

## ANALYST MEETING

# Results for the Six Months Ended September 30, 2015



November 2, 2015

# AUTOBACS SEVEN CO., LTD.

## **Part 1: Message from CEO**

**Representative Director & CEO**

**Setsuo Wakuda**

## Domestic business environment

- The market for automotive goods and services is on a slight declining trend, while the markets for statutory safety inspections and used cars are stable
- Intensifying competition in markets that cross over traditional business boundaries
- Customers need safety and security, convenience and low costs



## The direction of the domestic AUTOBACS business

**“Anything about cars, you find at AUTOBACS.”**

Secure endorsement from a broader customer base as a comprehensive car-related service company and a stronger franchise chain

# Revised 2014 Medium-Term Business Plan

## Basic Policy

### Improving Profitability of AUTOBACS Business and Creating New Business for Growth

1. Transforming the AUTOBACS Business into a business that responds to change
2. Building a new pillar to generate revenue
3. Adopting organizational reforms to create a corporate culture responsive to change

## Management Targets

**Consolidated operating income:**  
**15 billion yen (Revised)**

**Consolidated ROE: 8.0%**

**Consolidated DOE: 3.0% or higher**

## Period

**Four years from April 2014 to March 2018**

# Outline of Business Strategy

## Status

## Policy

### Domestic AUTOBACS Business

Focus as the Group's  
top priority business

Transform into a  
more highly  
profitable business

Increase investment  
efficiency

#### 〔Basic policy〕

“Creating Higher Value for Customers and  
Establishing Competitive Advantage”

Building a continuous relationship with customers,  
and providing convenience and trust by  
strengthening ties with them

### New Business

Bolster as pillars for  
future growth

Invest resources in  
the current  
medium-term period

#### 〔Basic policy〕

Develop business in automobile-related sectors,  
which forms one of its future profit pillar (the  
business might have no synergy with existing  
AUTOBACS business)

### Overseas Business

#### 〔Basic policy〕

Accelerate overseas business development primarily  
in ASEAN region, which is in the growth stage

## **Part 2: Results of First Half and Forecast of Full Year**

- 1. Results of the First Six Months Ended  
September 30, 2015**
- 2. Revision of Forecast of FY March 2016 and  
Measures for the Second Half of FY March 2016**

**Director and Vice Chief Executive Officer,  
Head of Corporate Administration**

**Hironori Morimoto**

# **1. Results for the First Six Months Ended September 30, 2015**

# Financial Results (the First Half of FY March 2016)



(Billion Yen)

	Six months ended September 30, 2015				Six months ended September 30, 2014
	Initial Forecast	Actual results	YoY change ratio	Change from forecast	
Net sales	102.8	98.6	+0.7%	-4.1	98.0
Gross margin	32.5	32.1	-5.0%	-0.3	30.5
Gross margin ratio	31.6%	32.5%	+1.3pt	+0.9pt	31.2%
SG&A	30.3	29.6	-1.5%	-0.6	30.0
Operating income	2.2	2.4	+391.3%	+0.2	0.5
Operating income ratio	2.1%	2.5%	+2.0pt	+0.4pt	0.5%
Non-operating income/ expenses	0.6	0.6	-25.0%	0	0.8
Ordinary income	2.8	3.1	+131.5%	+0.3	1.3
Extraordinary gains/ losses	-	-	-	-	0.3
Net income	1.3	1.6	+285.0%	+0.3	0.4

Amounts are rounded down.

% of Net Sales and YoY comparisons are calculated in the single digits.

# **Review of the First Half of FY March 2016**

- 1. Slump in demand for automotive goods and services as a result of sluggish new car sales, despite rebound from sales decline after consumption tax hike**
- 2. Increase in sales of statutory safety inspection services, automobile purchases and sales**
- 3. Improved profits at store and overseas subsidiaries from the impact of reforms**
- 4. Profit achieved plan as a result of improved gross profit margin and controlled SG&A expenses, despite sales shortfall against plan**

# Segment Information

(Million Yen)

		Six months ended Sep 30, 2015	Six months ended Sep 30, 2014	YoY Change	Initial Forecast	% to Plan
Non-consolidated	Net sales	75,144	78,662	-4.5%	80,000	-6.1%
	Operating income	3,515	2,990	+17.6%	4,000	-12.1%
Domestic store subsidiaries	Net sales	32,315	30,501	+5.9%	32,600	-0.9%
	Operating income	(1,186)	(2,397)	-	(1,700)	-
Overseas subsidiaries	Net sales	4,973	5,241	-5.1%	5,000	-0.5%
	Operating income	116	(68)	-	(100)	-
Subsidiaries for car goods supply and other	Net sales	10,150	7,582	+33.9%	9,900	+2.5%
	Operating income	(66)	37	-	(20)	-
Subsidiaries for supporting function	Net sales	1,662	1,540	+8.0%	1,700	-2.2%
	Operating income	217	237	-8.8%	220	-1.4%
Segment total	Net sales	124,246	123,528	+0.6%	129,000	-3.8%
	Operating income	2,596	800	+224.4%	2,400	+8.2%

Amounts are rounded down.

% of Net Sales and YoY comparisons are calculated in the single digits.

# Analysis for Operating Income

Domestic Retail sales		Total store basis: +2.0%    Same store basis: +1.2%	
		Operating income (Billion yen)	
		Amount	Major drivers of variance (yoy)
Segment	Non-consolidated	3.51	<b>+0.52BY</b> <b>Net sales -3.51BY (-4.5%)</b> <b>Gross Profit -0.22 (21.0% (last year 20.3%))</b> •GPM increase from strong sales of tires, wheels, etc. <b>SG&amp;A - 0.74BY</b> •Decrease in sales expenses and promotion •Decrease in performance linked remuneration of last FY, etc.
	Domestic store subsidiaries	-1.18	<b>+1.21BY (Sales: +1.8BY YoY +5.9%)</b> Losses narrowed due to an improved gross profit margin in part following a review of sales discount rates and controlled SG&A expenses, in addition to increased sales.
	Overseas subsidiaries	0.11	<b>+0.18BY</b> Improved profitability at the French subsidiary, etc.
	Subsidiaries for car goods supply and other	-0.06	<b>-0.01BY</b> Sluggish sales of automotive goods and services, increase in expenses, etc.
	Subsidiaries for supporting function	0.21	<b>-0.02BY</b>
Segment total		2.59	<b>+1.79BY</b>
Consolidation Adjustments		-0.09	<b>Adjustment amount decreased by 0.19BY from last year</b> Decrease in unrealized profits for the products wholesaled to the domestic store subsidiaries
Consolidated		2.49	<b>+1.98BY</b>

Amounts are rounded down.

# Performance by Overseas Subsidiaries

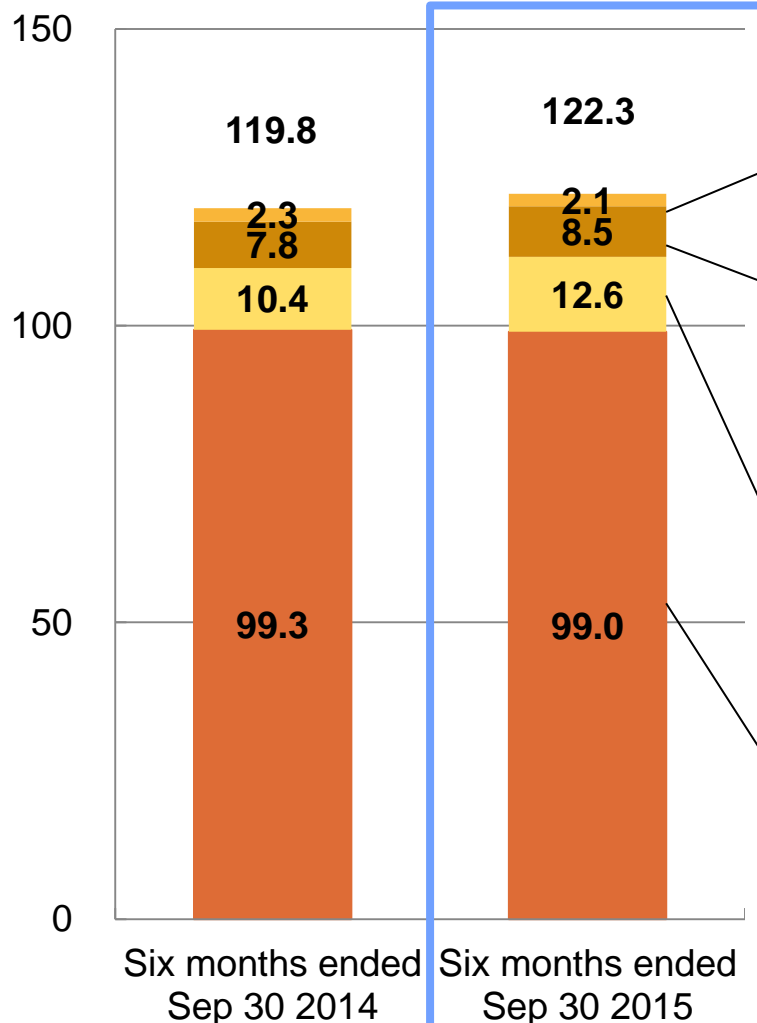
	FRANCE		THAILAND		SINGAPORE		CHINA		MALAYSIA	
Number of stores at Sep. 30, 2015 -including FC stores-	11		6		3		0		3	
Period	1st Half FY March 2016	1st Half FY March 2015	1st Half FY March 2016	1st Half FY March 2015	1st Half FY March 2016	1st Half FY March 2015	1st Half FY March 2016	1st Half FY March 2015	1st Half FY March 2016	1st Half FY March 2015
Net sales (Million Yen)	3,900	4,120	190	240	670	680	190	190	0.0	-
SG&A (Million Yen)	1,920	2,060	90	90	230	220	60	90	20	-
Operating income (Million Yen)	90	-70	-30	-40	70	70	10	-10	-20	-
Business conditions	Increase in percentage of sales of services with a high profit margin; profitability at the operating level as a result of revitalized inventory last fiscal year, initiatives aimed at cost cuts		Decline in sales as a result of closing unprofitable stores last fiscal year, but operating loss narrowed as a result of improved gross profit margin by controlling sales discounts and cost cuts		Sales were unchanged; gross profit margin improved as a result of a higher percentage of sales in services; expenses increased somewhat, while operating income remained unchanged		One store closed last fiscal year; trade business in automotive goods and services strong; operating income improved due to impact of cost cuts		Opened small-scale store, centered on maintenance and service by a local subsidiary; working on improving visibility and building a model	

Amounts are rounded down.

