

# **ANALYST MEETING**

**Results of the first-half ended Sep 30, 2008  
and outlook for the rest of the fiscal year**



**November 10, 2008**

***Setsuo Wakuda***

***Representative Director and CEO***

## **I. Results of the first-half ended Sep 30, 2008**

- Environmental changes exceeded the Company's forecast

## **II. Financial forecasts for the fiscal year ending Mar 31, 2009 (revised)**

- Take steps based on reflections of first-half results, seizing challenging environment as business opportunity

## **III. Progress of the mid-term business plan**

- Steady implementation of the plan announced at the beginning of this fiscal year
- Consider additional measures for achieving targets set for the fiscal year ending March 31, 2011

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- I. Results of the first-half ended Sep 30, 2008**
  - II. Financial forecasts for the fiscal year ending Mar 31, 2009 (revised)
  - III. Progress of the mid-term business plan

# Financial results (first-half ended Sep 30, 2008)



(billion yen)

	First-half result of the previous fiscal year	First-half ended Sep 30, 2008			
		Original forecast	Actual result	YoY change (amount / %)	Change from the original forecast (Amount / %)
<b>Net Sales</b>	<b>129.5</b>	<b>136.7</b>	<b>129.2</b>	<b>▲ 0.3</b> <b>▲ 0.2%</b>	<b>▲ 7.5</b> <b>▲ 5.5%</b>
<b>Gross Profit</b> <i>% of Net Sales</i>	<b>39.6</b> <i>30.6%</i>	<b>42.2</b> <i>30.9%</i>	<b>39.5</b> <i>30.6%</i>	<b>▲ 0.1</b> <b>▲ 0.3%</b>	<b>▲ 2.7</b> <b>▲ 6.4%</b>
<b>SG&amp;A</b> <i>% of Net Sales</i>	<b>36.6</b> <i>28.3%</i>	<b>40.2</b> <i>29.4%</i>	<b>39.1</b> <i>30.3%</i>	<b>+ 2.5</b> <b>+ 6.8%</b>	<b>▲ 1.1</b> <b>▲ 2.7%</b>
<b>Operating Income</b> <i>% of Net Sales</i>	<b>3.0</b> <i>2.3%</i>	<b>2.0</b> <i>1.5%</i>	<b>0.4</b> <i>0.3%</i>	<b>▲ 2.6</b> <b>▲ 86.3%</b>	<b>▲ 1.6</b> <b>▲ 80.0%</b>
<b>Ordinary Income</b> <i>% of Net Sales</i>	<b>4.8</b> <i>3.7%</i>	<b>2.5</b> <i>1.8%</i>	<b>1.4</b> <i>1.1%</i>	<b>▲ 3.4</b> <b>▲ 70.4%</b>	<b>▲ 1.1</b> <b>▲ 44.0%</b>
<b>Net Income</b> <i>% of Net Sales</i>	<b>2.0</b> <i>1.6%</i>	<b>3.0</b> <i>2.2%</i>	<b>1.6</b> <i>1.3%</i>	<b>▲ 0.4</b> <b>▲ 16.9%</b>	<b>▲ 1.4</b> <b>▲ 46.7%</b>

Amounts are rounded down to the nearest hundred million yen.

% of Net Sales and YoY comparisons are calculated in million yen.

## 1. Fundamental changes in the operating environment

- Changes beyond forecast, including the steep rise of crude oil prices, a fall in the number of cars owned and the slump in global economy

## 2. Changes in fast-selling automotive goods in Japan

- Market trend toward a scale-down of car audio and motor sports goods
- Change of customer orientation toward low-end products
- Expansion of the portable navigation devices market

## 3. None achievement of non-consolidated targets

- Failure to achieve wholesale targets, mainly car electronics and motor sports goods
- Approximately one billion yen reduction in SG&A expenses

## 4. None achievement of store subsidiaries' targets

- Despite the reduction of SG&A, revenue declines caused by a decrease in number of customers, could not be offset

## 5. None achievement of overseas subsidiaries' targets

# Performance by Subsidiaries (1st-half ended Sep 30, 08)



(billion yen)

		First-half result of the previous fiscal year	First-half ended Sep 30, 2008			
			Original forecast	Actual Result	YoY change (amount)	Change from the original forecast (amount)
<b>Domestic retail sales including FCs</b>		145.2	149.0	140.8	▲ 4.4	▲ 8.2
<b>Non-consolidated</b>	Net Sales	99.0	102.5	98.4	▲ 0.6	▲ 4.0
	Ordinary Income	6.06	3.70	3.61	▲ 2.45	▲ 0.08
<b>Domestic store subsidiaries</b>	Net Sales	37.8	39.9	36.5	▲ 1.3	▲ 3.3
	Ordinary Income	▲ 0.23	▲ 0.20	▲ 0.91	▲ 0.68	▲ 0.71
<b>Overseas store subsidiaries</b>	Net Sales	14.0	16.9	15.6	+ 1.6	▲ 1.2
	Ordinary Income	▲ 0.86	▲ 0.60	▲ 0.92	▲ 0.05	▲ 0.32
<b>Supporting function subsidiaries</b>	Net Sales	7.9	9.1	8.4	+ 0.5	▲ 0.6
	Ordinary Income	0.30	0.20	0.43	+ 0.12	+ 0.23
<b>Total car-life support subsidiaries</b>	Net Sales	8.8	9.4	9.3	+ 0.4	▲ 0.09
	Ordinary Income	0.07	0.1	▲ 0.05	▲ 0.12	▲ 0.15

