

AUTOBACS 2010 Medium-Term Business Plan



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Introduction

The BIG PLAN Under Development (April 2008 to March 2011)

- Profitability improved significantly and achieved results especially for measures centered on disposal of unprofitable businesses, improvements in cost efficiency and bolstering of the governance system.
- With respect to domestic franchise business, however, it is difficult to achieve the target for fiscal 2011 given the increasingly harsh market environment.

		Initial Aims of BIG PLAN	Assessment at present	Steps to take
Major business strategies	Domestic business	Bolstering the franchise business <ul style="list-style-type: none"> • Improving store profitability (Increasing sales volume of services) • Rebuilding “Area Dominant Strategy” 	Although some results such as the consolidation of stores and higher service sales volume were achieved, the initial profit target is unlikely to be reached.	Further reinforcing franchise business <ul style="list-style-type: none"> • Improving profitability by restructuring existing stores
	Overseas business	Conducting a full review of existing operations to eliminate losses	The elimination of losses by the end of March 2011 is now feasible with the withdrawal from the United States and improved profitability in France.	Improving profitability in France Looking at the possibility of business in China
	Administrative function/cost	Making headquarters functions/costs more efficient	Some results such as the reorganization of functional subsidiaries and cost cutting on a non-consolidated basis were achieved.	Upgrading the level of functions Continuing to improve cost efficiency
Financial strategies		Improving asset/capital efficiency	Despite higher capital efficiency, an ROE of 7% was not attained. The Group is working to achieve a dividend-on-equity ratio (DOE) of 3%.	Maintaining the policies
Corporate governance		Rebuilding the management system and reinforcing risk management	Some results such as an increase in outside officers and the establishment of a Governance Committee were achieved.	Maintaining the policies

Perception of the Business Environment

- The business environment in Japan has changed radically since the BIG PLAN started.

Changes in the market environment

Changes in the economic environment

- Unstable gasoline prices
- Weaker economy
- Decline in disposable income

Changes in the social environment

- Less number of vehicles owned
- Trend of returning to city centers
- Smaller number of dealers and SS

Changes in the technical environment

- Longer replacement cycle due to the improved performance of auto parts
- Changes in the percentage of car maker's genuine parts mounted
- Increase in eco-friendly vehicles such as hybrid cars



Changes in customers

Changes in customer attitude

- Higher environmental awareness
- Rising desire to save money
 - More frequent use of car-sharing and rental cars

Changes in the use of cars

- Prolonged age of cars
- Use of cars is shifting from leisure to a means of living (higher ratio of mini vehicles)
- Declining interest among youth in cars

Changes in attributes of car users

- Declining driver population due to the low birthrate and an aging population
- Rising average age of drivers license holders

The Target to be achieved by the AUTOBACS Group

- Aiming to materialize our vision “Anything about cars, you find at AUTOBACS” by rebuilding values to offer from the customer’s perspective

Values to offer

Quality merchandise and services at reasonable prices

- Merchandise and services of high quality at reasonable prices desired by customers

Convenience

- Contact points through diverse channels
 - Stores closer to customers and the Internet
- Stores where it is easy for customers to select and purchase

Security and reliability

- Customer service and technologies backed by strong expertise and technical capabilities
- Customer handling where customers receive the best proposals without difficulty



Overview of the New Medium-Term Business Plan

Basic Policy of the New Medium-Term Business Plan

Management targets

Consolidated operating income:	¥16 billion
ROE:	7.0%
	(long-term target: 10%)
Dividend-on-equity (DOE):	3.0%

Business strategies

Increasing market share and profitability at stores by focusing on the domestic franchise business and fundamentally strengthening it

Financial strategies

Working to increase shareholder value by maintaining the policies in the BIG PLAN

The period of the Plan is four years from fiscal 2010 to fiscal 2013.

