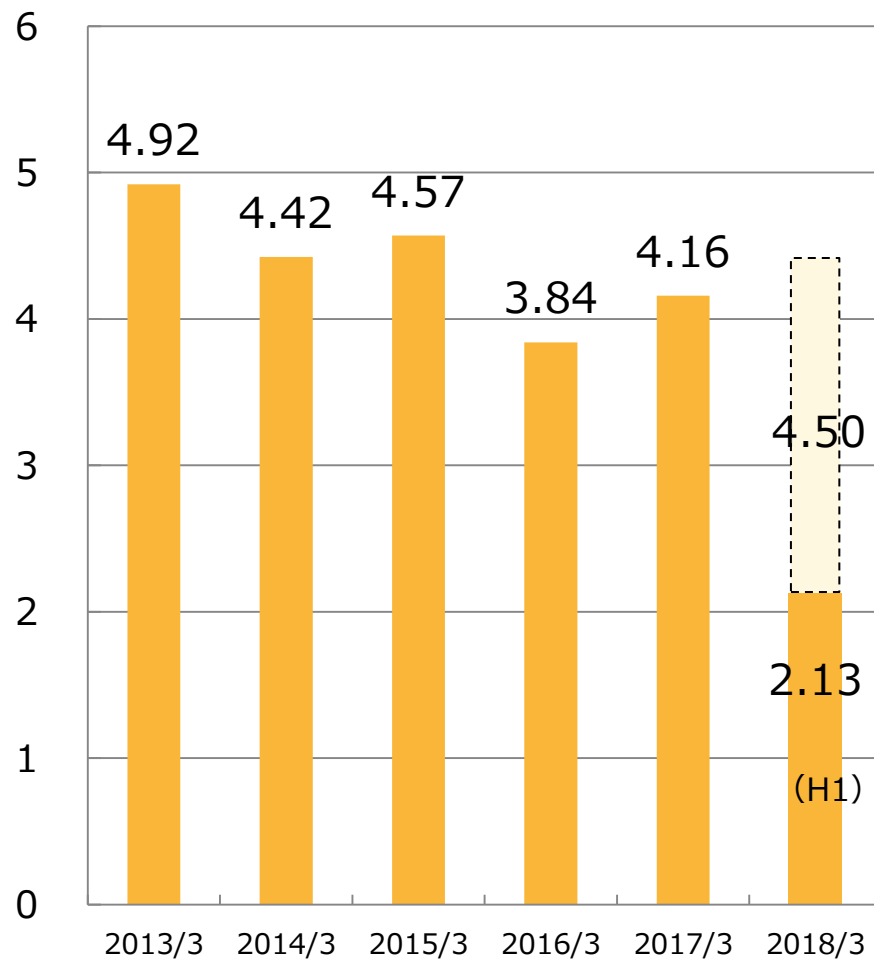
(Billion Yen)



(E)

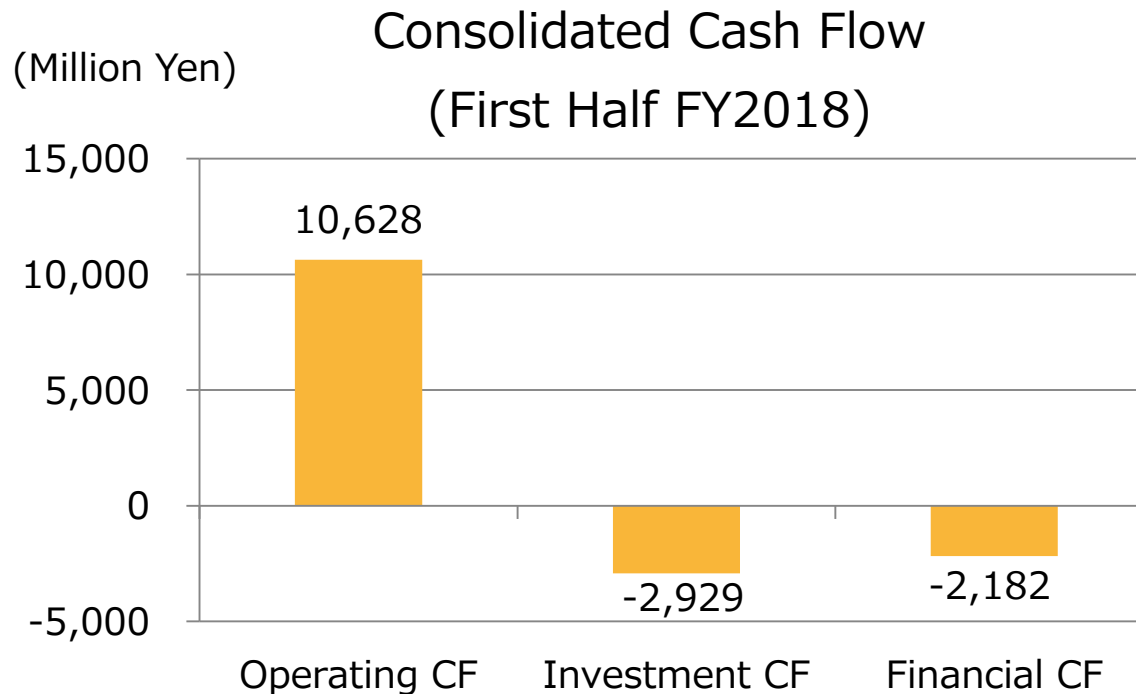
Depreciation

(Billion Yen)



(E)

Cash Flow



Cash and cash equivalents:
36.9Billion Yen
(Sep. 30, 2017)
34.0Billion Yen
(Sep. 30, 2016)