# Domestic Retail Sales

**Retail sales including FCs\*: 122.3 billion Yen (+ 2.0% YoY)**

(Billion Yen)



**Fuel & second-hand goods:**  
2.1 billion Yen (-9.1% YoY)

**Statutory safety inspection :**  
8.5 billion Yen (+9.2% YoY)  
295 thousand cars (+10.7% YoY)  
Number of fully certified & designated stores:  
392 stores (390 stores , March 2015)

**Car purchase and sales:**  
12.6 billion Yen (+21.7% YoY)  
12,799 cars (+20.4% YoY)  
Number of CARS membership stores: 472stores  
(451 stores, March 2015)

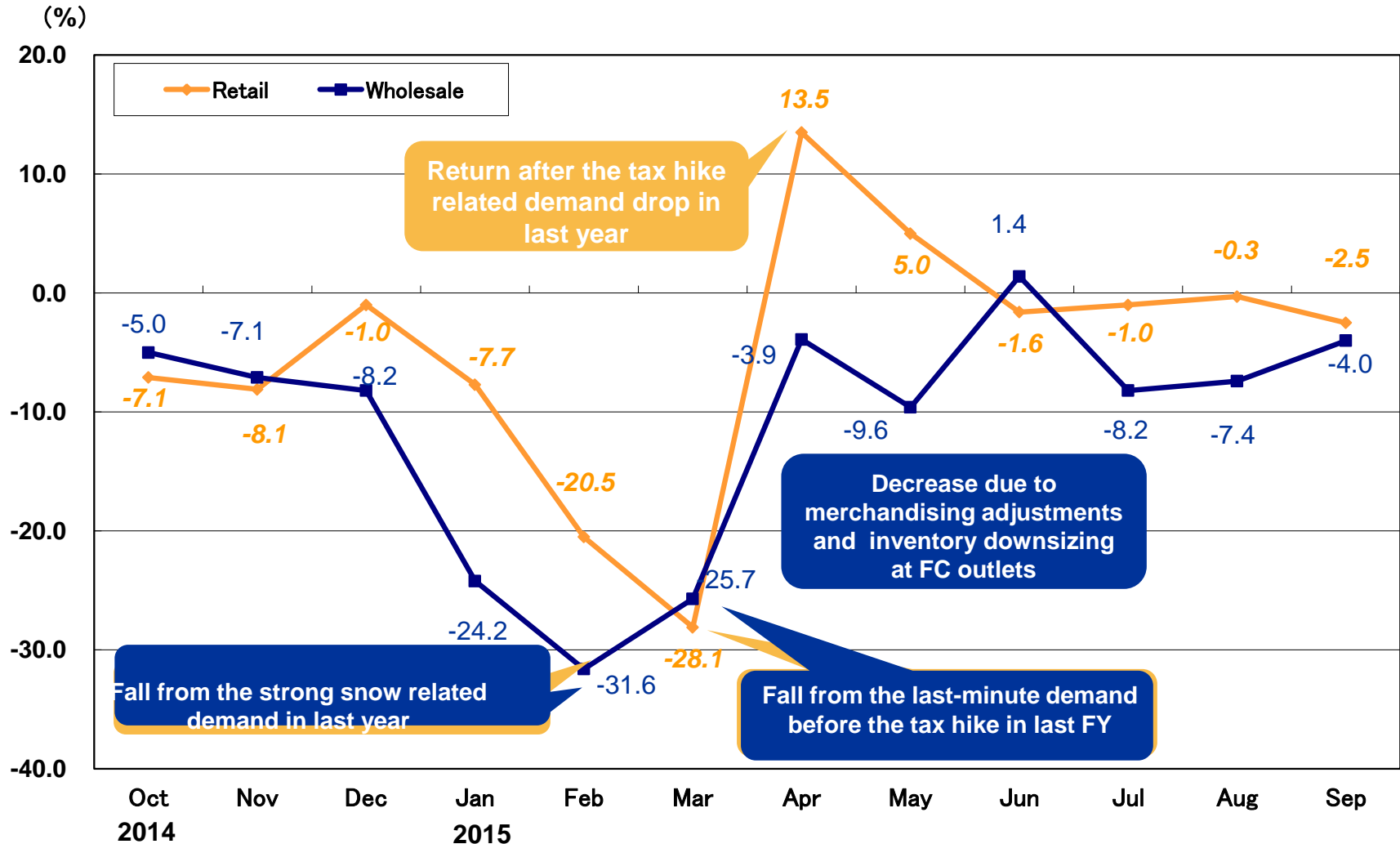
**Car related goods and services:**  
99.0 billion Yen (-0.3% YoY)

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

Amounts are rounded down.

# Sales Trend: Retail, Wholesale and Store Inventory

【YoY change for the last 12 months】

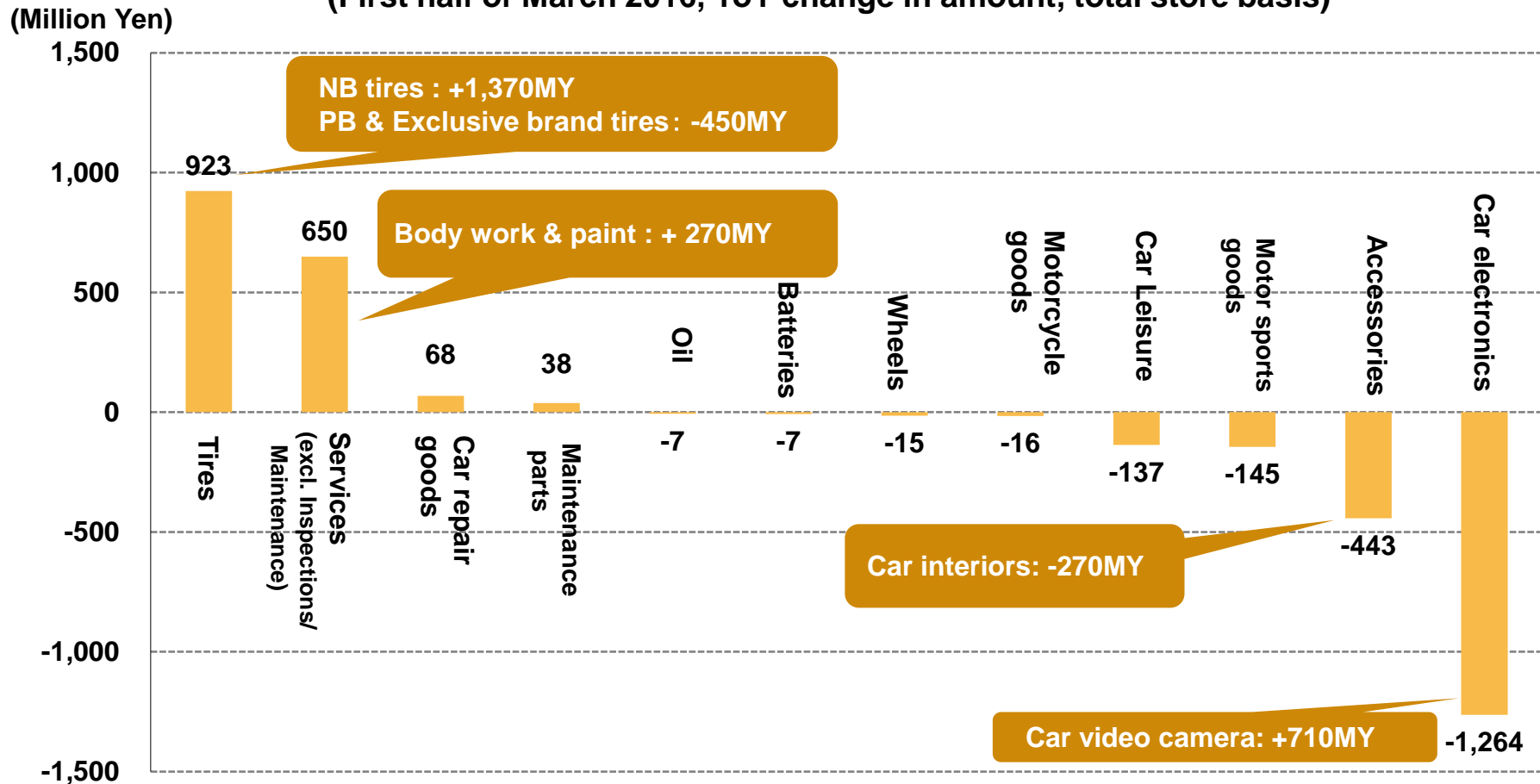


\* Sales at all domestic store formats (AUTOBACS, Super AUTOBACS, AUTOBACS CARS, AUTOBACS Secohan Ichiba and AUTOBACS EXPRESS)

# Sales Ups & Downs by Merchandise (1<sup>st</sup> Half)

**【Same Store Basis】 Sales: + 1.2% YoY, Number of customers: -3.0% YoY**

## Retail sales ups and downs by merchandise category (First half of March 2016, YoY change in amount, total store basis)