Business Strategies

- **Increasing market share and store profitability by fundamentally bolstering the domestic franchise business**
 - Targets are 18% share of the aftermarket and a 6.9% operating margin at existing AB-format stores
- **Improving profitability at stores by implementing reforms in three areas: namely stores, merchandise and purchasing, and human resources and store operations, at all existing AB-format stores, of which there are approximately 400**
- **Opening 120 new stores. Further increasing market share by developing service formats and multi-channel strategies for the future**

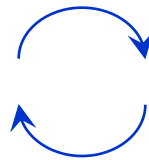
Targets of business strategies

- Auto aftermarket share¹⁾: 14% → 18%
- Operating margin at existing AB-format stores: 5.4% → 6.9%

Measures to improve profitability at stores

- Store reform
- Merchandise/purchase reform
- Human resources/store operation reform

Implementing
at all existing
400-AB format
stores



Measures to increase market share

- New store opening (120 stores)
- Development of service formats
- Multi-channel strategy

1) Market defined by Auto Mart NETWORK (A·M NETWORK). The market includes automotive goods and services and labor charge for sales of automotive goods and services. In auto shops, sales of the service division such as statutory safety inspection are included. Figures are based on an estimate that the market will shrink by 12% from the present size in fiscal 2013.

Individual Initiatives

Measures to Improve Profitability at Stores (1): Store Reform

- Introducing store reforms to all existing AB-format stores (approximately 400) to maintain sales
 - Improving store layout, display and sales promotion tools to create “easy to find, easy to shop” stores
- positive results are confirmed at pilot stores where reforms were tested before nationwide rollout.

Overview of store reform

Aim

Maintaining sales by creating fun stores that encourage selection and purchase

Measures

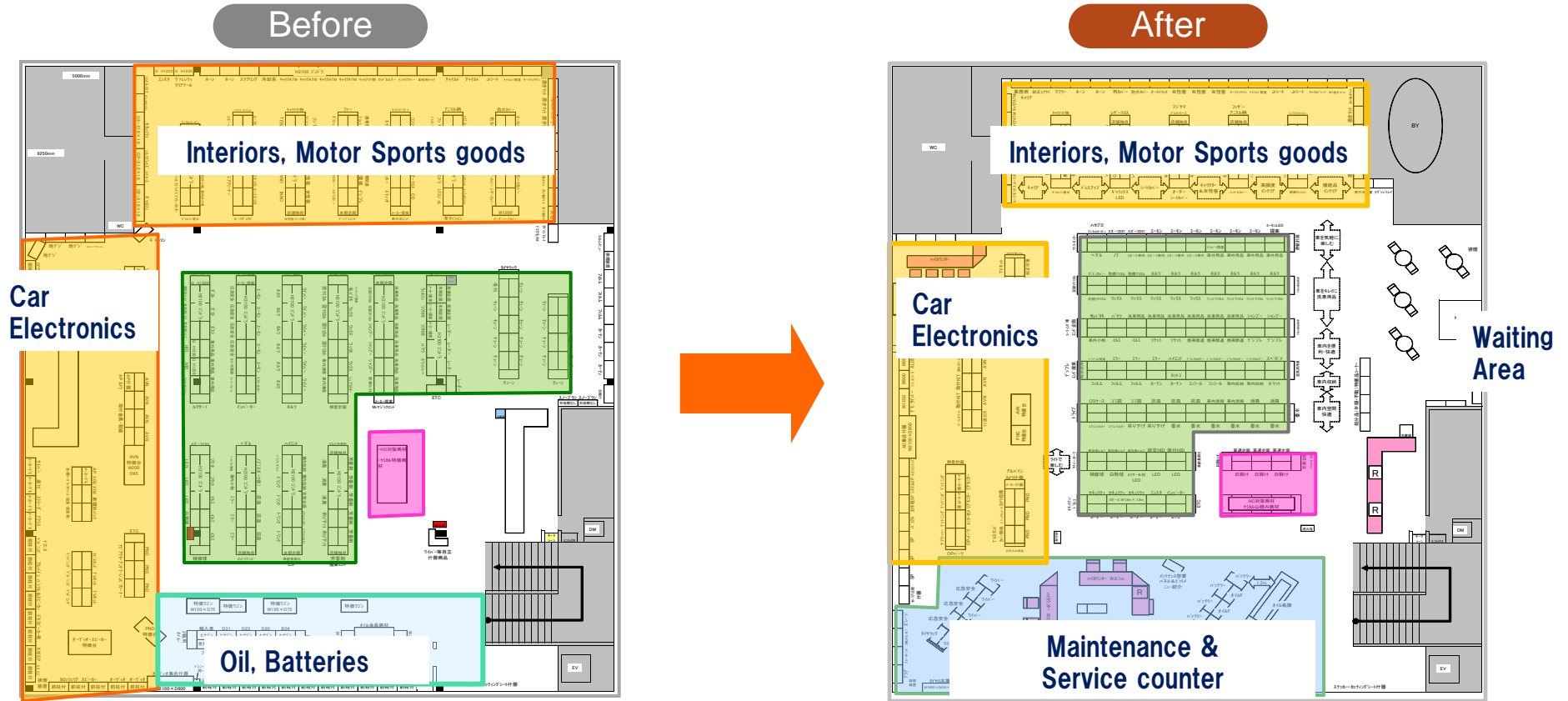
- Improving store layout
 - Building a comprehensive maintenance corner
 - Reviewing zoning signs to make it easier to find merchandise
- Improving displays and sales promotion tools
 - Multi-facing
 - Installment of new POPs