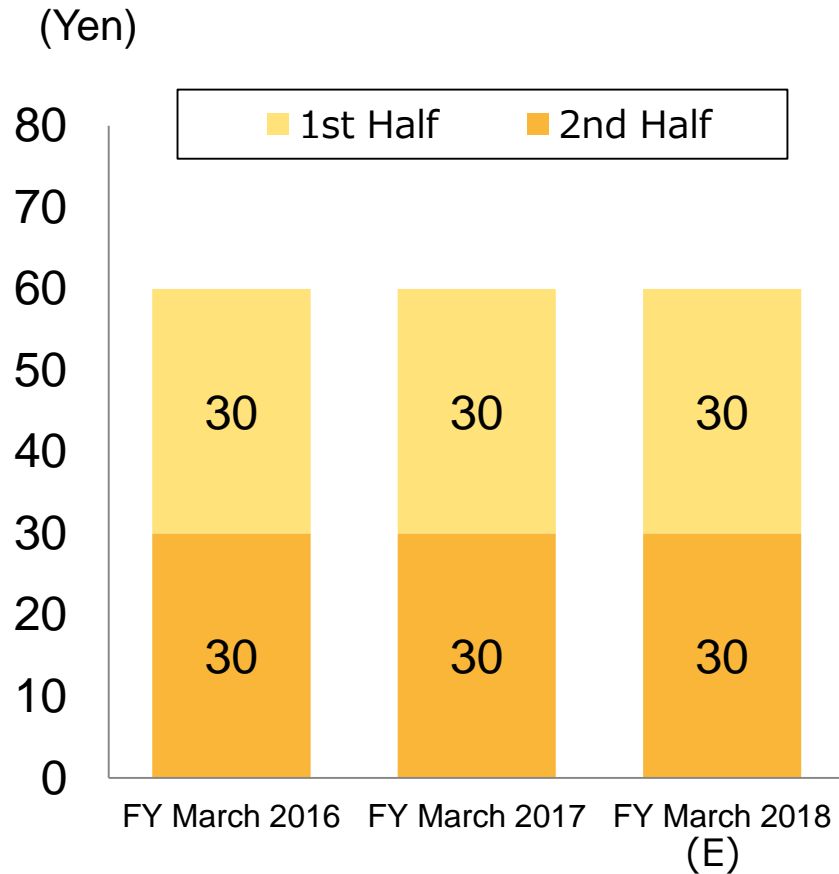
Breakdown of investment items (including items other than CAPEX)

- Facilities of new business formats
- Investments for existing AUTOBACS chain (logistics, IT, etc.)
- Investments and alliance with other companies
- Facilities of headquarters

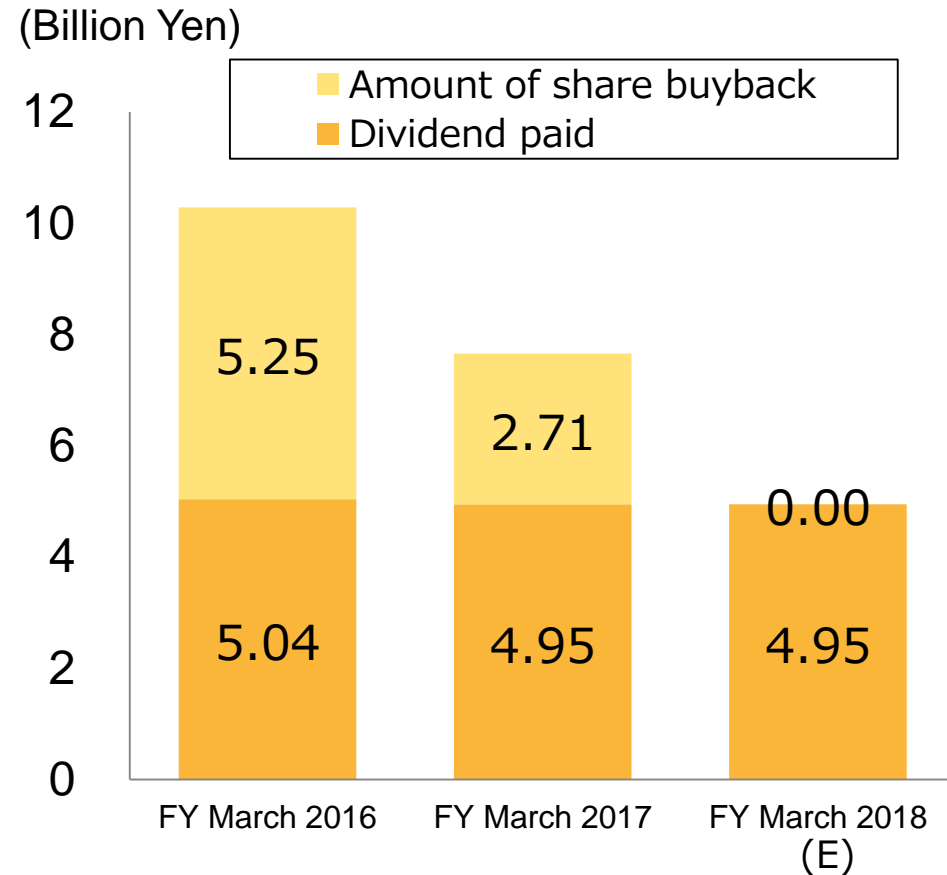
Shareholders Return



Dividends per share



Dividends and share buyback



Estimates of FY March 2018

Full year forecasts of FY 2018 are unchanged, however operating income of first half was higher than initial

(Billion Yen)

	H1	H2		Full Year	
	Results	Forecasts	YoY	Forecasts	YoY
Consolidated Sales	98.1	106.8	− 2.1%	205.0	+0.5%
COGS	31.6	35.0	− 1.4%	66.7	+0.8%
%	32.3%	32.7%	+0.2pt	32.5%	+0.1pt
SG&A	29.8	29.8	+2.6%	59.7	− 1.0%
Operating Income	1.8	5.1	+6.1%	7.0	+20.1%
%	1.9%	3.8%	− 0.6pt	3.4%	+0.5pt
Recurrent Income	2.4	5.0	− 9.1%	7.5	+5.3%
Net Income	1.3	3.8	+52.7%	5.2	+72.4%
ROE	−	−	−	4.1%	+1.8pt

Round down to the 10 million Yen

Business environment

[Positive factors]

- Increased demand for studless winter tires and automotive goods and services due to strong sales of new vehicles
- Attention to tires (price increase) and event data recorders (accidents, etc.), among other automotive goods and services, has increased while mass media provided reports on them.

[Negative factors]

- Decrease in the number of vehicles subject to statutory safety inspections and decrease in demand for statutory safety inspections

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
+1.2%	+0.8%	+0.3%	+0.8%	+0.6%	+1.1%

Sales at all AUTOBACS chain stores

Progress of Med-term Business Plan and Initiatives for the Second Half FY2018

CEO, President

Kiomi Kobayashi

Review of the six months after the start of the 2017 Medium-Term Business Plan



Turnaround of AUTOBACS business

- ✓ Rapid start of development of new merchandise and store formats
- ✓ Trend of store revenue improvement
- ✓ Improvement of gross margin in the purchase phase, which is on the way

Development of growth drivers for the future

- ✓ Start of alliance with leading partners in ASEAN in the overseas business
- ✓ The BtoB business is seeking an opportunity to take advantage of the strengths of the Autobacs Group

Cost control

- ✓ Start to specify items for reducing corporate costs and take actions

Domestic AUTOBACS Business: Creation of New Markets (Merchandise)



Merchandise
for safety and
security



Mercha
ndise
for
lifestyle
proposi
tion

To enjoy
life with
vehicles



To
encoura
ge love
and fun
for and
with
vehicles



Domestic AUTOBACS Business: Creation of New Markets (Human Resources/Business Model)



Human
resources



To differentiate AUTOBACS with new merchandise and human resources

Store
Formats



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



[Merchandise] Enhancement of Merchandise in Existing Categories



AQ. (AUTOBACS QUALITY.)



