

July 30, 2015

## AUTOBACS SEVEN Announces 2014 Medium-term Business Plan Revisions

July 30, 2015(Tokyo, JAPAN)-AUTOBACS SEVEN Co., Ltd.(the “Company,” Representative Director and Chief Executive Officer: Setsuo Wakuda) announces the details of the revised AUTOBACS 2014 Medium-term Business Plan as announced in the release on May 8, 2015. Details are as the following.

### 1. Management targets

	Initial target	Revised target	
Consolidated operating income	18 Billion Yen	15 Billion Yen	
Consolidated ROE	8.0%	8.0%	unchanged
Consolidated DOE	3.0% or higher	3.0% or higher	unchanged

### 2. Period of the plan

The period of ending March 2018 is unchanged

### 3. Overview of the revised business strategies

#### Domestic AUTOBACS business

In regards to business policies, our basic policy remains “Creating Higher Value for Customers and Establishing Competitive Advantage” as originally planned.

As for business strategies, the Company aims to provide ultimate convenience and build a sustained relationship with customers, and create AUTOBACS where customers can comfortably and safely turn to at any time for their car maintenance needs.

In addition to opening new stores, the Company is also developing interfaces with customers, such as a website and a call center. The Company strengthens communication by coordinating between these interfaces, expanding the range of new items and services, and improving the information infrastructure that supports them.

Merchandise targets	Initial targets	Revised targets	
Car parts and accessories (Tires)	800 million tires	730 million tires	
Statutory safety inspections	100 million cars	80 million cars	
Automobile purchase and sales	50 Billion yen	50 Billion yen	unchanged

## Overseas business

The business strategy policy and priority measures for overseas business are unchanged. The Company plans to accelerate its business development primarily in ASEAN region, which are in the growth stage.

## New business

The business strategy policy and priority measures for new business are unchanged. The Company is making efforts to seek businesses, mostly in automobile-related sectors, which forms the basis of its future earnings by actively using M&A and alliances.

## Financial strategy

The Company continues to increase its cash flow through investing actively in businesses, and maintains its consolidated DOE at 3% or higher to provide stable and continuous returns to shareholders.

It also continues to position its consolidated ROE as one of the most important indicators. By increasing profit and investment profitability, and ensuring its financial health, the Company aims to achieve a consolidated ROE of 8%.

Please refer to following material for further information.

Disclaimer: Please note that this document is a summary translation of the Japanese press release and prepared for reference purposes only. We do not assure the correctness or completeness of this summary translation. Please note that this summary translation may be amended without notice, or be pulled from our website for such amendment purpose, etc., at our own discretion.