Changes in indicators before and after the reform at stores where the store reform was implemented

Demonstration data (examples)	Store sales 1) (YoY of cumulative sales achieved from January to March 2010)	Up 6% (¥125 million→¥132 million)
	Gross profit per customer	Up 15% (¥951,000→¥1,095,000)
	Sales space visit ratio (Number of customers visiting sales space / Number of customers)	Up approx. 7 points (2-15% → 9-21%)
	Purchase ratio (Number of customers who purchased goods / Number of customers)	Up 13 points (52% → 65%)
	Customer service ratio (Number of customers served / Number of customers)	Up 19 points (21% → 40%)

Note: “Gross profit per customer” is a comparison of the period of April - November 2009 with the period of December 2009 – March 2010. For other demonstration data, figures as of December 2009 are “before reform” and those as of January 2010 are “after reform.” For the purchase ratio and the customer service ratio, figures on holidays are used. 1): The comparison is made by sales excluding special factors such as special demand for ETC in the previous year.

An Example of the Advanced Store Development Project



1. Main shelves: Reduce the number of shelves and items
2. Created Maintenance & Service counter
3. Expanded aisles to improve visibility

An Example of the Advanced Store Development Project

View from the entrance

Before



After



Expanded aisles and improved visibility

Sales area of maintenance goods

Before



After



Customers can get advices over the counter

An Example of the Advanced Store Development Project

Sales area of car navigation

Before



After



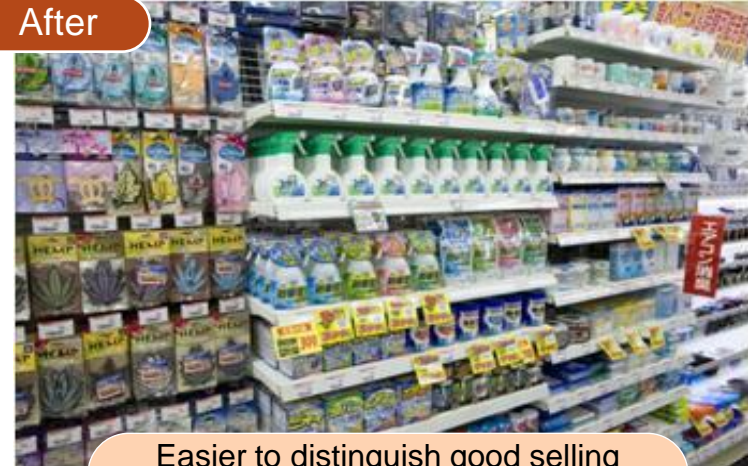
Easier to choose by applying appropriate signage & advertisement