Cushion with an adhesive disc that can be attached to a window



Dust cloths made of microfiber



Waterproof bucket



Foldable bucket



Cloths made of microfiber: modern colors



Coasters made from diatomite



Disposable cotton cloths



Smartphone holder



Oil



Shampoo for vehicles



Sheet to prevent slipping

Pedal Watcher

- ✓ The aggregate number of units sold reached 3,900 units.
- ✓ A portion of the sales proceeds was donated to the Foundation for Orphans from Automobile Accidents.



Examples of other merchandise to support safe driving

- ✓ Event data recorder that records video of the front and rear parts of a vehicle
- ✓ Auxiliary system for preventing collisions
- ✓ Event data recorder to warn of driving in the wrong direction (scheduled to be released in the near future)
- ✓ Blind spot assist system (scheduled to be released in the near future)



Start of verification test of the service to watch for the elderly (Kitakyushu City)

- ✓ Scheduled start of services in and after FY2018, including sales/lease of onboard equipment and equipment for outings and offering the watching service

[Merchandise] Statutory Safety Inspections and Maintenance Services /Automobile Purchases and Sales



Statutory safety inspections and maintenance services

- ✓ For compliance with laws and improved efficiency, introduction of the 15-minute acceptance inspection
⇒ Of 400 stores, 250 stores introduced it.
- ✓ Efforts to increase the rate of repeated use of the statutory safety inspection service
⇒ Promotion of units serviced to customers with the reservation of the next statutory safety inspection service
- ✓ Training and retention of mechanics
⇒ Holding of short-term intensive seminars for the medium size by chain growth



Automobile purchases and sales

- ✓ Broadcast of television commercials to increase recognition
- ✓ Efforts to improve skills
⇒ Promotion of internal training and acquisition of qualification for the assessment of a third party inspection agency
- ✓ Establishment of the foundation
⇒ Reform of the store system

[Merchandise] To Enjoy Life with Vehicles



Garage Life



Camper



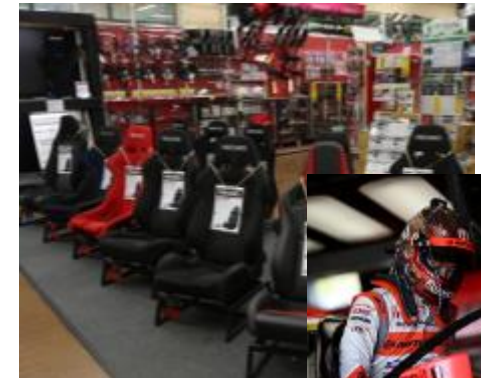
Car Wash



Drawn



Glafit Motorcycle



The goods which make a car fan excited

[Merchandise] Development of Lifestyle Merchandise

JACK & MARIE

JACK & MARIE
— GO FOR A RIDE —

- ✓ Opening in ZOZOTOWN in June 2017
- ✓ Sales have been strong.
- ✓ The opening of a physical store is planned for the current term.



JKM/GORDON MILLER

- ✓ Start of release from July 2017
- ✓ Gradual introduction into stores
- ✓ Items are being increased.



[Merchandise] State of Actions for JACK&MARIE



Concurrently with the opening of the store in ZOZOTOWN,
to increase recognition,
limited-time openings of stores for various events

May,
2017

GREENROOM FESTIVAL '17
: Yokohama red Brick Warehouse



MUSIC ART FILM
**GREENROOM
FESTIVAL**
RED BRICK 17 WAREHOUSE
YOKOHAMA

July,
2017

OCEAN PEOPLE '17
: Yoyogi Park



August,
2017

AOSHIMA BEACH PARK 2017
: Aoshima Beach Park
(Miyazaki Prefecture)



December,
2017

Shibuya LOFT
: Masaka Stage, the ground floor



The opening of a permanent store is
scheduled for next spring

[Human resources] Development of Professional Human Resources, Actions for Publicity

1. AUTOBACS GUYS



- ✓ Selection of role models who embody the ideal of “professional & friendly” to lead the image of the Group
- ✓ Appointment of a model for “good mechanics” who will appear on television commercials, the website and in publicity. The brand image shall be further improved.

2. “AUTOBACS Award”, “Best Pit of The Year”

- ✓ System of rewards for employees who receive praise from customers

[Store Formats] AUTOBACS GARAGE FUCHU



Opened on June 2017
(fuchu-city, Tokyo)



[Store Formats] Smart+1 / AUTOBACS Mini

CAR-REFRESH STORE
Smart+1

Opened on February 2017
(Ibaraki-city, Osaka)



AUTOBACS
Mini

Opened on August 2017
(Hino-city, Tokyo / Takamatsu-city Kagawa)



Reservation-only AUTOBACS
(YuriHonjo-city/
Iwakuni-city, Yamaguchi)