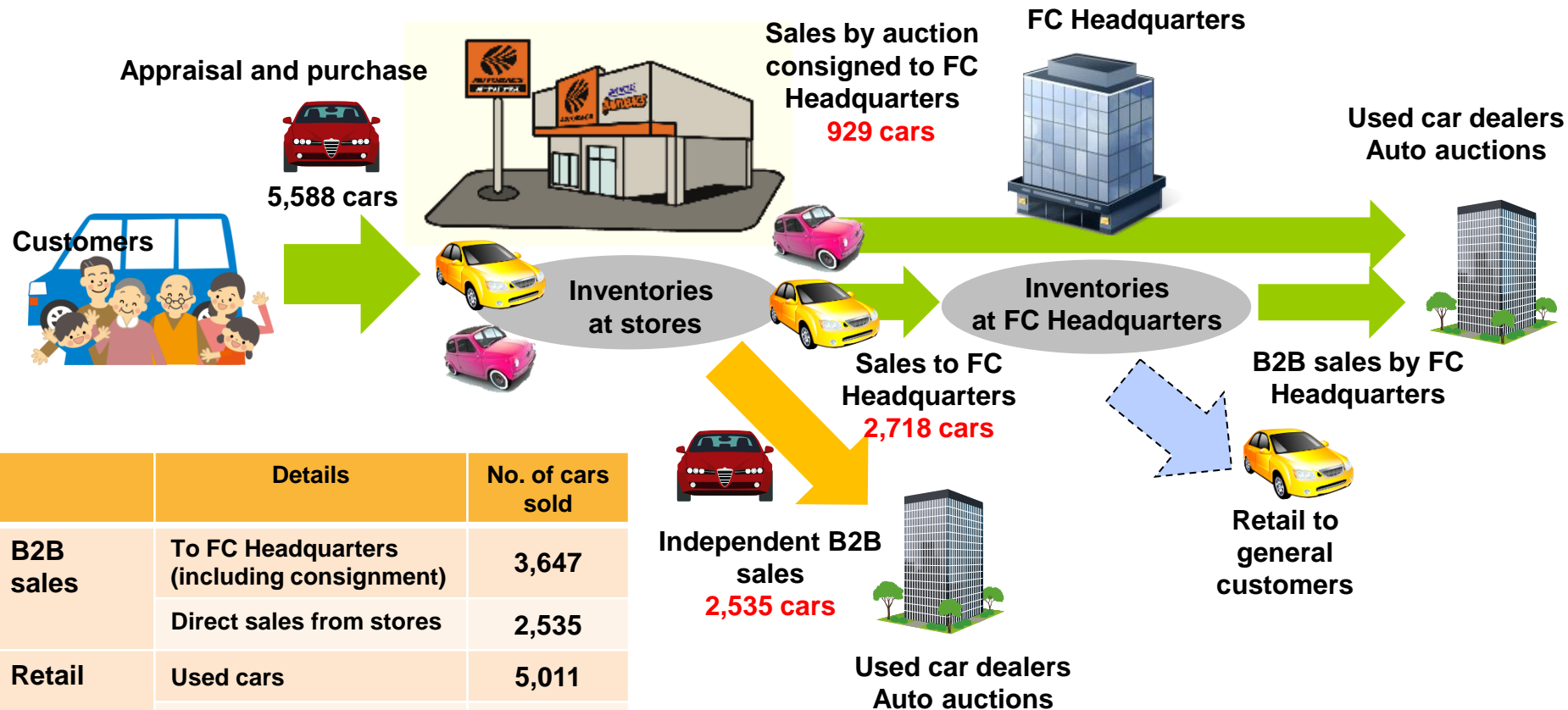


\* Sales at all domestic store formats (AUTOBACS, Super AUTOBACS, AUTOBACS CARS, AUTOBACS Secohan Ichiba and AUTOBACS EXPRESS)

# 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, 2015)

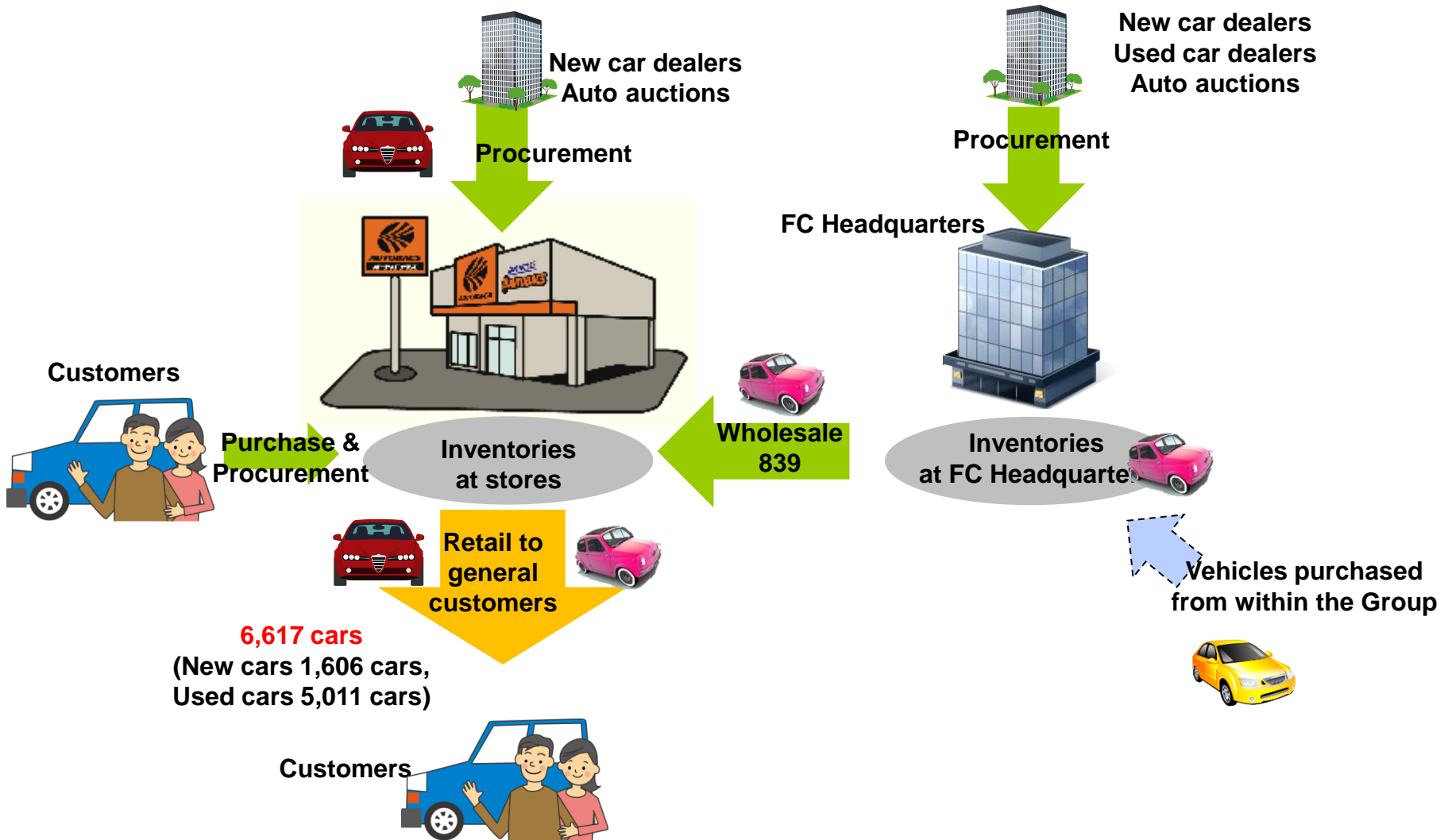


	Details	No. of cars sold
B2B sales	To FC Headquarters (including consignment)	3,647
	Direct sales from stores	2,535
Retail	Used cars	5,011
	New cars	1,606
Total		12,799

# Automobile purchase and sales (2)

## Commercial flow of retail sales

(No. of cars denotes cumulative units for the six months ended Sep. 30, 2015)



## **2. Forecast of FY March 2016 and Measures for the Second Half of FY March 2016**

## Business Environment

- Sales of new models of popular automobiles
- Sales of leisure related goods, such as car video camera and roof boxes, expected to be increased
- Rising trend in the number of drivers who install winter tires

## YoY Sales at Domestic AUTOBACS chain

1 <sup>st</sup> Half		2 <sup>nd</sup> Half (plan)		Full Year (revised)	
Same store sales	Total store sales	Same store sales	Total store sales	Same store sales	Total store sales
+1.2%	+2.0%	+4.1%	+4.5%	+2.1%	+2.6%

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

# Revised Forecast of FY March 2016

**No revision to forecast for consolidated full-year operating income.  
No revision to the sales and gross profit forecasts for the second half set at the beginning of the fiscal year. A portion of SG&A expenses not digested in the first half carried over to the second half.**

(Billion Yen)

	1 <sup>st</sup> Half	2 <sup>nd</sup> Half		Full Year	
	Results	Forecasts (revised)	YoY	Forecasts (revised)	YoY
Net sales	98.6	118.9	+6.7%	217.6	+3.9%
Gross margin	32.1	38.6	+6.5%	70.8	+5.8%
Gross margin ratio	32.5%	32.5%	-0.1pt	32.5%	+0.6pt
SG&A	29.6	31.1	+2.5%	60.8	+0.5%
Operating income	2.4	7.5	+27.3%	10.0	+56.2%
Operating income ratio	2.5%	6.3%	+1.0pt	4.6%	+1.5pt
Ordinary income	3.1	7.9	+15.5%	11.1	+34.5%
Extraordinary gains/ losses	-	-	-	-	-
Net income	1.6	5.1	23.6%	6.8	+47.5%