Net Sales are rounded down to the nearest hundred million yen.  
Ordinary Incomes are rounded down to the nearest million yen.

# Financial Summary (first-half ended Sep 30, 2008)



(billion yen)

Result and original forecast (Percentage of Net Sales)		Major increase/decrease factor
<b>Net Sales</b>	<b>129.2</b>	
Previous year's 1st-half result	129.5	<ul style="list-style-type: none"> <li>↑ AUTOBACS STRAUSS sales for one month</li> <li>↓ takeover of four stores from franchise companies</li> <li>↓ poor automotive goods sales in Japan</li> </ul>
Original forecast	136.7	↓ poor automotive goods sales in Japan and overseas
<b>Gross Profit</b>	<b>39.5 (30.6)</b>	
Previous year's 1st-half result	39.6 (30.6)	<ul style="list-style-type: none"> <li>↑ rise from overseas sales growth</li> <li>↓ reduced gross margin ratio for used car sales</li> <li>↓ valuation losses due to changes in accounting standard</li> <li>↑ increased gross margin ratio for motorcycle goods</li> </ul>
Original forecast	42.2 (30.9)	↓ decrease accompanying sales decline
<b>SG&amp;A</b>	<b>39.1 (30.3)</b>	
Previous year's 1st-half result	36.6 (28.3)	<ul style="list-style-type: none"> <li>↑ increase of expenses related to store systems</li> <li>↑ increase of expenses related to four store takeovers from FCs</li> </ul>
Original forecast	40.2 (29.4)	↓ decrease of controllable expenses
<b>Non-operating Income and Expenses</b>	<b>1.0</b>	
Previous year's 1st-half result	1.7	Income: currency option/swap(+0.3), exchange profit(▲0.18)
Original forecast	0.5	Expenses: losses on revaluation of investment securities (+1.14), exchange losses(+0.28), store system lease expenses(+0.43)
<b>Extraordinary Gains and Losses</b>	<b>3.7</b>	
Previous year's 1st-half result	▲0.1	Income: application of lease accounting standard(+4.65), reversal of allowance for doubtful receivables(+0.46)
Original forecast	2.7	Losses: losses on revaluation of investment securities(+0.12), impairments loss on fixed assets(+1.19)

# Non-consolidated and Domestic Subsidiaries



(first-half ended Sep 30, 2008)

## Non-consolidated

(billion yen)

<b>Net Sales</b> 98.4billion (▲0.6billion)*	<b>Wholesale: ▲0.82billion (▲0.9%)</b>	↑ tires and used car sales ↓ car electronics and motor sports goods sales
	<b>Retail: +0.19billion (+3.5%)</b>	↑ motorcycle goods, gasoline and tire sales ↓ car electronics and customized car sales
<b>Gross Profit</b> 19.2billion (▲0.24billion)*	<b>Wholesale: ▲0.41billion (▲2.4%)</b>	↑ tires and second-hand goods sales ↓ car electronics and motor sports goods sales
	<b>Retail: +0.03billion (+1.8%)</b>	↑ tires and motorcycle goods sales ↓ second-hand goods sales
<b>SG&amp;A</b> 15.9billion (+1.16billion)*	<b>Personnel Expenses:</b>	↑ salary increases due to increase in the numbers of stores, etc.
	<b>Selling Expenses:</b>	sales promotion of tires & wheels (+0.25), shipping expenses(+0.06), motor sports related expenses(▲0.12)
	<b>Equipment:</b>	new store rental expenses(+0.09), software depreciation(+0.47)
	<b>Other:</b>	systems related expenses(+0.13), provision for allowance for bad debts (+0.15) traveling expenses(▲0.1)

\* yoy change in amount

## Domestic store subsidiaries

Net Sales: 36.5billion (▲1.3billion), Ordinary Income: ▲0.9billion (▲0.68billion)

- Reduced selling, general and administrative expenses by approximately ¥200 million from original forecast, but the reduction was not enough to offset the effects of decreased sales of car electronics and others



# Geographical Segments (Overseas)



(first-half ended Sep 30, 2008)