# **AUTOBACS SEVEN CO., LTD.**

## **Revision of “2014 Medium-term Business Plan”**



**July 30, 2015**

## 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

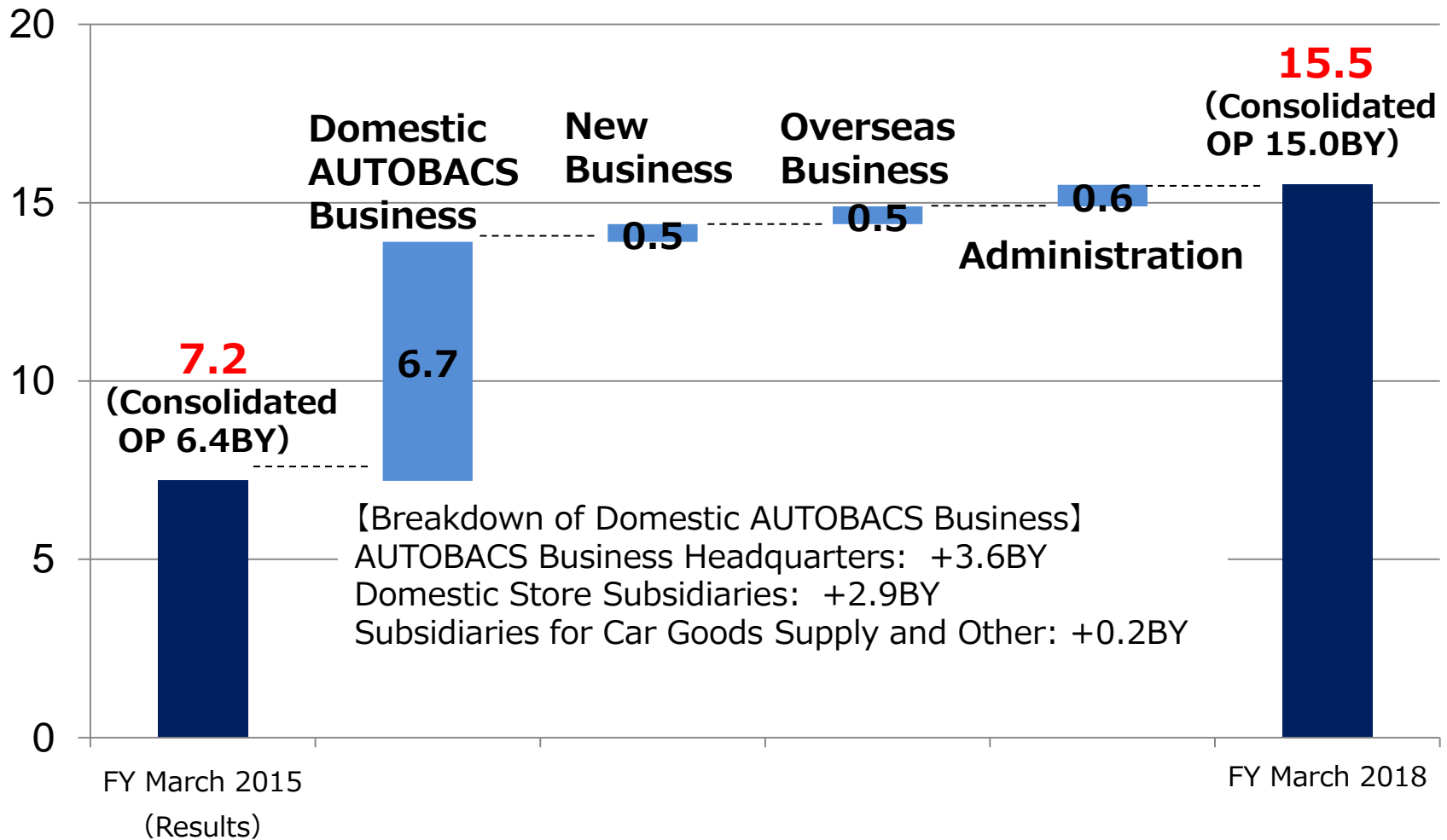
#### 〔Basic policy〕

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

# Breakdown of OP Target by Business Categories\*



(Billion Yen)