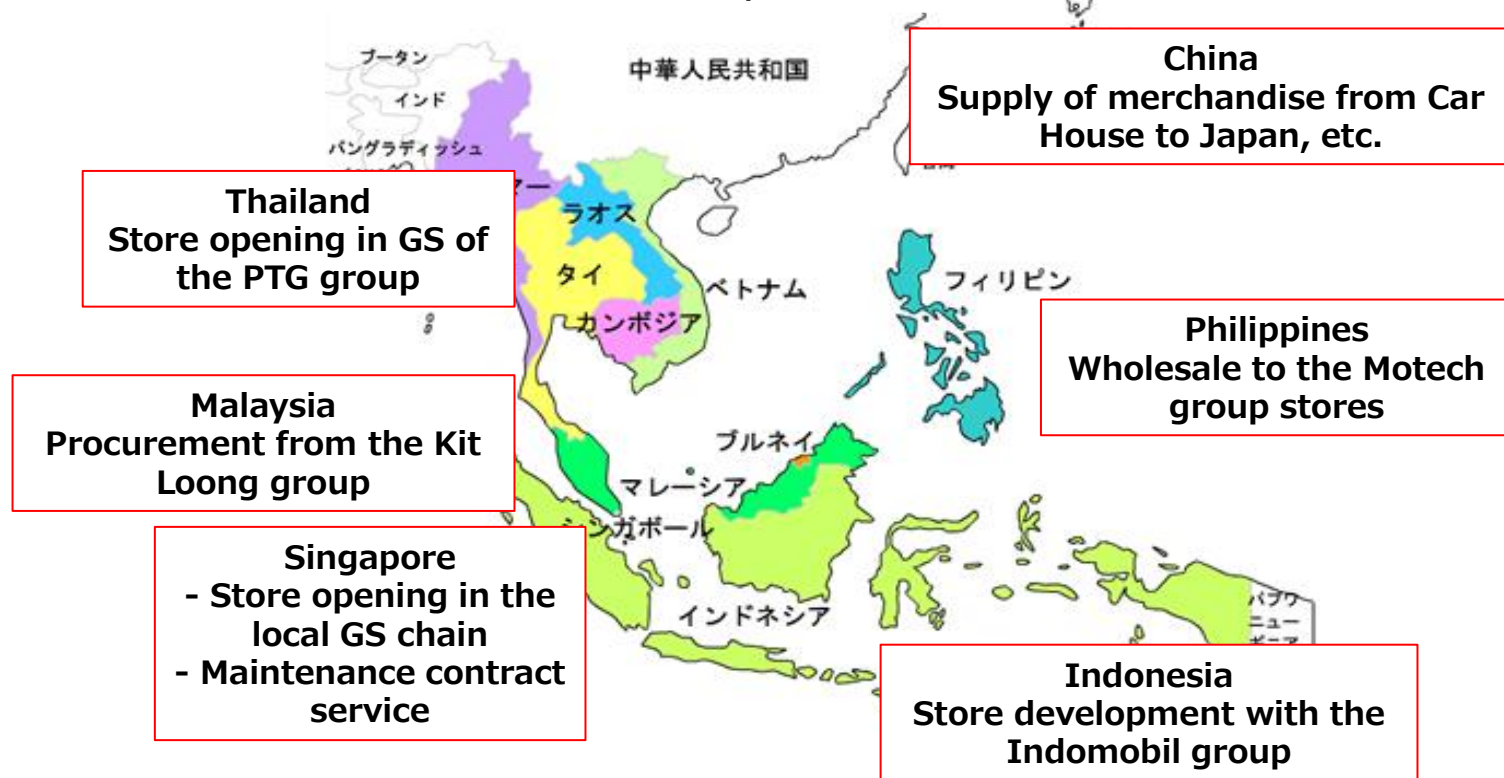


AUTOBACS stores paired
with gas stations
(Tatebayashi-city, Gunma)

Overseas Business

ASEAN region: In addition to retail stores, the range of business models is expanding with wholesale and service offerings with partner companies.

France: Unique positioning secured against competitors. Focus on safety inspections and sales of tires and parts. More efficient store network to aim for the further improvement of revenue.



Overseas Business: Actions in the ASEAN Region



Thailand

- Store opening in GS in alliance with the PTG group



Singapore

- Opening of a store in the local gas station
- Maintenance contract service

Malaysia

- Capital/business alliance with the Kit Loong group



China

- Supply of merchandise from Car House to Japan, etc.

Used Car Buying , Car Dealer and BtoB Business



Store dedicated to automobile purchase services

- ✓ Increased sales by existing stores dedicated to purchase services
- ✓ Continual openings of new stores



AUTOBACS CARS
Urawamisono store
(opened on July, 2017)



AUTOBACS CARS
Fukuoka Airport store
(opened on October, 2017)

Imported car dealer

- ✓ Revenue increase by Autoplatz and Motoren Tochigi
- ✓ Plan for expansion of new imported car dealer business



Ikebukuro BMW



Tochigi BMW

BtoB Business

- ✓ Improvement in the revenues of the two existing subsidiaries (Cores International, Palstar K.K.)
- ✓ Try to cultivate new customers such as home improvement retailers, maintenance service providers and used car distributors

Aim to increase sales of existing stores by meeting market needs

- ✓ Strong sales of new vehicles, cycle of tire replacement
⇒ Strengthening of tire sales (increase price competitiveness of PB tire)
- ✓ Priority on low prices
⇒ Offering of low-priced commodity merchandise
- ✓ Needs for safety, security and crime prevention in driving
⇒ Increase of selection of event data recorders equipped with new functions
Sales expansion of merchandise to prevent erroneous start
- ✓ Further increase in needs for distribution via the Internet
⇒ Increase selections of PB tire/wheel sets, strengthen the sales system

Actions for the second half of 2017 (measures according to the Medium-Term Business Plan)

Start of store renovations

Renovation of store floors to increase the attractiveness of the existing stores

- ✓ Increase convenience for customers by reviewing zoning
⇒ Allocation of personnel in an efficient manner
- ✓ Improvement of the method of offering and proposing merchandise to make it easy to see and choose
⇒ Improvement of store stock efficiency

Promotion for full-scale introduction in FY2018

Increase of lifestyle-related merchandise

- ✓ Offering of merchandise that attracts attention, such as the electric hybrid bicycle called the glafit bike and drone
- ✓ Increase of lifestyle-related merchandise (JKM/GORDON MILLER)
- ✓ Preparation for the opening of a physical store to deal in JACK&MARIE

Major Actions for CSR

Assistance in recovery from disaster due to the heavy rain in the northern part of the Kyushu region

- ✓ Assistance with the costs of transporting the vehicles used for car sharing
- ✓ Support for the stores in the neighborhood of the stricken area(provision of relief supplies, inspection and maintenance of the vehicles described above)
- ✓ Placement of the donation box



Start of recycling of deodorant and air freshener for vehicles in collaboration among the three companies, including P&G and TerraCycle

- ✓ Collection of plastic containers for deodorant and air freshener in stores
- ✓ Recycling into key chains equipped with a reflector to contribute to traffic safety



Promotion of workstyle reform

- ✓ Establishment and administration of the personnel system, including staggered working hours and work from home
- ✓ Conduct of activities for promoting women's participation and advancement