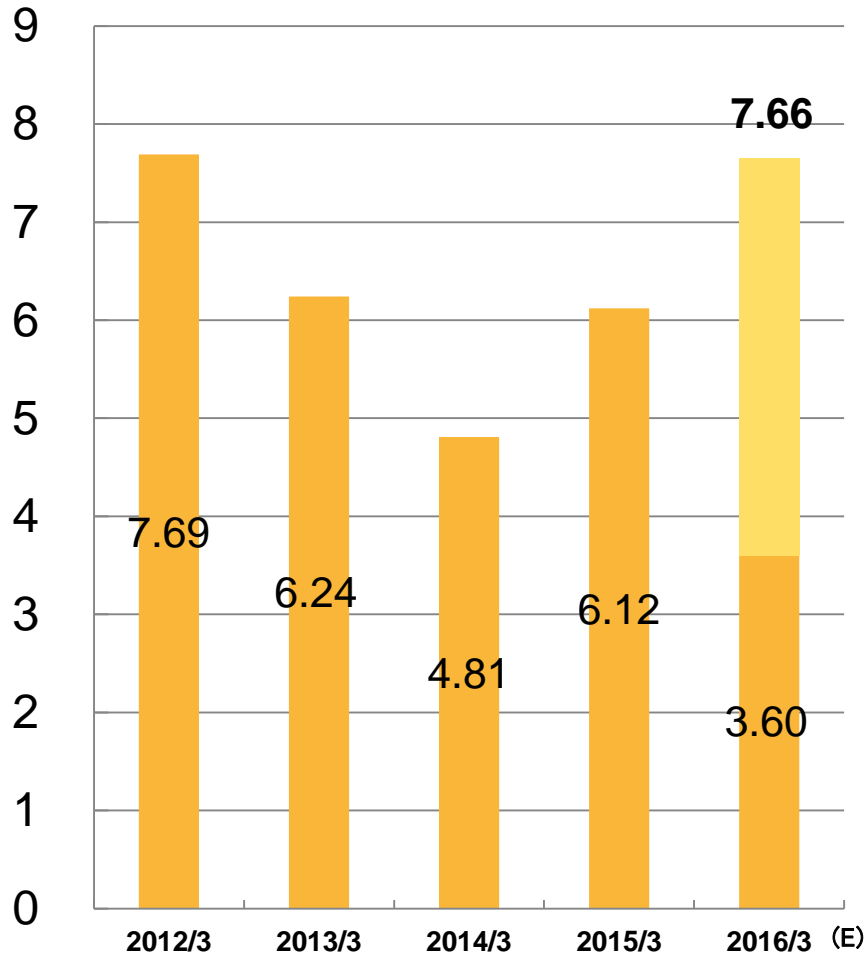
Amounts are rounded down.

% of Net Sales and YoY comparisons are calculated in the single digits.

# CAPEX & Depreciation

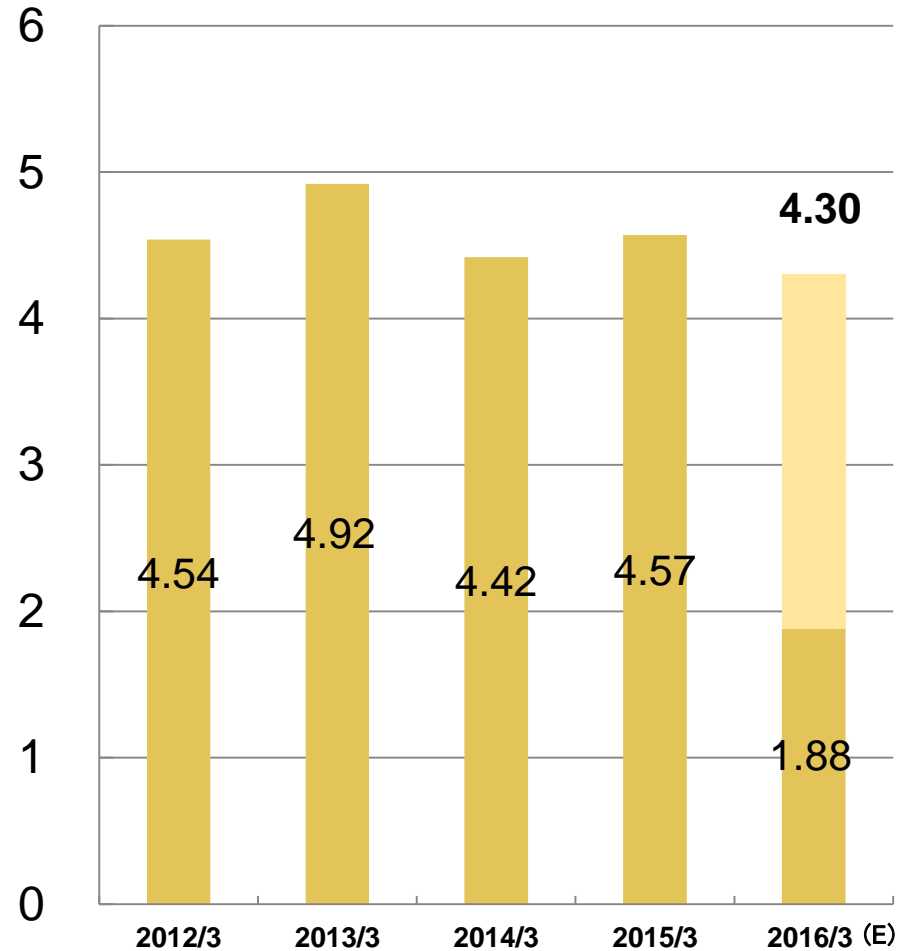
## CAPEX

(Billion Yen)



## Depreciation

(Billion Yen)

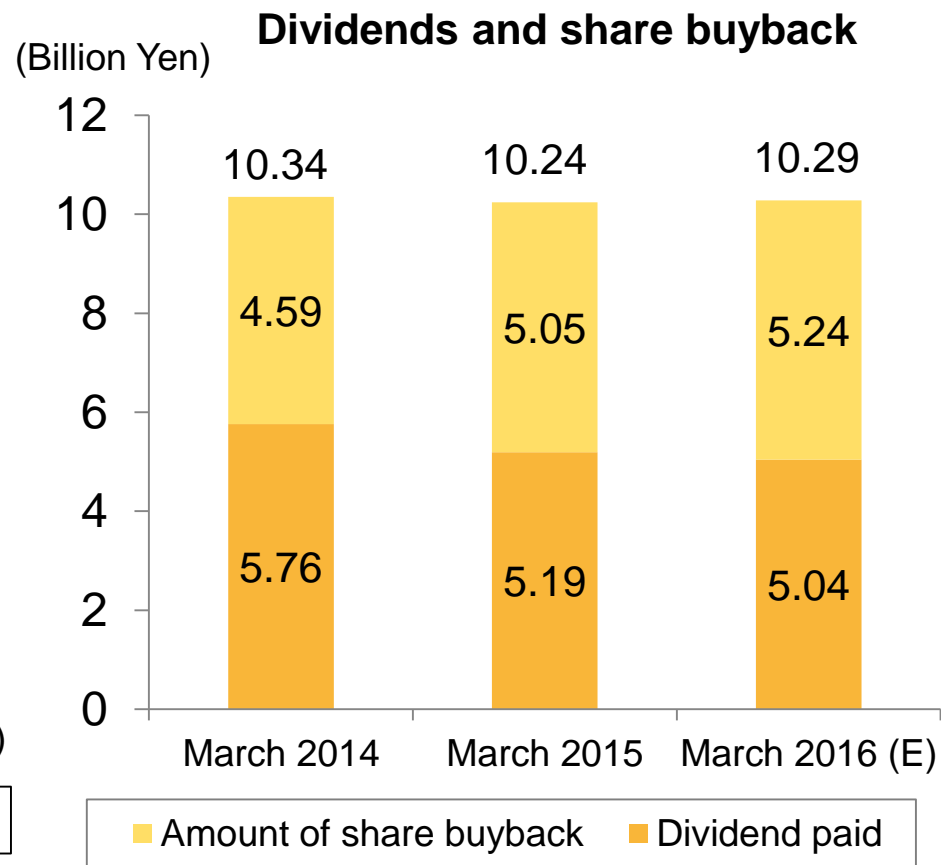
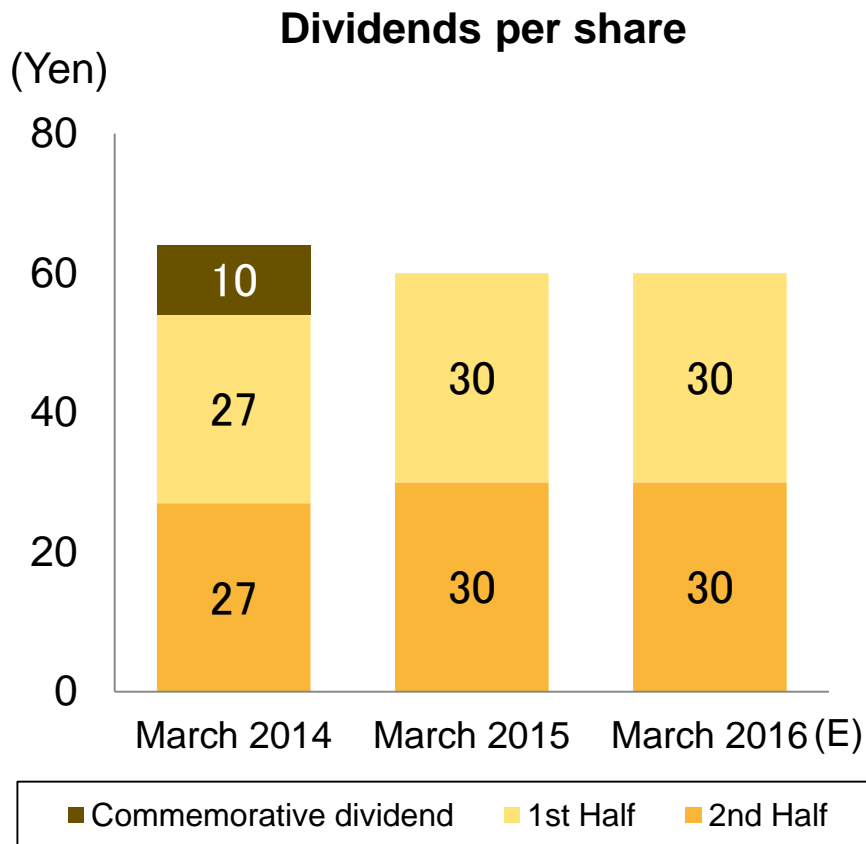


Amounts are rounded down.