Shelf of main display for small articles

Before



After



Easier to distinguish good selling items by multi facing

Measures to Improve Profitability at Stores (2): Merchandise/ Purchase Reforms

- Reform merchandising to provide goods and services desired by customers at reasonable prices
 - Increasing the ratio of maintenance goods in the merchandise category
 - Introducing comprehensive displays of merchandise supported by customers and actively developing goods with new proposals
 - Setting competitive prices by reducing costs through purchase reforms

Merchandise category composition at stores	
Shifting to a merchandise composition tailored to customer needs	
<ul style="list-style-type: none"> • Bolstering “comprehensive maintenance-related goods” such as tires and statutory safety inspection 	Comparison of sales in fiscal 2013 with those in fiscal 2009 ¹⁾
	(%)
Maintenance-related (services, tires, oils, batteries, maintenance including statutory safety inspection, maintenance services and bodywork)	+5
Statutory safety inspection & maintenance services	+35
Accessories and other auto goods and services (accessories, car repair)	+0
Wall surface goods (wheels, car electronics, sports)	-10
Automobiles (used cars)	+114



Selection of goods within a merchandise category

Constantly displaying merchandise and services desired by customers

- Comprehensive display of merchandise supported by customers at all stores

- Actively developing goods with new proposals for customers

Automotive goods and services, auto insurance, etc.



Pricing

Offering goods and services at prices for customers easy to buy

- Setting competitive prices even against other industries such as home centers

- Reducing costs through purchase reforms
 - Tie-up with suppliers
 - Bolstering efforts for PB merchandise

1. Growth rate from an expected value for fiscal 2009 to the target value for fiscal 2013

Source: AM Network (wheels, maintenance, accessories, car repair, sports); Yano Research Institute (car electronics, services); Jidoshashinbun (tires, oils, batteries)

Measures to Improve Profitability at Stores (3): Human Resources and Store Operation Reforms

- **Reforming human resources and store operation to bolster store sales and reduce costs**
 - Improving store operation efficiency and increasing the time spent serving customers
 - Improving customer service and treatment and expand the capabilities of store staff so that customers enjoy shopping and are satisfied with the goods they buy

Major reforms in store operation

- **Improving customer service and treatment**
 - Ensuring correct basic attitudes at cash register and sales floor
 - Improving readiness by reviewing staff assignments at stores
- **Expanding the capabilities of store staff**
 - Sales staff capable of servicing customers across an extended range of goods, including tires and car electronics
 - Pit staff capable of handling multiple pit tasks and the comprehensive maintenance corner inside the store
- **Improving pit technology**
 - Improving technologies, including a response to next-generation eco cars



Systems to promote reforms

- **Training of store staff**
 - Training for customer service and treatment
 - 3,000 employees in the initial year and targeting all employees during the period
 - Training to expand capabilities and acquire qualifications
 - Encouraging acquisition of national and chain qualifications
- **Reform of the manager system**
 - Shifting from a system of being in charge of a single department to a system of handling multiple departments
- **Improving store operation efficiency**
 - Standardization of store operations and labor saving in back office work, etc.
 - Standardization of each pit work and introduction of pit reservation system, etc. in pit operations
- **Reviewing corner arrangements from the customer view-point**

Measures to Increase Market Share (1): New Store Openings

- Opening 120 new stores by the fiscal year ending March 31, 2013 to increase the convenience of operating bases so that a larger number of customers can use the services of the Group
 - Adopting a store opening policy of prioritizing customer needs for service bases closer to them over the provision of a full line of goods and services
 - Improving the development capabilities of store format by taking advantage of the reform of existing stores and results at pilot stores
 - Implementing measures to accelerate store opening, such as the enhancement of franchise support and the new store opening by company owned stores and subsidiaries

Increasing customer needs

- Increasing customer needs for service bases closer to them as a result of the declining number of SS and the increasing number of self-service SS.