Create New Market and Gain Customer Trust

Merchandise for safety
and security



Merchandise
for lifestyle
proposition

To enjoy life
with vehicles



To encourage
love and fun
for and with
vehicles



Human resources



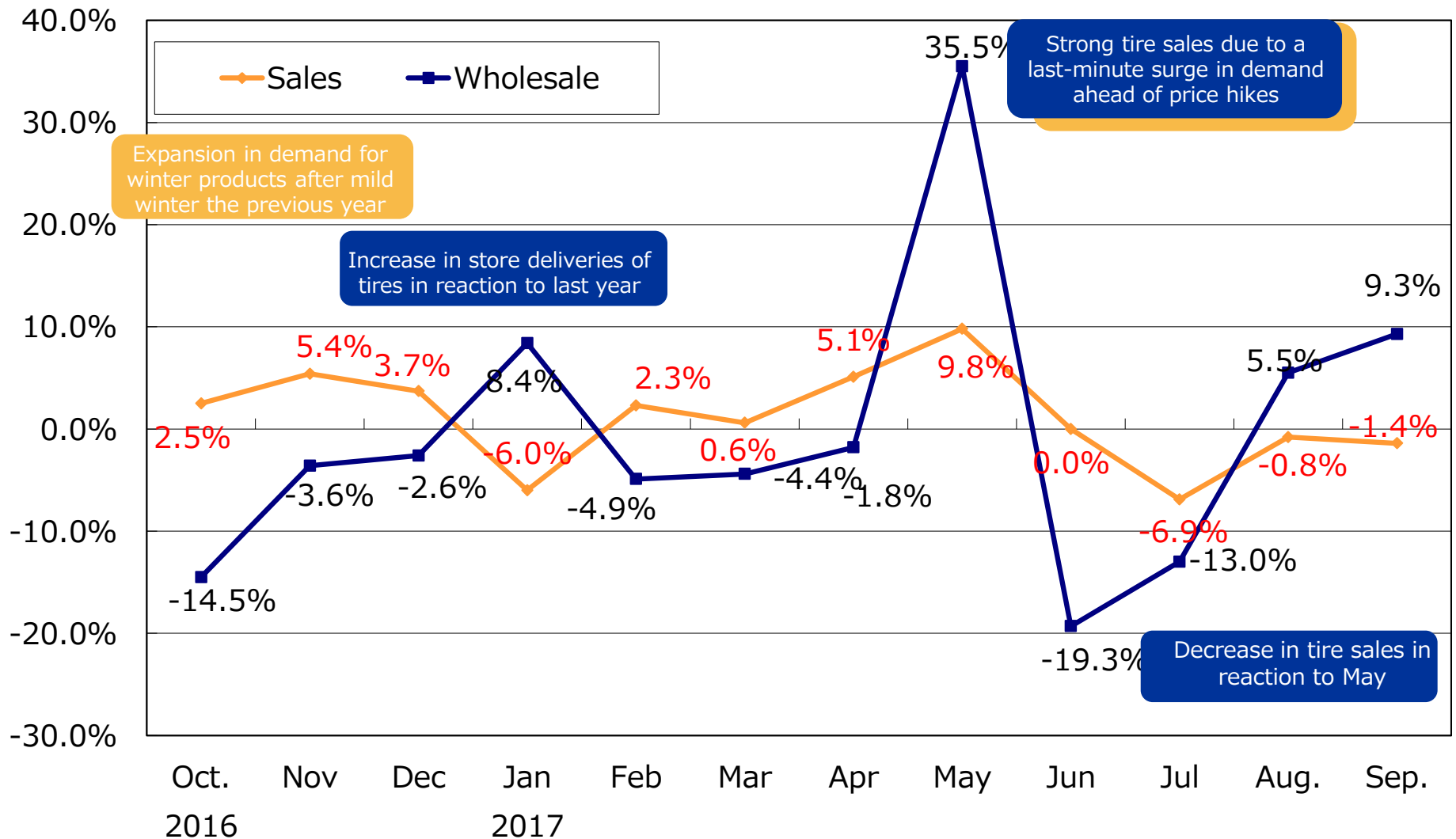
Store
Formats



Appendix

Sales Trend: Retail & Wholesale

【YoY change for the last 12 months】

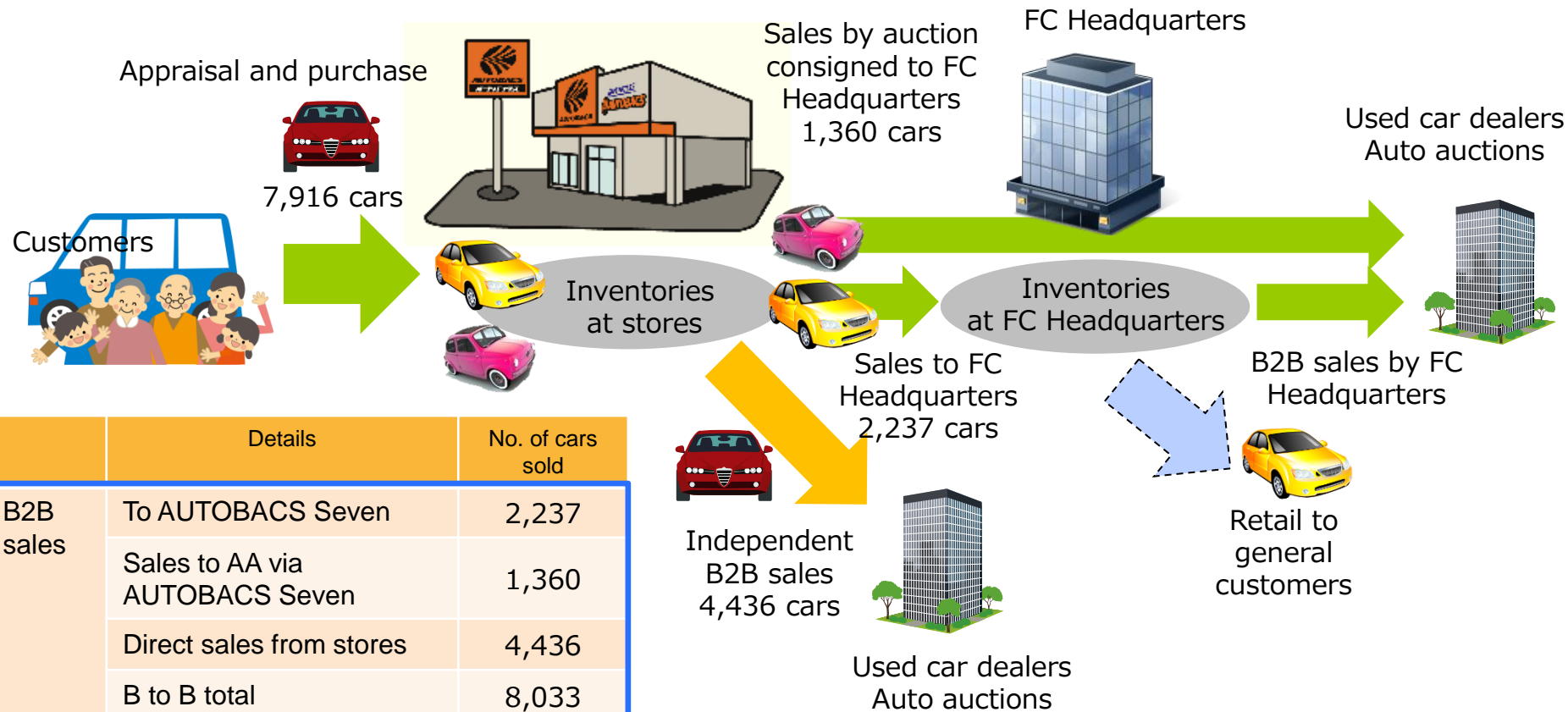


* Sales at all domestic store formats (AUTOBACS, Super AUTOBACS, AUTOBACS CARS, AUTOBACS Secohan Ichiba and AUTOBACS EXPRESS)