	U.S.A.	France	Asia
Number of Stores (at Sep 30, 2008)	89	11	22
Comparable store sales (yoy change rate)	West Coast: ▲19.5% STRAUSS: +8.5%	+7.1%	Taiwan: +0.7% Singapore: +7.6% Thailand: +6.2% China: +29.6%
Net Sales (billion yen)	8.6	4.8	2.1
Operating Expenses (billion yen)	9.8	4.9	2.2
Operating Income (billion yen)	▲1.14	▲0.08	▲0.13
<b>Business Conditions</b>	Sales were acutely affected by slump in consumer spending. West Coast stores failed to achieve targets due to reduced attractiveness of the shopping malls, where stores are located.	Sales increased due to in-store improvements. Profits improved, thanks to increased margins and reduction in SG&A expenses.	Thailand and Singapore stores posted strong sales and achieved ordinary income targets in spite of posting store-opening expenses. China stores posted increased sales, but were not enough to offset head office costs.

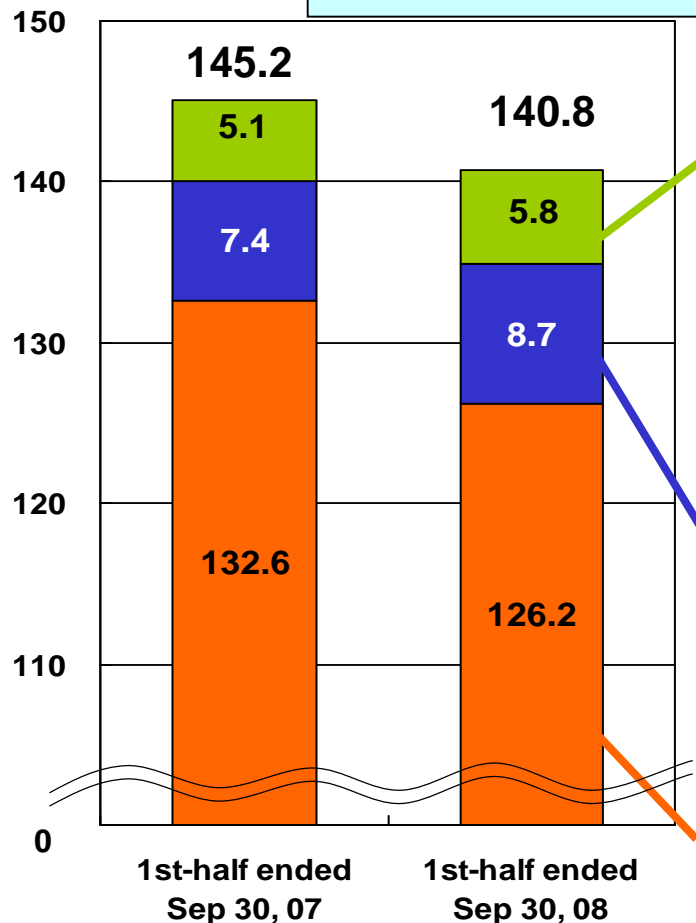
# Retail Sales including FCs\* (first-half ended Sep 30, 2008)



**Retail sales including FCs: 140.8billion yen**

**(down 3.1% YoY)**

(billion yen)



**Statutory safety inspection revenue: 5.8billion**

**(up 13.2% YoY)**

**No. of cars inspected: 179,711cars (up 15.3% YoY)**

**No. of fully certified & designated stores: 276 stores**

**(267 stores as of March 31, 2008)**

**Synergy to car related goods sales: 15,000 yen/car**

**(15,000 yen/car\*\* as of Mar 31, 2008)**

**Car sales: 8.7billion (up 17.1% YoY)**

**No. of cars sold at AUTOBACS Group stores: 11,135 cars**

**(up 23.6% YoY)**

**No. of CARS sold at franchise stores: 333 stores**

**(317 stores at Mar 31, 2008)**

**Synergy to car related goods sales: 89,000 yen/car**

**(88,000 yen/car as of Mar 31, 2008)**

**Car related goods sales: 126.2billion**

**(down 4.9% YoY)**

\*Domestic retail sales including FCs: Major format stores(AB, SA, AH)+Used car goods+C@RS(with vehicle search terminals)

\*\*Changed from the last announcing per unit price of 17,800 yen/car (printed on the annual meeting material dated on May 19, 2008).

This is due to the change in calculation method that accompanies system changes.