# Shareholders Return

**Dividend of profit: Unchanged according to the policy  
(DOE of 3% or more)**

**Share buyback: Completed buyback announced in May**



Amounts are rounded down.

## **Part 3:**

- 1 . Measures implemented in the First Half**
- 2 . Measures that will be implemented in the Second Half**

**Director and Vice Chief Executive Officer,  
Chief AUTOBACS Chain Officer**

**Kiomi Kobayashi**

# **1 . Measures implemented in the First Half**

## Car parts and accessories

- Expansion line-up of the private brand “AQ.”  
Introduction category : Engine oil, winter tire, coolant liquid, etc.
- Sales expansion of car video camera  
Amount (YoY): +114.0% (cumulative through Q2 for the fiscal year ending March 2016)  
Continue reinforcing efforts going forward by identifying these goods as those that can be anticipated to garner stronger demand

## Statutory safety Inspection

- Promote creating customers projected to book a statutory safety inspection by mentioning it at the cashier
- Contact customers that are approachable at a later date via a phone call, etc.

## Car purchase and sales

- Broadcast nationwide television commercials to improve visibility
- Deployment of car purchase and sales specialized stores

# Expanding AUTOBACS Private Brand



**“AQ. (AUTOBACS QUALITY.)”**



**Interiors and car wash goods**  
Launched in July 2015



**Battery**  
Launched in Oct. 2014



**Disinfection/Deodorization**  
Launched in March 2015



**Car wash goods**  
Launched in April 2015



**Engine oil**  
Launched in June 2015



**Coolant liquid**  
Launched in Aug. 2015



**Rear view camera**  
Launched in Oct. 2015



**Handle cover**  
Launched in April 2015



**Winter tire**  
Launched in Sep. 2015

# Oil change / Statutory safety inspections:

## Initiatives implemented for appointments made via website/telephone



### ■ Results of Oil change appointments made via website / telephone. (in the first half)

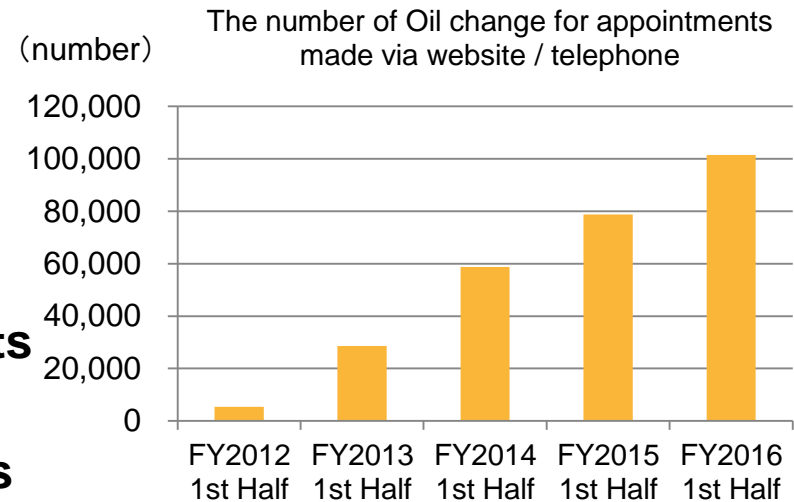
**Approximately 101,000**  
**(the number of oil change, YoY + 29%)**

**\*Percentage of oil sales volume 4.3%**

**【 future initiatives 】**

▪ **Strengthen taking same-day appointments for oil change**

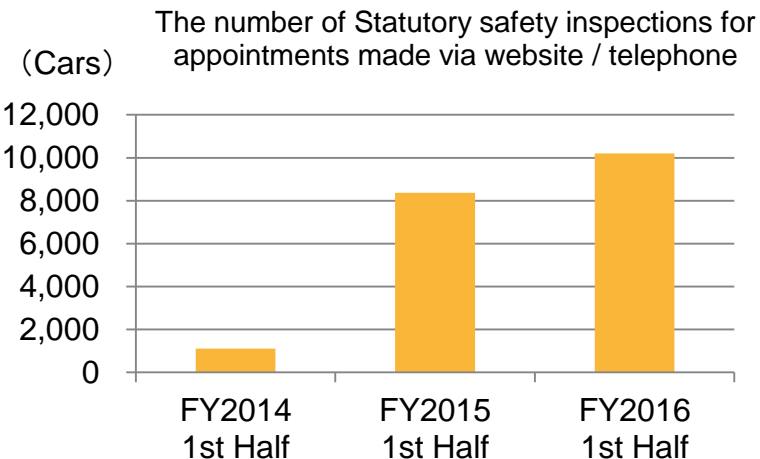
▪ **All stores to take oil change appointments in 30-minute intervals**



### ■ Results of Statutory safety inspections appointments made via website / telephone. (in the first half)

**Approximately 10,000 cars (YOY + 22%)**

**\*Percentage of total number of car inspections**



The impact of efforts made to attract customers to stores is making headway: increase in purchases on the Internet  
⇒ pickup/installation in stores

## ■ Net sales for 1<sup>st</sup> Half

:1.4 billion yen (up 142.4% YoY)

Store sales: 0.82 billion yen (up 139.2% YoY)

Direct delivery to customers: 0.58 billion yen (up 135.8% YoY)

Sales channel

Company website: about 65% of total

Shopping mall: about 35%

## ■ Reinforce efforts to attract customers from outside shopping malls

Store pickups/installations of goods purchased on the AUTOBACS Rakuten Market store (starting in October 2015)



## **2 . Measures that will be implemented in the Second Half**

## Business Policy

### Creating Higher Value for Customers and Establishing Competitive Advantage

“Building Continuous Relationship with Customers, and Providing Convenience and Trust by Strengthening Ties with Them”

## Segment Target

### Numerical Targets of the Domestic AUTOBACS Business

- **Automotive goods and services: 240.0 billion yen**  
(Tire sales: 7.3million tires/ 65.0BY)
- **Statutory safety inspection and maintenance sales:**  
**0.8 million cars/ 20.8BY**
- **Automobile purchase and sales: 52,000 cars/ 50.0 BY**
- **New store opening: 48 stores**  
(34 stores opened from FY March 2016 to FY March 2018)

## Competitive advantage of AUTOBACS

**“Customers can use our services comfortably without stress”**

~customers feel they are served “with great understandings,” “with trust,”  
“with shorter waiting times,” “at all times,” and “with suitable substitutes”~

**Building continuous relationship with customers by strengthening statutory safety inspection and maintenance services**



**Offer a variety of merchandise and services by utilizing maintenance membership information and building sustained relationship with customers via omni-channel and else.**

**⇒ AUTOBACS stores to become more trusted and comfortable to customers**

# Specific Strategy for the AUTOBACS Business



## Increase maintenance memberships



**Target: 3 million maintenance members**

**\*Around 2 million members as of the end of March 2015**

### Major initiatives to be implemented in the second half

- Solicit existing point members
- Promote securing new members and sustaining existing members through sales promotions, such as direct mailings and discount coupons included in receipts
- Exhaustively work on turning car buyers and those who pay for safety inspection services into maintenance members
- All stores to secure a sales floor area for selling maintenance cards

# Specific Strategy for the AUTOBACS Business



## Increase customers for oil



### Major initiatives to be implemented in the second half

- Accept greater numbers of oil change appointments
  - All stores to take same-day appointments for oil change
  - All stores to take oil change appointments in 30-minute intervals
- Shorter time for oil change and safety inspections
  - Adopt new top-down oil changers
- Adopt special price goods

# Specific Strategy for the AUTOBACS Business



## Increase customers for statutory safety inspection



**Targets: 800,000 vehicles, 20.8billion Yen (FY March 2018)**

### Major initiatives to be implemented in the second half

- Promote the adoption of offering “quick statutory inspection” with subsequent maintenance services at selected stores
  - \*Around 75% of stores are currently performing full-maintenance statutory inspections that take a long time
- Promote securing appointments for the next car inspection (two years later)
  - (1) Offer benefits for the next car inspection (discounts, etc.)
  - (2) Implement an incentive plan for FC companies
- Continue to cultivate resources for maintenance personnel

# Specific Strategy for the AUTOBACS Business



## Increase customers for tires



**Target: Sales of 7.3 million tires (FY March 2018)**

### Major initiatives to be implemented in the second half

- Adopt new PB studless tires (product priced on the lower end of the range)
- Promote the adoption of the tire storage service
  - \*Currently around 60% of stores have adopted the service
- Expand tire sales via E-commerce and strengthen initiatives to attract customers to stores

# Specific Strategy for the AUTOBACS Business



## Increase automobile purchase from customers



Automobile purchase and sales

**Targets: 52,000 vehicles, 50 billion Yen (March 2018)**

### Major initiatives to be implemented in the second half

- Improve skills among personnel with an eye to increasing car purchases  
⇒ Increase the number of qualified persons to perform purchase appraisals, reinforce sales skills
- Strengthen sales of leased goods
- Increase the number of individual CARS franchise stores
- Continue to implement measures aimed at improving visibility, such as through advertising campaigns
- Start handling brokerage services for on-the-spot appraisals offered through a business partnership with CARVIEW Corporation