Automobile purchase and sales (1)

Commercial flow of car purchase and B2B sales

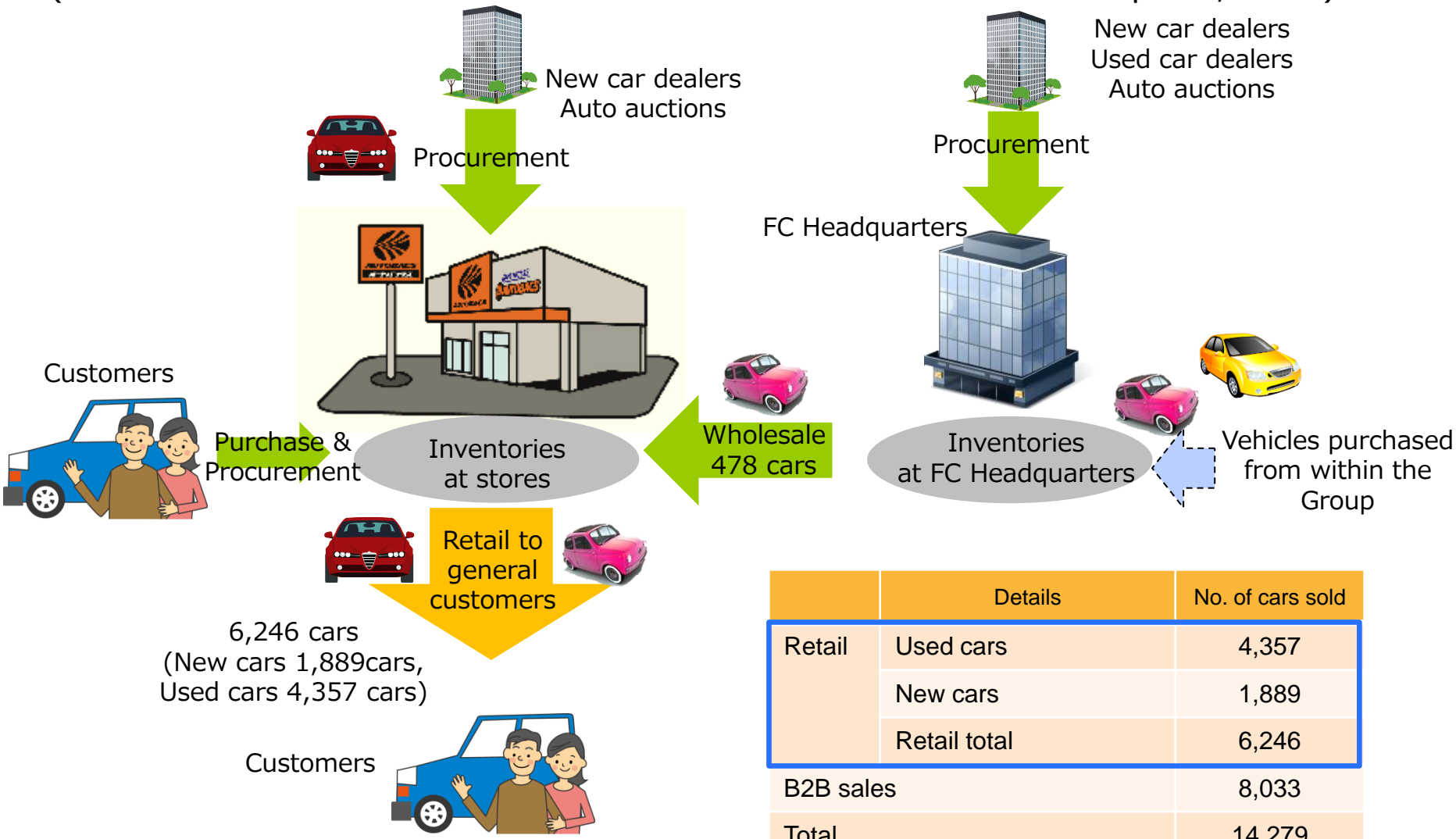
(No. of cars denotes cumulative units for the six months ended Sep. 30, 2017)



Automobile purchase and sales (2)

Commercial flow of retail sales

(No. of cars denotes cumulative units for the six months ended Sep. 30, 2017)



	Details	No. of cars sold
Retail	Used cars	4,357
	New cars	1,889
	Retail total	6,246
B2B sales		8,033
Total		14,279

Domestic New Store Openings (First Half FY2018)



	Store Name	Location (Prefecture)	Owner of store	Open Date
1	AUTOBACS CARS Urawamisono Store	Saitama	Autobacs Seven	July 31, 2017
2	AUTOBACS Mini AEON Mall Tamadaira no Mori Store	Tokyo	Autobacs Seven	August 3, 2017
3	AUTOBACS Mini AEON Mall Takamatsu Store	Kagawa	Autobacs Seven	August 3, 2017