# Sales by Merchandise (first-half ended Sep 30, 2008)

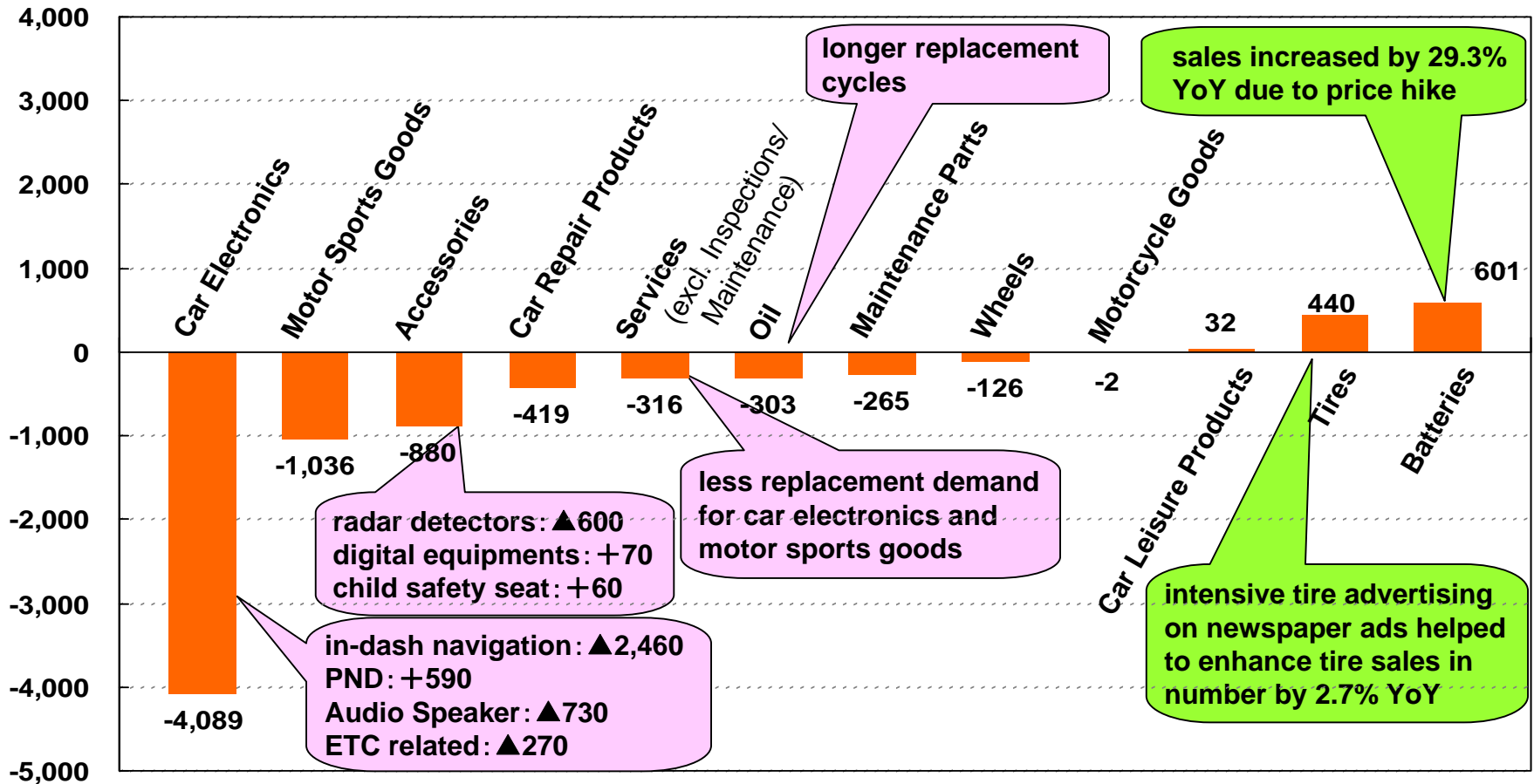


## Same store sales growth rate

In revenue: **down 5.0% YoY** in purchasing customers: **down 4.5% YoY**

### Sales Increases and Decreases (vs prior year, total store basis)

(Millions of Yen)



Sales at major store formats (AB, SA, AH)

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- I. Results of the first-half ended Sep 30, 2008
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# Financial Forecasts (fiscal year ending Mar 31, 2009)



(billion yen)

	Result for the fiscal year ended March 31, 2008	Fiscal year ending March 31, 2009				
		Full year original forecast	1st-half Result	2nd-half forecast (Revised)	Full Year forecast (Revised)	Change from the original forecast (Amount / %)
<b>Net Sales</b>	266.4	282.0	129.2	138.4	267.7	▲14.3 ▲5.1%
<b>Gross Profit</b> <i>% of Net Sales</i>	82.8 31.1%	88.0 31.2%	39.5 30.6%	44.1 31.9%	83.7 31.3%	▲4.3 ▲4.9%
<b>SG&amp;A</b> <i>% of Net Sales</i>	75.9 28.5%	81.0 28.7%	39.1 30.3%	40.8 29.5%	80.0 29.9%	▲1.0 ▲1.2%
<b>Operating Income</b> <i>% of Net Sales</i>	6.9 2.6%	7.0 2.5%	0.4 0.3%	3.2 2.4%	3.7 1.4%	▲3.3 ▲47.1%
<b>Ordinary Income</b> <i>% of Net Sales</i>	6.0 2.3%	9.0 3.2%	1.4 1.1%	3.4 2.5%	4.9 1.8%	▲4.1 ▲45.6%
<b>Net Income</b> <i>% of Net Sales</i>	1.4 0.6%	6.1 2.2%	1.6 1.3%	▲1.1 —	0.5 0.2%	▲5.6 ▲91.8%
<b>Major store sales YoY growth rate (AB, SA, AH)</b>	+0.3%	+0.8%	▲4.1%	▲3.0%	▲3.5%	

Amounts are rounded down to the nearest hundred million yen.  
% of Net Sales and YoY comparisons are calculated in million yen.