# Items and Initiatives of Mid-term Business Plan

## Initiatives of Domestic AUTOBACS Business

Items	Initiatives
Maintenance membership holders	<ul style="list-style-type: none"><li>▪ Reviewing membership benefits, strengthen activities to attract more members, etc.</li><li>▪ Increasing maintenance members to three million from two million at the end of March 2015</li></ul>
Oil change services	<ul style="list-style-type: none"><li>▪ Shortening waiting times for oil changing services</li><li>▪ Promoting online booking and improving coordination with stores</li></ul>
Statutory safety inspection services	<ul style="list-style-type: none"><li>▪ Acquiring more appointments for statutory safety inspections</li><li>▪ Reviewing merchandise and services</li></ul>
Tire sales	<ul style="list-style-type: none"><li>▪ Establishing an appointment system for tire replacements</li><li>▪ Strengthening online sales</li><li>▪ Providing a service for holding tires and proposing tire replacement</li><li>▪ Improve purchase and inventory control</li></ul>
Automobile purchase and sales	<ul style="list-style-type: none"><li>▪ Strengthening sales of leasing items</li><li>▪ Continuing measures currently carried out at existing stores</li></ul>

# Items and Initiatives of Mid-term Business Plan

## Domestic Store Subsidiaries : Initiatives aimed at improved profitability

**Steadily implement initiatives toward improving operating income and the rate of inventory efficiency by sharing specific numerical targets and challenges with the president of each store subsidiary**

Items	Initiatives
Expand sales	<ul style="list-style-type: none"><li>▪ Expand sales of automotive goods and services, Statutory safety Inspection, Automobile purchase and sales</li><li>▪ Strengthen point of contact with customers through reform of store operations along with the business strategy</li></ul>
Improve gross profit margin	<ul style="list-style-type: none"><li>▪ Selling price management at stores</li><li>▪ Review details of terms of procurement, remain thorough about managing forecasts and actual results</li><li>▪ Individual guidance for stores with low gross profit margin</li></ul>
Cut costs	<ul style="list-style-type: none"><li>▪ Rationalize work hours</li><li>▪ Reduction cost, such as rent and the store system</li></ul>
Rationalize inventory	<ul style="list-style-type: none"><li>▪ Promote inventory management that consistently keeps stock up-to-date</li><li>▪ Improve turnover rate by enhancing the rate of inventory efficiency</li></ul>

# Items and Initiatives of Mid-term Business Plan

## Overseas Business: Promote business expansion centered on ASEAN

**Improve profitability of existing stores and promote opening of small-scale stores centered on maintenance goods**

Items	Initiatives
Areas with existing stores	<ul style="list-style-type: none"><li>▪ Reduction of fixed costs and relocation at unprofitable stores</li><li>▪ Improve gross profit by reviewing pricing, procurement and inventory management</li><li>▪ Continue opening stores in Thailand (estimate: 1 store in the 1<sup>st</sup> half, 2 stores in the 2<sup>nd</sup> Half)</li></ul>
New areas	<ul style="list-style-type: none"><li>▪ Beginning of store opening in Malaysia and Indonesia Malaysia: 1 store in the 1<sup>st</sup> half, 2 stores in the 2<sup>nd</sup> half (estimate) Indonesia: 1 store in the 1<sup>st</sup> half, 1 store in the 2<sup>nd</sup> Half (estimate) *Established joint venture company with a local corporation</li></ul>
Other	<ul style="list-style-type: none"><li>▪ Start supplying merchandise to the Japan Plaza available via China's cross-border E-commerce</li><li>▪ Continue to considered alliances and M&amp;As</li></ul>

## New Business : Begin BMW/MINI dealer operations

**Sales volume for both BMW and MINI up since operations began  
(at least 50% higher year on year)**

Items	Initiatives
Name of companies acquired:	Autoplatz K.K., Autoplatz Moters K.K.
Name of stores	Ikebukuro BMW and MINI Ikebukuro (official dealer of BMW)
Beginning of operation	April 1, 2015
Purpose:	<ul style="list-style-type: none"><li>▪ start of the dealer business of new cars</li><li>▪ training of the human resources for car sales</li><li>▪ Realize a connection with an even more broad client base as a consolidated group</li></ul>
Current challenges	<ul style="list-style-type: none"><li>▪ Reform staff awareness and build a mechanism for a personnel system</li><li>▪ Set up a committee structure</li><li>▪ Improve personnel efficiency</li></ul>

# New Store Openings / Domestic

## Store openings from April to October, 2015

	Store name	Location (Prefecture)	Owner of store	Opening date	Building with furniture and equipment
1	AUTOBACS TAKEO Store	Saga	Subsidiary	Apr 16, 2015	
2	AUTOBACS OGAWARA	Miyagi	Subsidiary	Jun 11, 2015	
3	AUTOBACS KURE AGA CHUOU Store	Hiroshima	Subsidiary	Jun 25, 2015	
4	AUTOBACS KYOTO AYABE	Kyoto	FC	Jun 25, 2015	○
5	AUTOBACS EXPRESS KYOTO AYABE	Kyoto	FC	Jun 25, 2015	○
6	AUTOBACS OITA KASUGAURA	Oita	FC	Sep 10, 2015	
7	AUTOBACS TOSU Store	Saga	FC	Sep 17, 2015	
8	AUTOBACS SHINEI Store	Kagoshima	FC	Sep 24, 2015	
9	AUTOBACS EXPRESS NODA UMESATO Store	Chiba	FC	Sep 11, 2015	
10	AUTOBACS IMAZU Store	Shiga	FC	Oct 29, 2015	○

Additionally 4 stores is scheduled to open by March, 2016

- **Profitability achieved in the first half despite sales not achieving plan as a result of efforts made on statutory safety inspection services as well as car purchases and sales; improved gross profit margin; and controlled SG&A costs, although demand for automotive goods and services continued to slump due to sluggish new car sales**
- **Will aim at growing profits in the second half by reinforcing sales of tires, car purchases and statutory safety inspection services centering on the year-end shopping and earnings seasons**
- **Measures in the Medium-term Business Plan will be implemented steadily centered on reinforcing efforts to secure maintenance members, gaining greater numbers of cars for statutory safety inspection and locking in appointments for the next statutory safety inspection**

# **APPENDIX**

# Quarterly P/L (1<sup>st</sup> Half of FY March 2016)

(Million Yen)

	1 <sup>st</sup> Quarter of FY 2016		2 <sup>nd</sup> Quarter of FY 2016		1 <sup>st</sup> Half of FY 2016	
	Result	YoY	Result	YoY	Result	YoY
Net sales	49,095	+1.3%	49,599	+0.1%	98,695	+0.7%
Gross margin	15,703	+5.9%	16,404	+4.2%	32,107	+5.0%
% of Sales	32.0%	—	33.1%	—	32.5%	—
SG&A	14,735	-1.8%	14,875	-1.2%	29,611	-1.5%
Operating income	968	—	1,528	+120.4%	2,496	+391.5%
% of Sales	2.0%	—	3.1%	—	2.5%	—
Ordinary income	1,323	+229.1%	1,805	+90.3%	3,128	+131.6%
% of Sales	2.7%	—	3.6%	—	3.2%	—
Net income	582	+272.1%	1,041	+292.7%	1,623	+285.0%
% of Sales	1.2%	—	2.1%	—	1.6%	—
Same store sales	—	+5.0%	—	-2.3%	—	+1.2%

Amounts are rounded down.

% of Net Sales and YoY comparisons are calculated in the single digits.

# Consolidation Adjustments

## Consolidation Adjustments

(Million Yen)

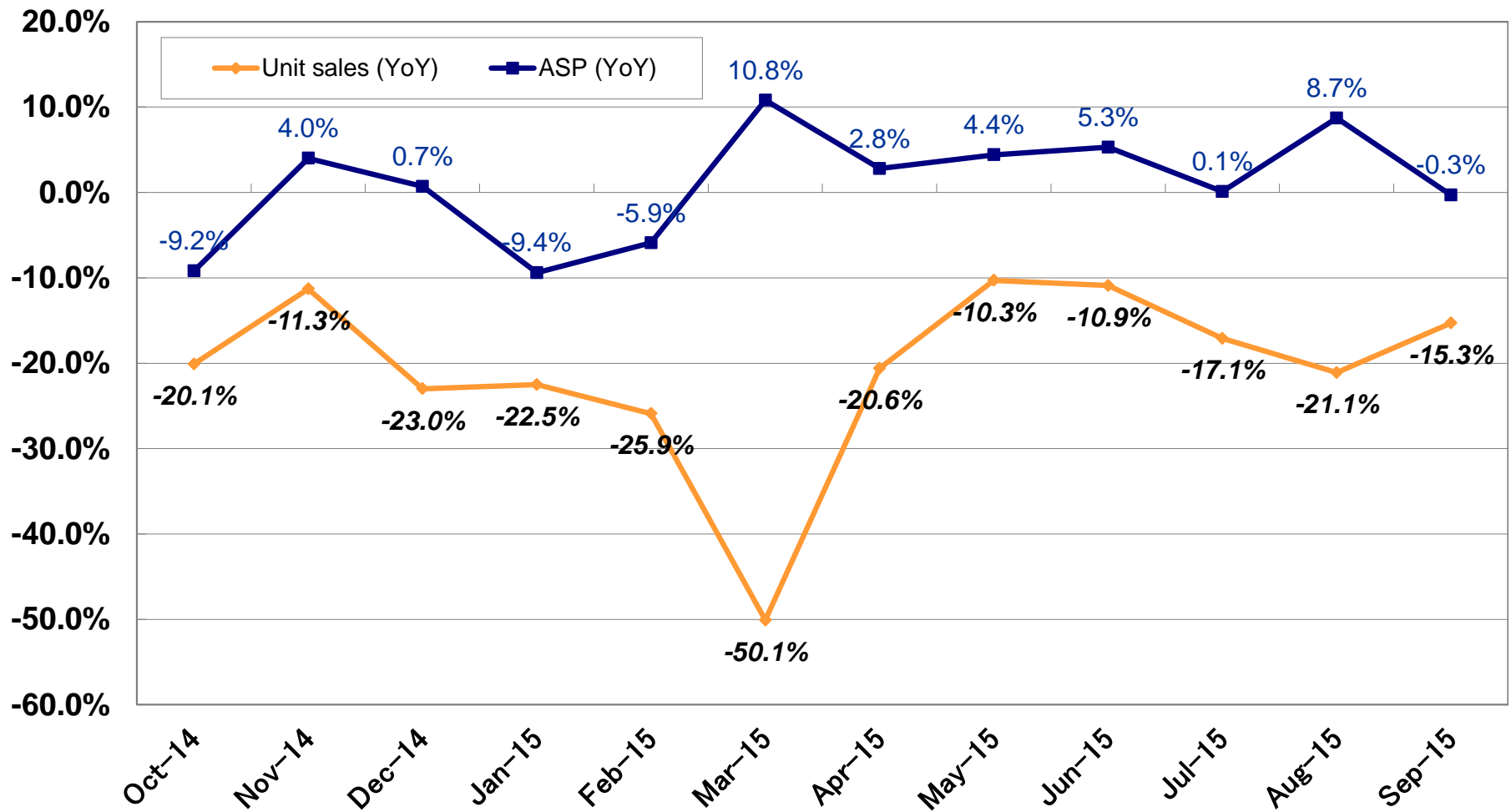
	Six months ended September 30, 2015	Six months ended September 30, 2014
Operating Income for segment total	2,596	800
Elimination of Intersegment transaction (Income of subsidiaries for supporting functions, etc.)	(355)	(215)
Inventories (Unearned income of subsidiary inventories, etc.)	13	(247)
Depreciation of Goodwill	(51)	(107)
Adjustment in fixed assets	254	205
Allowance for point card	(0)	60
Others	39	12
Consolidation adjustment	(99)	(292)
Consolidated operating income	2,496	507