Emergence of room and potential store locations

- Improved marketing accuracy
- Store opening policy prioritizing customer needs over the maximum provision of goods and services

Improving development capabilities of store format

- Lowering the break-even point through the reform of existing stores
- Further accumulating store development and operation know-how at pilot stores
 - Lowering costs through standardization and packaging

Taking steps to accelerate store opening

- Enhancing franchise support
 - Store opening support system
 - Sales space building at stores under the auspices of headquarters
- New store openings by company-owned stores and subsidiaries

Improving customer convenience through store openings

Measures to Increase Market Share (2): Development of Service Formats and Multi-Channel Strategy

- Positioning the development of service formats and multi-channel strategies as a challenge for new growth, focusing on them to bring out their potential during the period of the Plan

Development of service formats

Basic policy

Developing several formats for statutory safety inspections and maintenance services and bodywork and paint

Measures (Present plan)

- Opening independent statutory safety inspection specialty stores in areas where AUTOBACS stores have not yet opened
- Enhancing alliances with statutory safety inspection and maintenance services as well as bodywork and paint companies as outside contractors
- Establishing a bodywork and paint center to provide logistical support for stores

Multi-channel strategy

Basic policy

Providing an environment where customers are able to use multiple channels such as the Internet and a store terminal in an integrated manner, in addition to the existing store network

Measures (Present plan)

- Enhancing sales channels other than stores
- Building a system to exchange customer information between stores, the Internet, and catalogs for pit reservation on the Internet and the installment of goods purchased on the Internet at stores
- Internet sales of merchandise with small volumes, such as car sports goods

Basic Policy for Overseas Operations

Goal

- Taking the overseas business as a whole into the black during the period of the new medium-term business plan

Basic policy

- Turning business in France into the black early
- Examining the potential of business in China and determining the direction

Measures to Improve the Executive ability of the Headquarters

- **Strengthening the ability of headquarters to get things done to steadily implement the new medium-term business plan**
 - **Bolstering leadership and support system of headquarters by developing core personnel (buyer, counselors)**
 - **Building a management system with improved executive ability by redefining the roles and responsibility of each department and establishing a monitoring system, etc.**

Initiatives

Bolstering the leadership and support system of headquarters

- **Fostering core function personnel to promote strategies**
 - Training of buyers
 - Training of counselors
- **Prioritized distribution of management resources to strengthen the ability to make proposals to stores**
 - Bolstering sales planning ability
 - Strengthening the ability of stores to develop models and make improvements
- **Sharing the management vision by instilling a new chain bible**

Building a management system with improved executive ability

- **Redefining the roles and responsibilities of each department**
- **Instilling in the Group the new medium-term business plan and linking the plan to daily operations**
- **Establishing a monitoring system**

Financial Strategies and CSR Activity Policy

Financial Strategies and Basic Policy for Shareholders' Returns

- ROE of 7% and dividend-on-equity ratio (DOE) of 3% set as management targets (long-term target of ROE is 10%).
- Investing actively to execute business strategies and generate operating cash flows.
- Enhancing shareholders' returns and improving asset/capital efficiency (assuming that financial safety is achieved)

1 Investing actively to put business strategies into practice

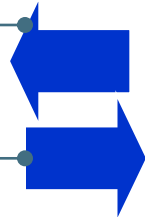
- New store opening and store remodeling associated with store reform

Planning to invest approximately ¥33 billion in total over four years by the end of fiscal year March 2013

3 Enhancing shareholders' returns

- Maintaining a DOE of 3%
- Purchasing the Group's own shares in a flexible manner