# Forecasts of Subsidiaries (fiscal year ending Mar 31, 09)



(billion yen)

		Result for the fiscal year ended March 31, 2008	Fiscal year ending March 31, 2009				Change from the original forecast (Amount)
			Original forecast	1st-half Result	2nd-half forecast (Revised)	Full Year forecast (Revised)	
<b>Non-consolidated</b>	Net Sales	204.2	212.0	98.4	105.0	203.5	▲8.5
	Ordinary Income	8.32	9.60	3.61	4.28	7.90	▲1.7
<b>Domestic store subsidiaries</b>	Net Sales	78.4	82.8	36.5	40.9	77.5	▲5.3
	Ordinary Income	0.62	0.65	▲0.91	0.51	▲0.40	▲1.05
<b>Overseas store subsidiaries</b>	Net Sales	28.3	34.3	15.6	15.7	31.4	▲2.9
	Ordinary Income	▲2.78	▲1.70	▲0.92	▲1.17	▲2.10	▲0.4
<b>Supporting function subsidiaries</b>	Net Sales	16.5	19.1	8.4	8.2	16.7	▲2.4
	Ordinary Income	0.72	0.60	0.43	0.06	0.50	▲0.1
<b>Total car-life support subsidiaries</b>	Net Sales	17.5	18.7	9.3	8.9	18.3	▲0.4
	Ordinary Income	0.24	0.25	▲0.05	0.05	0	▲0.25

Net Sales are rounded down to the nearest hundred million yen.  
Ordinary Incomes are rounded down to the nearest million yen.

***Challenging business conditions may continue for the rest of the fiscal year, which are...***

- I. Economic downtrend
- II. Fall in car sales and the number of vehicles owned
- III. Lack of interest in cars among younger generation

**To overcome this situation, the Company bolsters domestic franchise business by strengthening three business domains.**

## **1. Car related goods sales**

**⇒ implementing media-mix promotions**

- **Tires:** to strengthen low-end merchandises (including private-brand tires) to appeal for the sense of good buys; strengthen value-added products, such as eco-friendly tires
- **Car electronics:** to focus on sales of portable and in-dash navigation devices in the fast-selling price range; expand sales of peripheral goods, including rear-seat monitors and rear-view cameras
- **Other:** to strengthen the lineup of seasonal products, currently selling well

## 2. Statutory safety inspection and maintenance services

⇒ focusing to improve customer service and sales promotion

- To implement comprehensive sales promotion during the highest demand season (February to March)
- To intensify direct mail-outs and telephone calls for promoting statutory safety inspections with the assistance of head office
- To focus on sales of oil, elements and batteries to customers that applied for safety inspections, and to increase maintenance services at service bays

## 3. Car Sales and Purchases

⇒ achieving profitability in used car business to nurture it as a future source of earnings

- To encourage franchisees to participate in the AUTOBACS CARS Franchise Chain; enhance financial incentive program for franchisees
- To implement more staff training course to increase the number of cars evaluated
- To promote effective use of shared inventories; Enhance exposure on the Internet
- To introduce auto loans of residual value guarantee type for used cars



# [For Reference] Sample of Good Selling Items



Child Safety Seats



FM transmitters



Wax for coated cars



Headlight polishes



Air conditioner filter



Textile wheel covers for snow driving



Engine oil power booster



HID and LED bulbs

# Store Allocation (fiscal year ending Mar 31, 2009)



## Domestic Store Opening and Closing

Store Type	No. of stores at Mar 31, 2008	Fiscal year ending March 31, 2009								No. of stores at Mar 31, 2009
		1st-half (result)				2nd-half (plan)				
		New	AB⇒SA	S/B · R/L	Close	New	AB⇒SA	S/B · R/L	Closed	
AB	399	+2	▲2	+2/▲2	▲2	+1	▲1	+5/▲5		397
SA	74		+2				+1			77
AH	10								▲1	9
SH	31	+1			▲1	+1				32
AE	9	+1								10
RL	8									8
<b>Total</b>	<b>531</b>	<b>+4</b>	<b>0</b>	<b>0</b>	<b>▲3</b>	<b>+2</b>	<b>0</b>	<b>0</b>	<b>▲1</b>	<b>533</b>