Note: Figures in parentheses are negative.

Amounts are rounded down.

# ASP Trends in Car Navigation Devices

## ASP and Unit Sales Trends of Car Navigation Devices (YoY)



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

# Analysis of Income statements (1st Half of FY 2016)

## Parental company (Non-consolidated)

<b>Net sales</b> <b>75.1BY</b> <i>YoY: -3.51BY</i>	<b>Wholesale</b> <b>-3.83BY</b> <b>-5.2%</b>	↑ Services ↓ Car electronics, car interior, tires and wheels, etc.
	<b>Retail</b> <b>+0.45BY</b> <b>+19.1%</b>	↑ Car sales, services, e-commerce, car electronics ↓ Car interiors, fuel and etc.
<b>Gross profit</b> <b>15.7BY</b> <i>YoY: -0.22BY</i>	<b>Wholesale</b> <b>-0.26BY</b> <b>-1.7%</b>	↑ Tires and wheels, services, car sales, etc. ↓ Car interior oil & batteries, car electronics, etc.
	<b>Retail</b> <b>+0.06BY</b> <b>+9.7%</b>	↑ Motor sports goods, car electronics ↓ No special items
<b>SG&amp;A</b> <b>12.2BY</b> <i>YoY: -0.74BY</i>	<b>Personnel expenses:</b> Decrease in performance linkage remuneration of last year, etc.	
	<b>Selling expenses:</b> Decrease in expenses for advertising, such as TV commercials and newspaper ads as well as sales promotion costs	
	<b>Equipment costs:</b> Increase in depreciation of new store operation systems	
	<b>Others:</b> No special items changed	

## Domestic store subsidiaries

<b>Net sales</b> 32.3BY <i>YoY: +1.81BY</i>	The increased sales were attributable to a rise in sales associated with the transfer of stores from franchise companies, a rise in sales of automotive goods in the form of a rebound from the reduced sales following the consumption tax hike the previous year. Gross margin improved due to control of selling price at stores and decrease of inventories. Selling, general, and administrative expenses remained at around the same level as in the previous year as a result of a cut in costs from efforts made in reducing sales promotion expenses and other controllable expenses.
<b>Ordinary income</b> <b>-1.18BY</b> <i>YoY: +1.21BY</i>	

Amounts are rounded down.

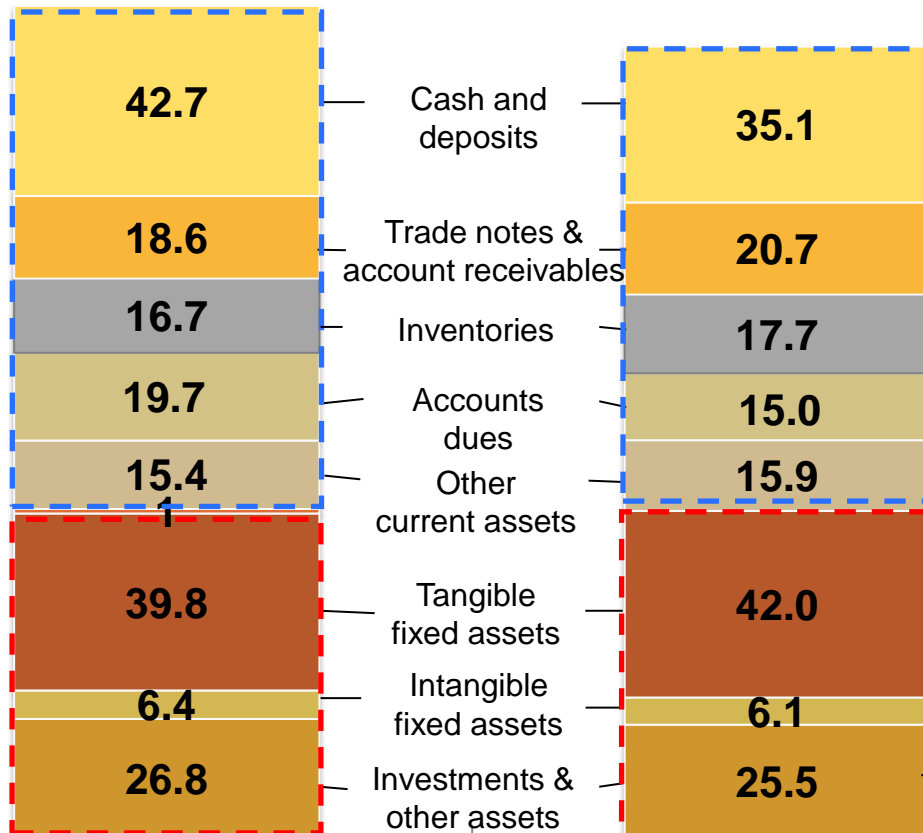
# Balance Sheet: Assets

## Total Assets

186.5 BY

178.5 BY

(Billion Yen)



## Major items changed

Decreased by share buy back and dividends

Increased due to new stores openings

Decrease by devaluation of investment securities

At Mar.31, 2015

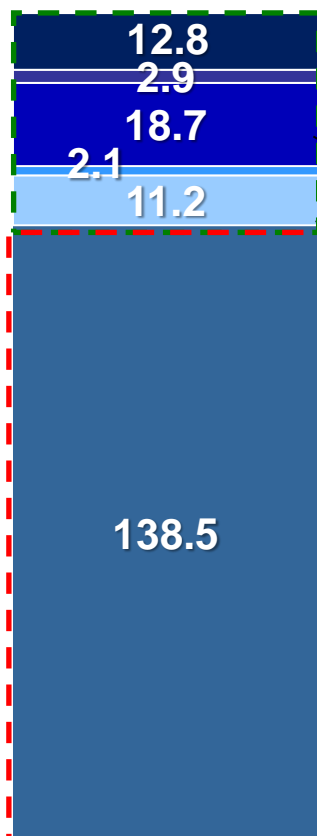
At Sep.30, 2015

Amounts are rounded down.

# Balance Sheets: Liabilities and Equity

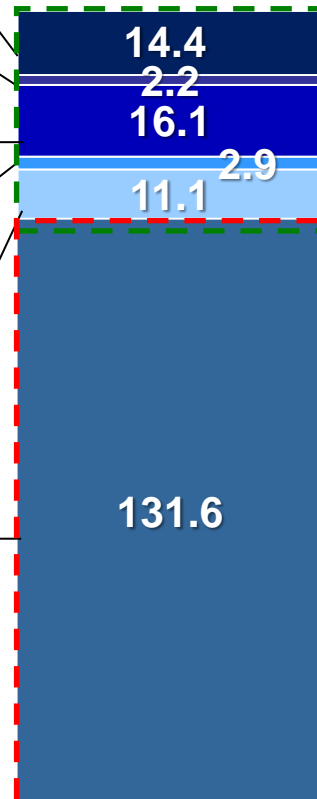
## Total Liabilities & Equity

186.5BY



At Mar. 31, 2015

178.5BY



At Sep. 30, 2015

(Billion Yen)

## Major items changed

Retained earnings: -5.9 BY  
 Treasury stock: -0.2BY  
 (Share buy-back: -5.2BY  
 Cancellation of treasury stock: +4.9BY)

Amounts are rounded down.