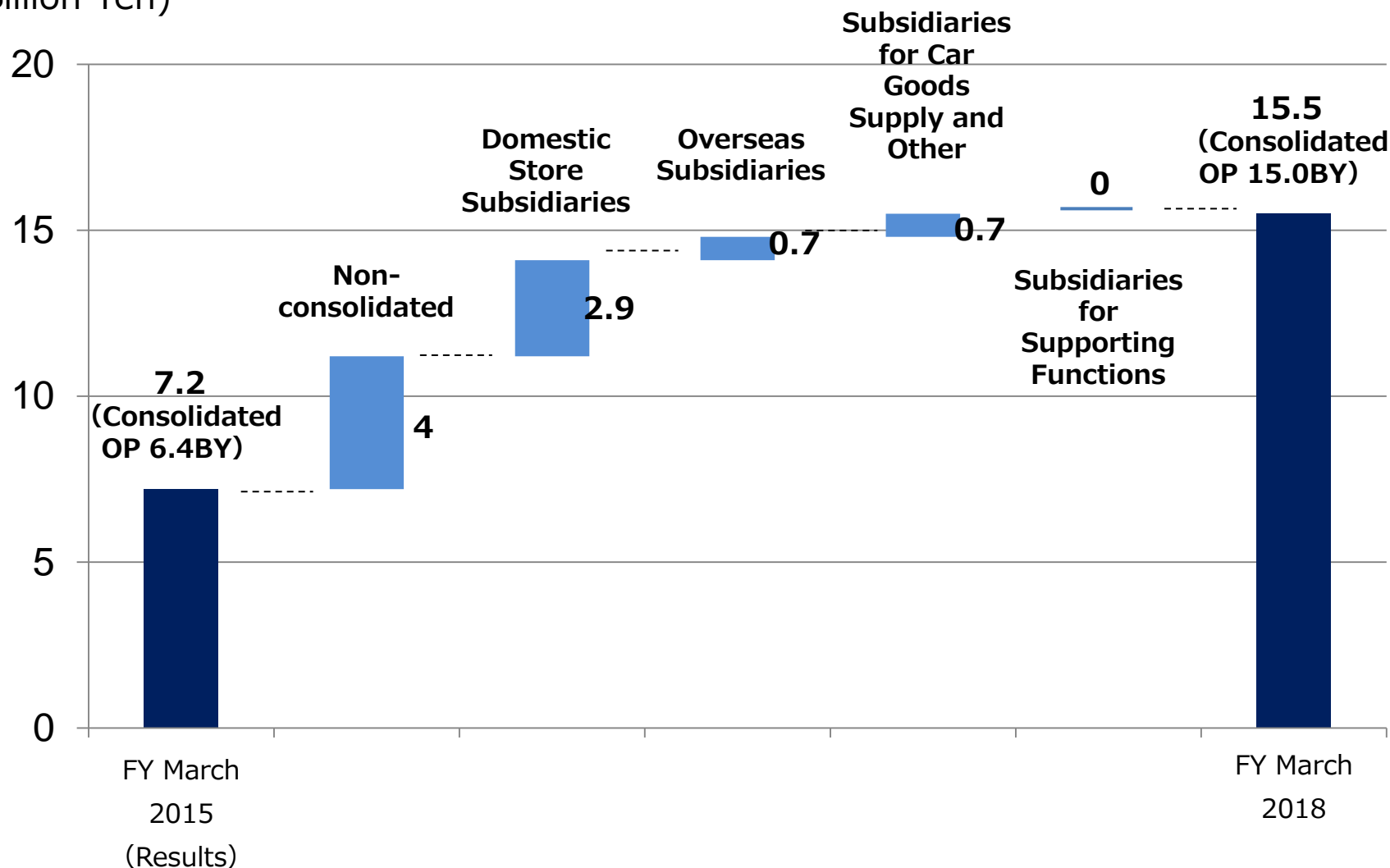


\*Operating incomes of 7.2BY(FY 3/2015) and 15.5BY (FY 3/2018) are simply the sum of the profit improvement amount in each business category. Therefore, this amount is not equal to the consolidated operating incomes.

# Breakdown of OP Target by Segment\*



(Billion Yen)



\*Operating incomes of 7.2BY(FY 3/2015) and 15.5BY (FY 3/2018) are simply the sum of the profit improvement amount in each segment. Therefore, this amount is not equal to the consolidated operating incomes.