## Overseas Store Opening and Closing

Country / Region	No. of stores at Mar 31, 2008	Fiscal year ending March 31, 2009		No. of stores at Mar 31, 2009
		1st-half (result)	2nd-half (plan)	
U.S.A	89	+1/▲1	▲1 ※1	88
France	9	+2	+1 ※2	12
China	12	+1	▲1	12
Taiwan	4	0	0	4
Thailand	2	+1	0	3
Singapore	1	+1	0	2
<b>Total</b>	<b>117</b>	<b>+5</b>	<b>▲1</b>	<b>121</b>

S/B=Scrap & Build,

R/L=Relocation

AB: AUTOBACS

SA: Super AUTOBACS

AH: AUTO HELLOES

SH: AUTOBACS Hashiriya

Tengoku Secohan Ichiba

AE: AUTOBACS EXPRESS

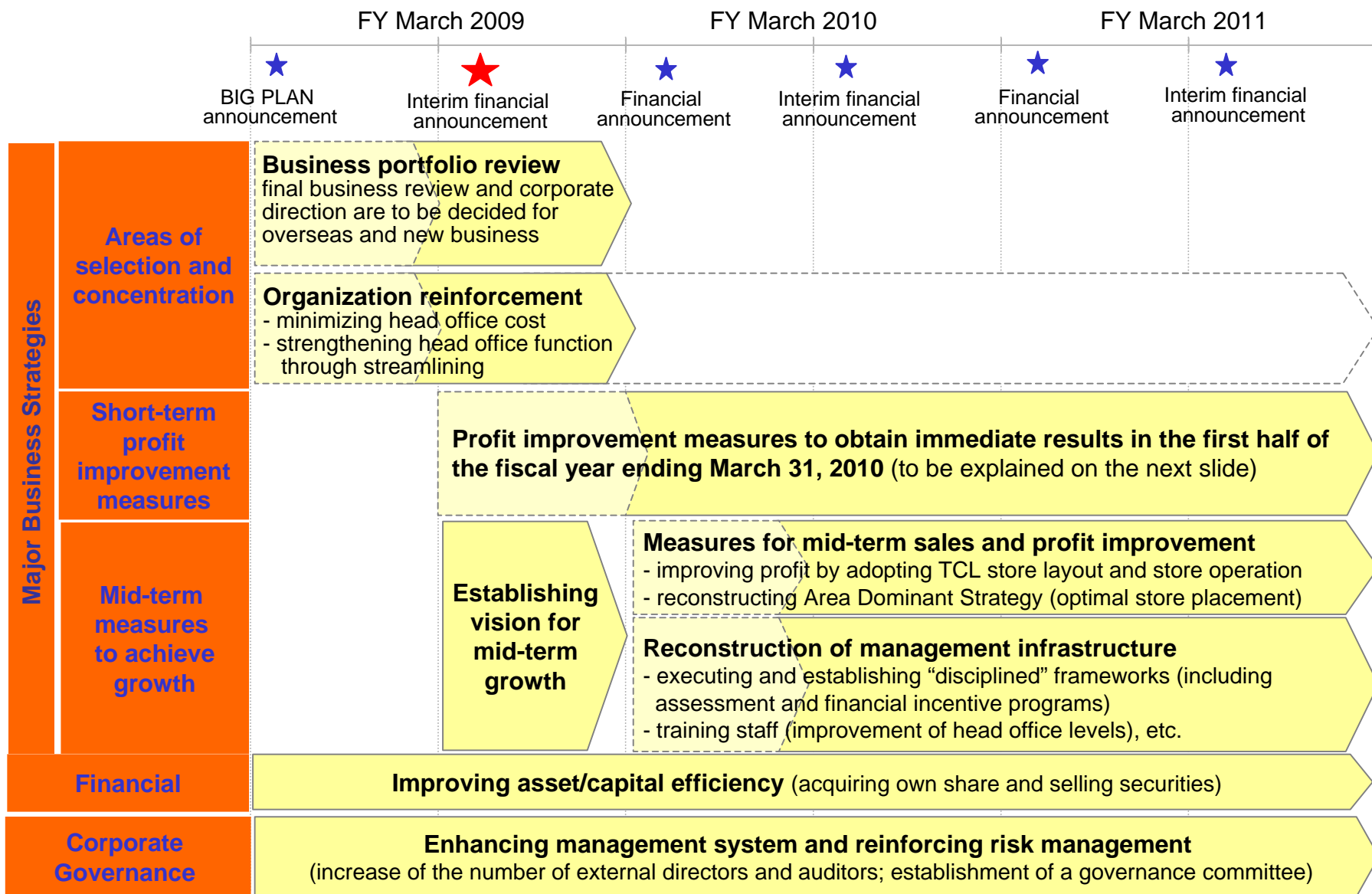
RL: RICOLAND

\*1 one STRAUSS store has been closed in October 2008

\*2 the new French store is a franchise store

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# Outline of the Mid-term Business Plan



Discussion and policy establishing stage

Execution and promotion stage

# Short-term Business Improvement Measures



## Short-term measures to improve profit

## Aims

**1. Improvement of store sales through total car-life sales promotion focused on statutory safety inspections**

To underpin store sales by promoting visits and sales of existing customers based on their “safety inspection cycles” and “oil replacement cycles.”