AUTOBACS CARS
Urawamisono Store



AUTOBACS Mini AEON Mole
Tamadaira no Mori Store



AUTOBACS Mini AEON Mole
Takamatsu Store

Quarterly Income Statement

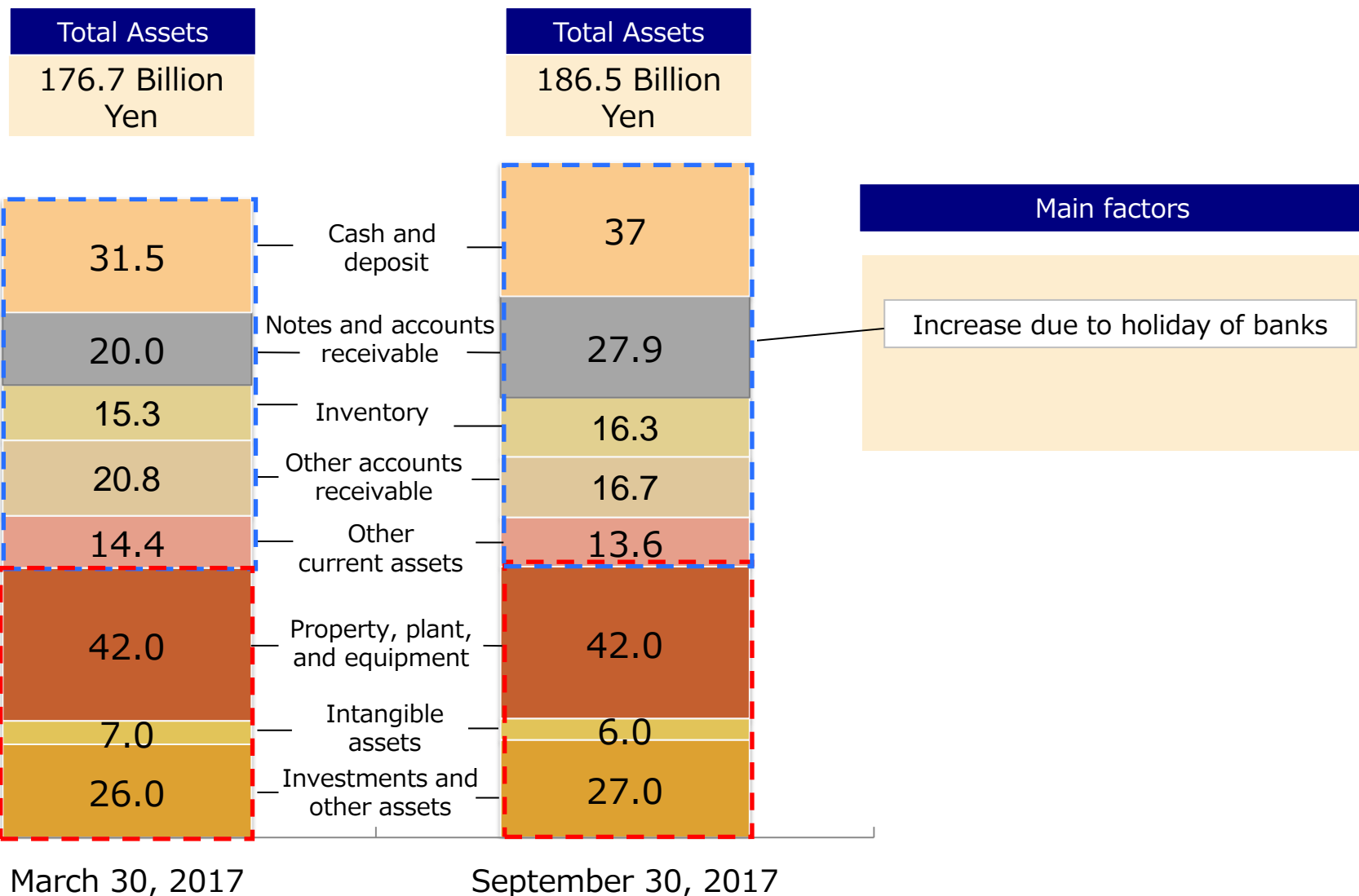


(Million Yen)

	First Quarter FY March 2018		Second Quarter FY March 2018		First Half FY March 2018	
	Results	YoY	Results	YoY	Results	YoY
Sales	49,982	+5.1%	48,123	+1.8%	98,105	+3.5%
Gross Margin	15,332	+3.2%	16,361	+3.6%	31,693	+3.4%
% to the Sales	30.7%	–	34.0%	–	32.3%	–
SG&A	14,977	+2.0%	14,855	–0.9%	29,833	+0.6%
Operating Income	354	+96.9%	1,505	+86.3%	1,860	+88.2%
% to the Sales	0.7%	–	3.1%	–	1.9%	–
Recurrent Income	636	+17.9%	1,815	+77.4%	2,451	+56.8%
% to the Sales	1.3%	–	3.8%	–	2.5%	–
Net Income	300	+42.7%	1,017	+102.0%	1,317	+84.6%
% to the Sales	0.6%	–	2.1%	–	1.3%	–
Same Store Sales (YoY)	–	+5.6%	–	-2.9%	–	+0.8%

Amounts are rounded down to the nearest hundred million yen.