Business



BS



Shareholders

2 Generating operating cash flows by executing strategies

- Measures to increase profitability at stores and boost market share

Generating approximately ¥58 billion in total over four years

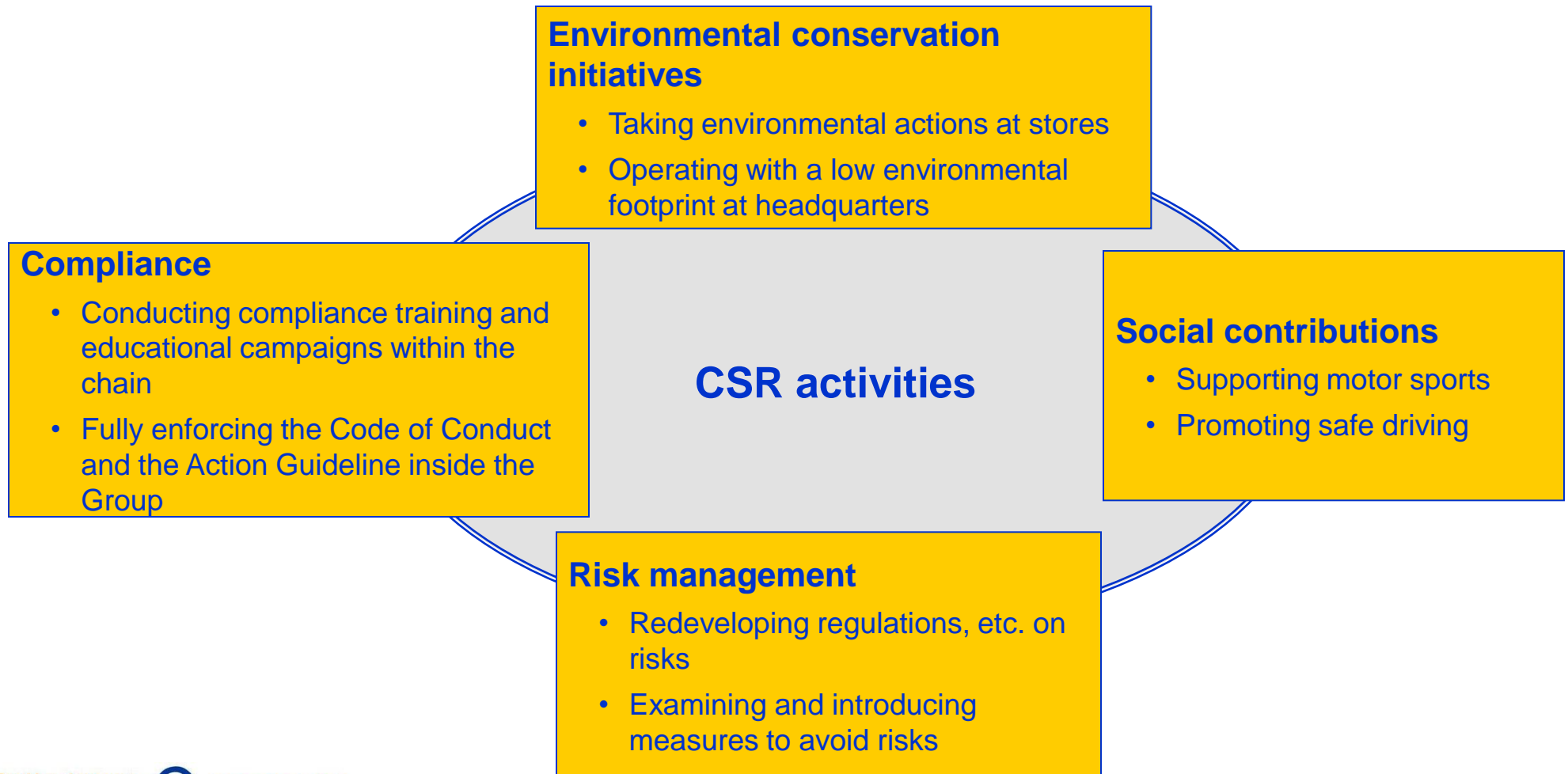
4 Improving asset/capital efficiency

- Improving inventory efficiency
- Capital investment management with an eye on investment profitability
- Enhancing shareholder returns

Reducing total assets by approximately ¥8 billion by the end of fiscal 2013

CSR Activity Policy

- Positioning CSR as an important management issue for AUTOBACS, taking actions in four areas



Anything about car's,
you find at  **AUTOBACS**

 **AUTOBACS SEVEN**

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 substantially from forecasts due to such factors as changes in operating circumstances.