- Reinforce customer contact using direct marketing through DMs, e-mails and telephone calls and Internet
- Reduce cost through efficient sales promotion

To increase the absolute number of safety inspections as the most important service factor for cyclic order receipt  
⇒ To launch experiments and verification at pilot stores in the second half of the current fiscal year

**2. Improvement of store competitiveness and reduction of purchasing costs through adequate pricing**

To adjust prices to adequate levels at the initiative of head office, and to raise sales amount and gross margins

- Choose merchandises for increasing or decreasing prices
- Limit merchandise range with the cooperation of suppliers, and reduce purchasing cost through outright and intensive purchases

**3. Improvement in store profits**

Store cost reduction and streamlining of store management  
Streamlining of store subsidiaries based on reviews of their management system

**4. Improvement in AUTOBACS CARS franchise chain profits**

To increase the number of cars sold through continuous business model introductions and sustaining current measures such as staff training  
To review plans to increase the number of circulated cars in order to surpass the break-even point

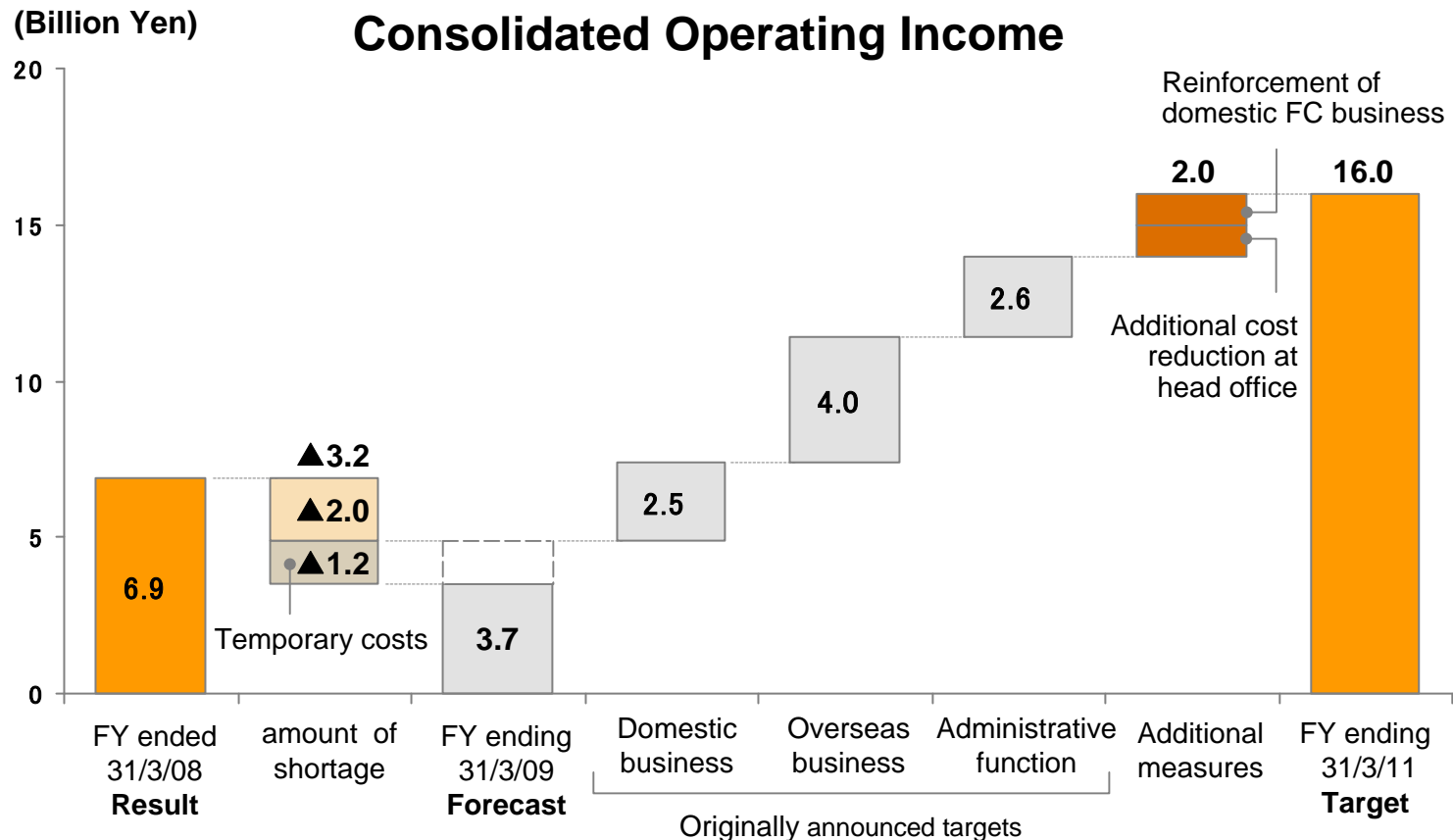
# Maintaining Targets (for fiscal year ending Mar 31, 2011)