## 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)



# Policy of Domestic AUTOBACS Business



## 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**

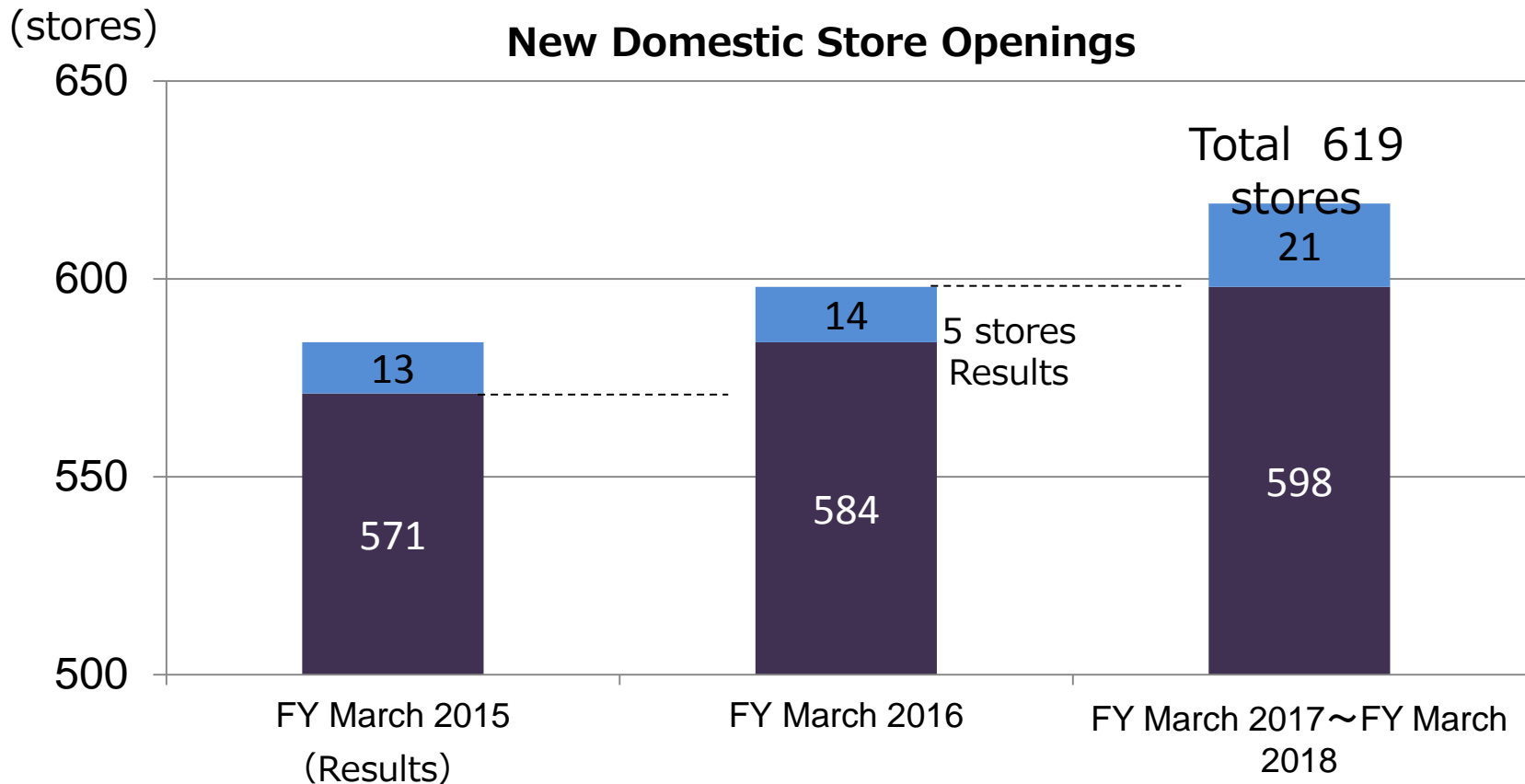
# Initiatives of Domestic AUTOBACS Business



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>

## New Domestic Store Openings: 48 stores in four years (previous plan, 100 stores)

Considering the possibility of opening new stores, and reviewing the construction costs involved in adjusting plans for new store openings



**Implementing strategic cost reduction to transform into a more profitable business structure**

## **1. Reduction in procurement and distribution costs**

- Reducing distribution costs by cooperating with suppliers
- Reducing cost of goods purchased

## **2. Reduction in purchasing costs**

Reducing costs by reviewing store equipment and indirect materials

## **3. Promotion of operational efficiency in headquarters**

- Reviewing methods for promoting sales
- Improving the operational efficiency of headquarters

# Improving Revenues of Domestic Store Subs.



## 1. Increase in Sales

Expanding sales of automotive goods, statutory inspections, and automobile purchase and sales in line with the business strategy

## 2. Improvement of gross margin

- ① Ensuring sales price management
- ② Reviewing terms for rebates and ensuring they are managed
- ③ Providing individual guidance for stores with problems, and improving the level of human resources

+3.2BY

## 3. Cost Reduction

- ① Improving productivity through operational reforms
- ② Cutting rent, system costs, and other expenses

-0.3BY \*

## 4. Optimization of Inventory and Improvement of Turnover

## 5. Closing of Consistently Unprofitable Stores

\*In addition to the amount to be cut, there will be a cost increase due to higher sales, resulting in an increase in the total expenses. 11

# Breakdown of OP Target of AUTOBACS Business



## Breakdown of 6.7 billion yen

(profit improvement amount for the domestic AUTOBACS business)

(billion yen)

	AUTOBACS Business Headquarters	Domestic Store Subsidiaries	Subsidiaries for Car Goods Supply and Other
Automotive goods and services	+3.1	+1.9	+0.2
Statutory safety inspection and maintenance	+0.1	+0.8	
Automobile purchase and sales	+0.6	+0.5	
Costs	-0.2	-0.3	
Total	+3.6	+2.9	+0.2

## 1. Financial Strategies: measures to achieve ROE8%

- ① Making investments for business strategies (approximately 44 billion yen in four years)
- ② Improving asset turnover by reducing assets
- ③ Improving capital efficiency after establishing financial stability
- ④ Improving net income as a result of improved corporate tax rate

## 2. Return to Shareholders (policies remain unchanged)

- ① Paying stable dividends with the targeted DOE of 3.0% or higher
- ② Flexibly buying back our own shares



## 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.