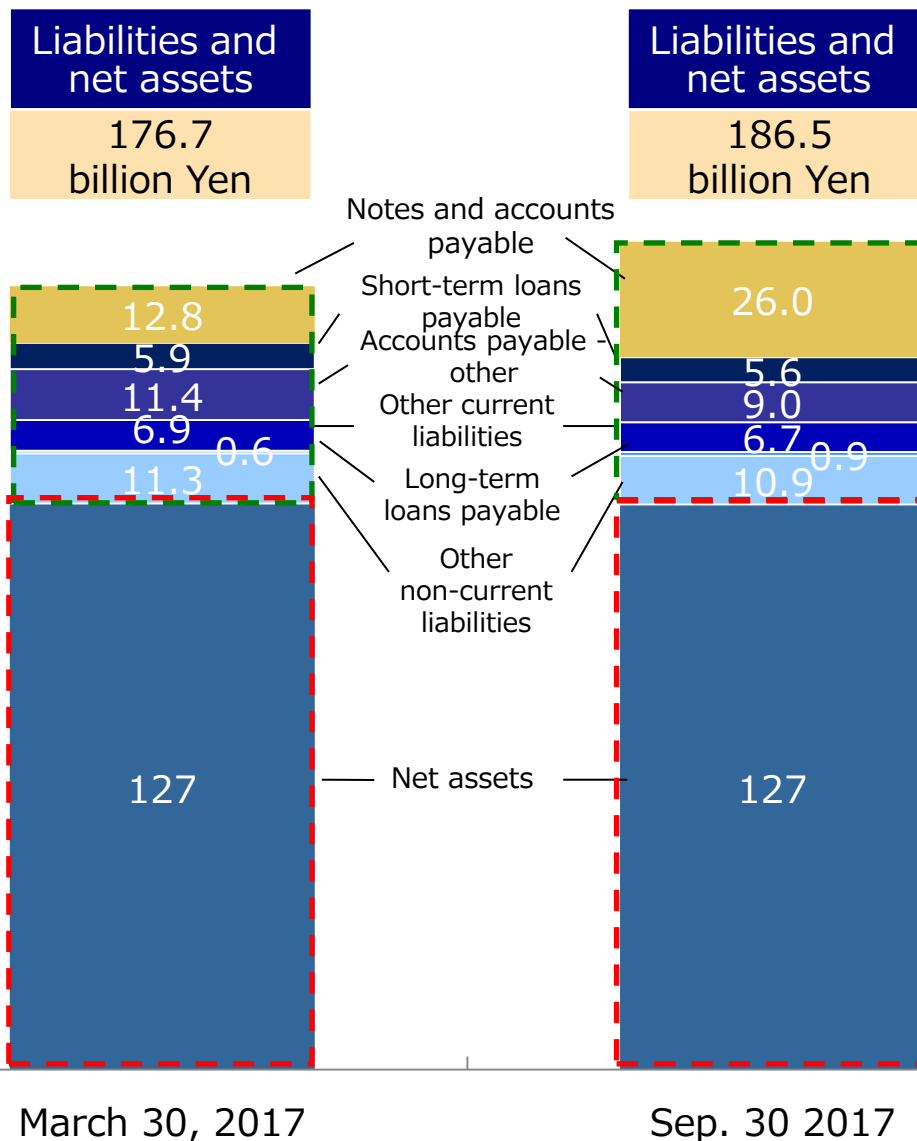
Balance Sheets / Assets



* Billion Yen

* Round down to the 10 million Yen

Balance Sheets / Liabilities and Net assets



Main factors

Dividends -2.4 billion Yen
Net Income +1.3billion yen

* Billion Yen

* Round down to the 10 million Yen

Store Openings and Closings (Plan)



Domestic stores

	No. of stores as of March 31, 2017	Fiscal year ending March 31, 2018							No. of stores as of March 31, 2018 (Plan)
		H1 (results)			No. of stores as of Sep. 30, 2017	H2 (Plan)			
		New	S/B・R/L	Close		New	S/B・R/L	Close	
AUTOBACS	495	+2		−2	495	+4			499
Super AUTOBACS	74				74				74
AUTOBACS Secohan Ichiba	9				9				9
AUTOBACS EXPRESS	11				11				11
AUTOBACS CARS Stand-alone Store	12	+1		−1	12	+1			13
Total	601	+3	0	−3	601	+5	0	0	606

Overseas stores

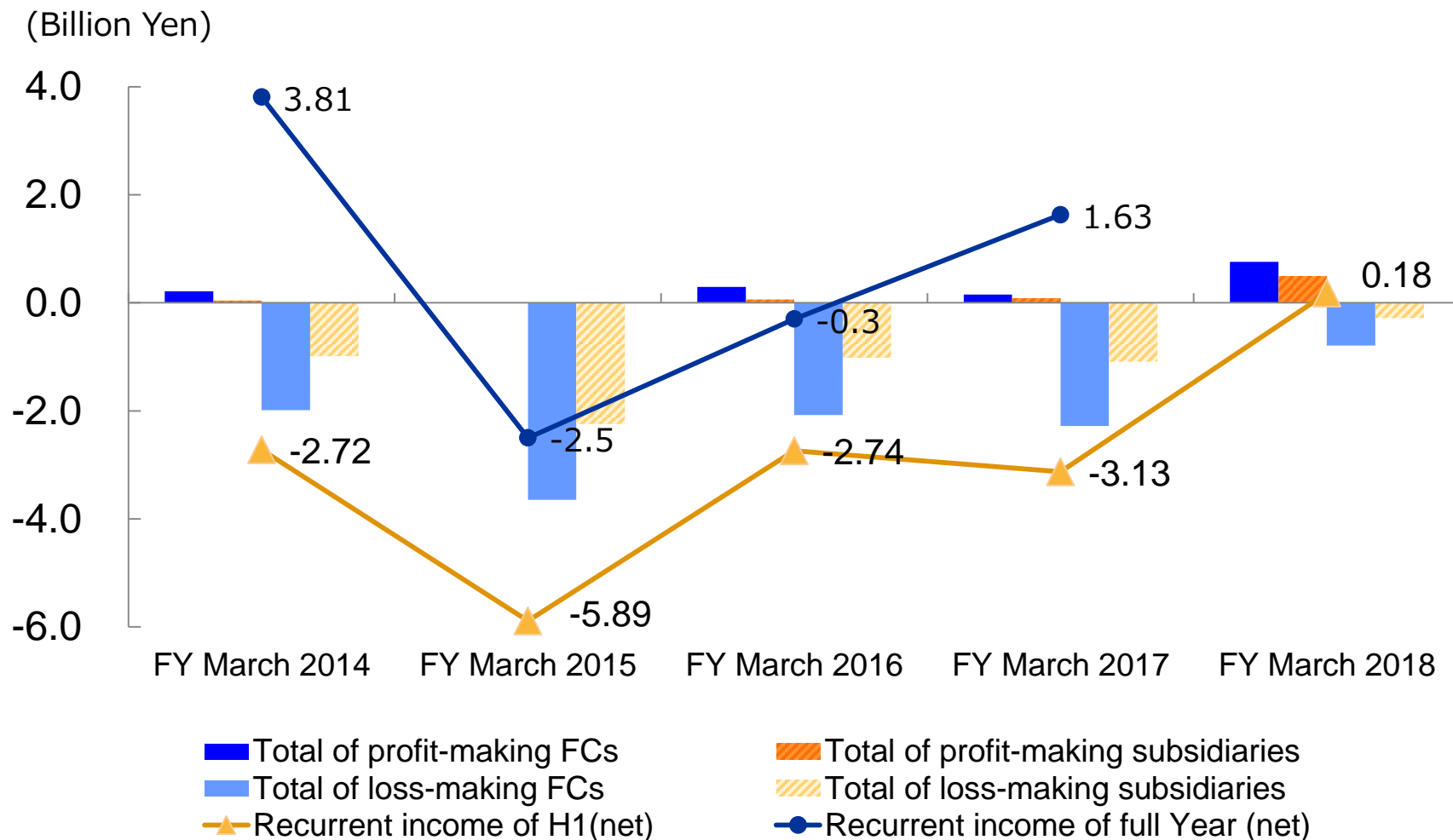
S/B=Scrap & Build, R/L=Relocation

Country / Region	No. of stores as of March 31, 2017	FY March 2018(Results & Forecasts)			No. of stores as of Mar 31, 2018 (Plan)
		H1 (results)	No. of stores as of June 30, 2016	H2 (Plan)	
France	11		11		11
Thailand	8	−1	7	+6	13
Singapore	2	+1	3		3
Taiwan	6		6		6
Malaysia	4	+1/ −1	4	+2	6
Indonesia	5		5	−1	4
Philippines	2	+1	3	+1	4
Total	38	+1	39	+8	47

Performance Results of Franchisees



Ordinary Income of Franchise Companies (Preliminary)



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



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.