# <Reference>About the maintenance membership system



**Annual membership fee: 1,080 yen (including tax)    Renewal fee: 540 yen (including tax)**

**Points offered: 1 point for every 100 yen of purchase**

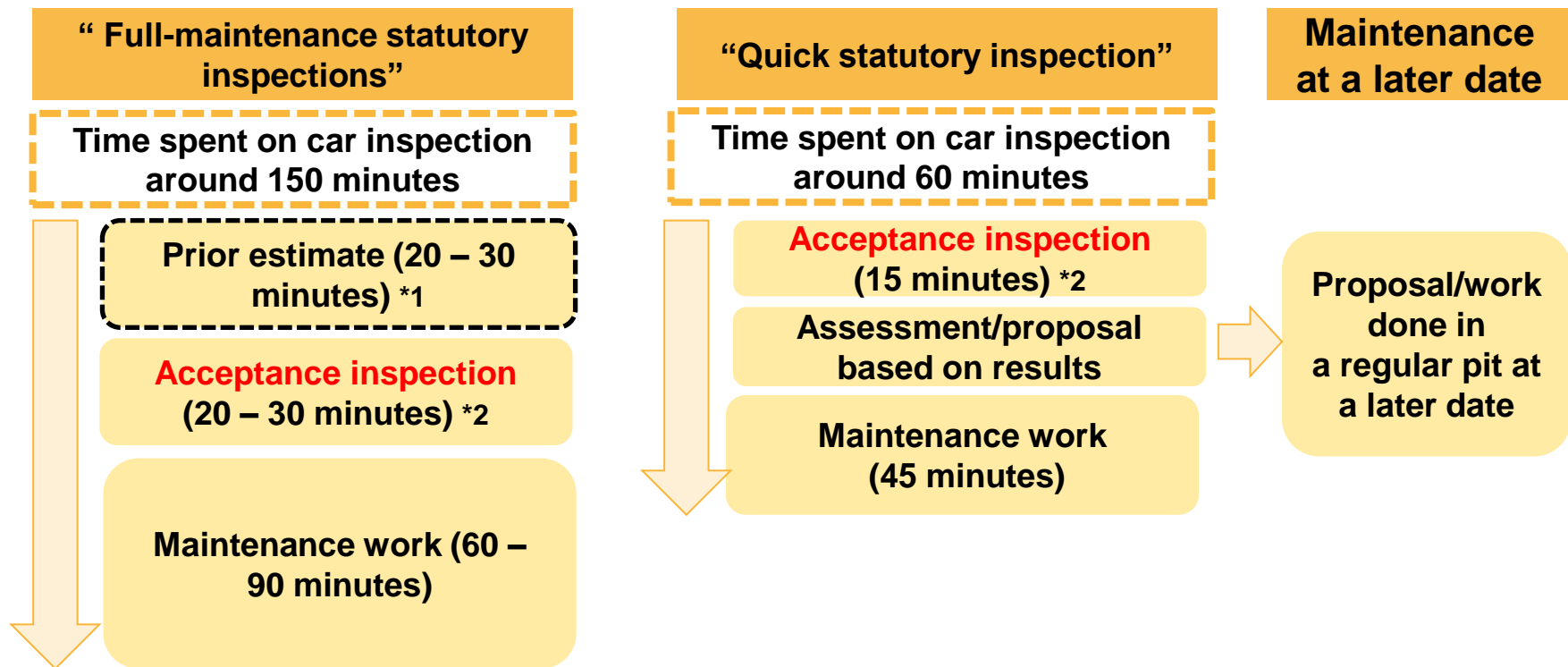
**Special benefit: The eight labor charges stated below as part of the maintenance items will be free of charge.**

	Maintenance items	For maintenance members	For ordinary customers (basic charge)	*Each basic labor cost is an example and different from one store to another
1	Labor for engine oil change	Free of charge	540 yen and up	
2	Labor for oil element change		540 yen and up	
3	Labor for air filter change		540 yen and up	
4	Labor for changing batteries		540 yen and up	
5	Punctured tire repair		1,620 yen and up	*The free tire rotation and the free single-coin menu are limited to once a year
6	Tire rotation    *1		2,160 yen and up	
7	Labor for changing windshield wipers		270 yen and up	
8	One single-coin (500 Yen) menu    *2		500 yen	

**Over 6,000 yen in perks for users if all the free special benefit items on the maintenance menu are utilized**

## <Reference> About “Quick Statutory Inspection”

### ■ The difference between the traditional full-maintenance statutory inspection and quick statutory inspection



\*1: Prior estimates are often conducted on a different date from the actual vehicle inspection date

\*2: **Acceptance inspection** refers to inspecting 56 items as established by laws and ordinances

Around 75% of the stores are currently conducting full-maintenance statutory safety inspections. Improved productivity by adopting “quick statutory inspection” is essential to increase the number of vehicles for inspection.

# <Reference>About the tire storage service

■ Allay customer concerns about where tires are stored and lead this to securing customers as well as selling tires



## [Purpose/Objective]

- (1) By storing tires for customers, promote customers to return to stores when changing tires and lead this to securing customers and selling tires the next time
- (2) Allay customer concerns about securing a location for storing tires, theft, etc.

## [Actual implementation]

Implemented by 344 stores (around 60%) \*As of the end of September 2015

Further improve customer convenience by working on getting all stores to adopt this service as soon as possible

# New Store Openings / Overseas



Thailand

AUTOBACS NAWAMIN Store  
Opening date : April 9, 2015.



Malaysia

AUTOBACS PERLING Store  
Opening date : May 19, 2015.



Indonesia

AUTOBACS A.R.Hakim Store  
Opening date : July 8, 2015



Malaysia

AUTOBACS SERI-ORKID Store  
Opening date : October 2, 2015.



Thailand

AUTOBACS PHARAMA 3 Store  
Opening date : October 5, 2015.

Relocation

# Store Openings and Closings (Plan)

## < Domestic stores >

	No. of stores as of March 31, 2015	Fiscal year ending March 31, 2016							(Plan) No. of stores as of March 31, 2016
		1 <sup>st</sup> Half (result)			No. of stores as of September 30, 2015	2 <sup>nd</sup> Half (Plan)			
		New	S/B · R/L	Close		New	S/B · R/L	Close	
AUTOBACS	491	+7	+4/-4	-1	497	+4	+3/-3	-2	499
Super AUTOBACS	75				75				75
Secohan Ichiba	10			-1	9				9
AUTOBACS EXPRESS	8	+2			10	+1			11
Domestic total	584	+9	+4/-4	-2	591	+5	+3/-3	-2	594

## < Overseas stores >

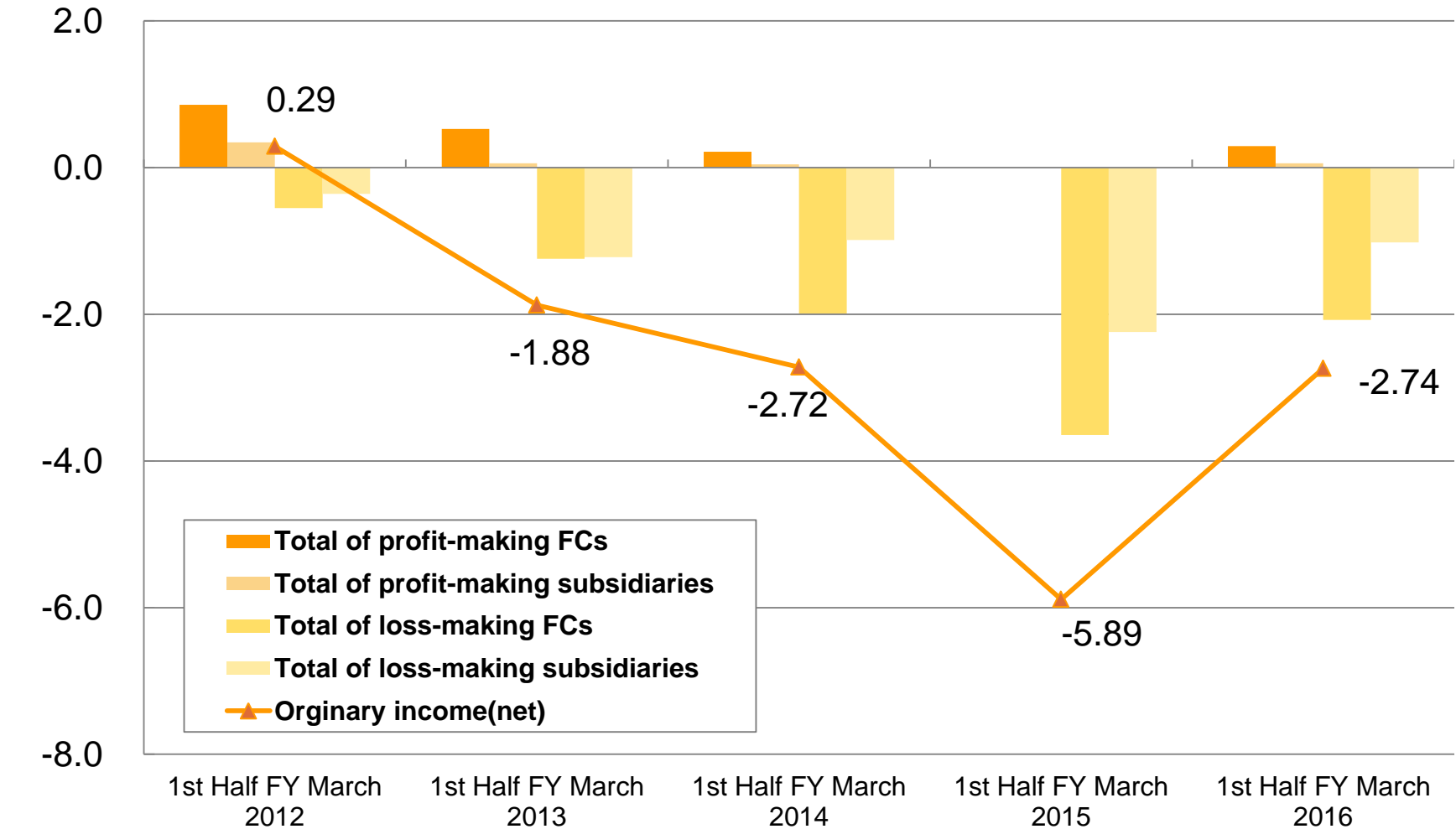
S/B=Scrap & Build, R/L=Relocation

	No. of stores as of March 31, 2015	FY March 2016(Results & Forecasts)			(Plan) No. of stores as of March 31, 2016
		1st Half (result)	No. of stores as of September 30, 2015	2nd Half (Plan)	
France	11		11		11
China	0		0		0
Thailand	5	+1	6	+2	8
Singapore	3		3		3
Taiwan	6		6		6
Malaysia	2	+1	3	+2	5
Indonesia	-	+1	1	+1	2
Total	27	+3	30	+5	35

# Performance Results of Franchisees

## Ordinary Income of Franchise Companies (Preliminary)

(Billion Yen)



- 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.