## ORIGINAL TARGETS

Operating income of ¥16 billion  
ROE of 7% or higher,  
DOE of around 3%\*

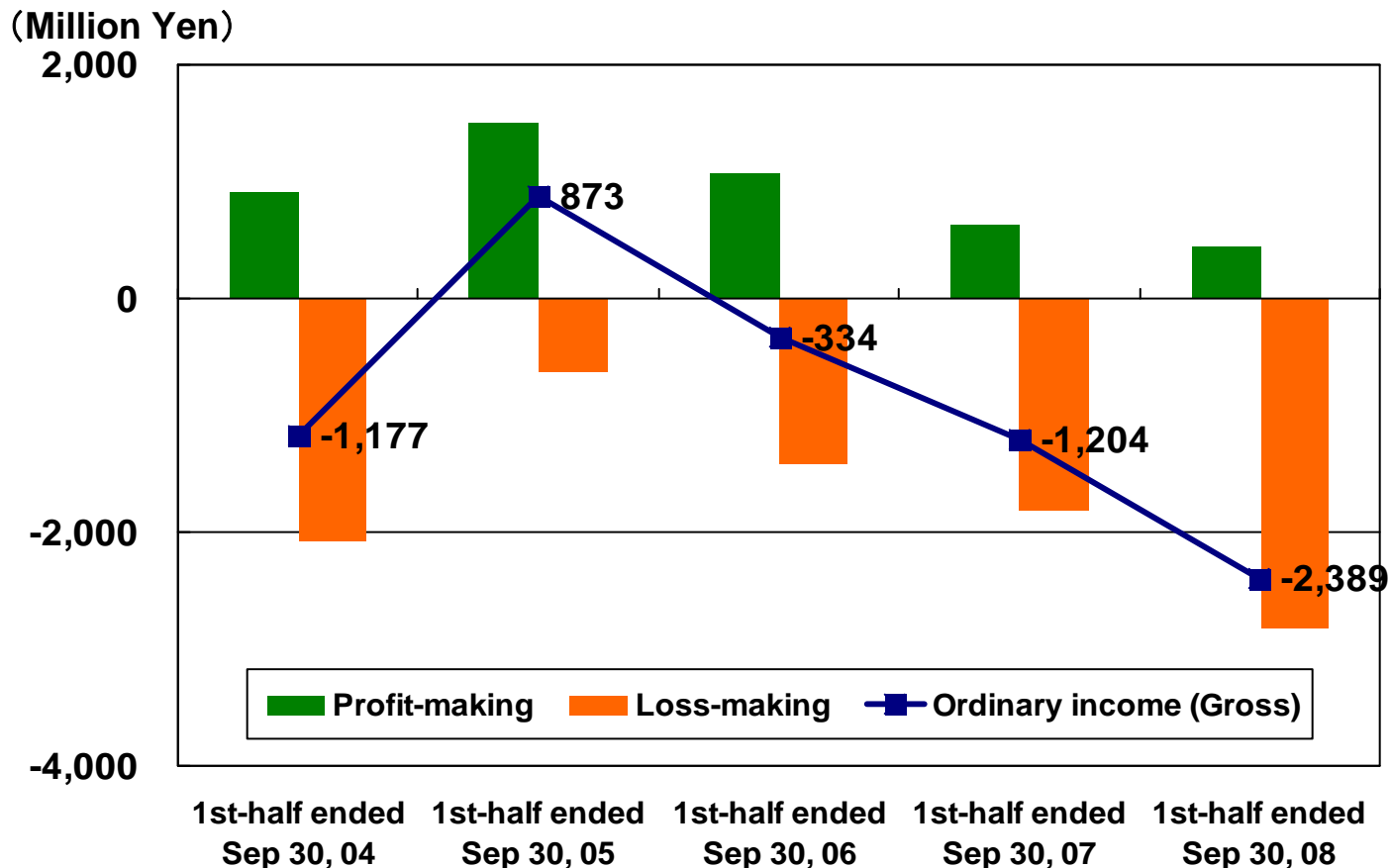
Take additional measures  
to compensate for declines  
in the current fiscal year



※The Mid-term business plan states a dividend target as “DOE of 3%, but the dividend level will be determined by taking performance into account.”

# Appendix

## Ordinary Income of Franchise Companies



Three listed companies are not included.

For some franchise companies, Income from other business besides AUTOBACS is included.





## **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.