

## Developing Stores from the Customer's Perspective to Accomplish our Slogan: "Anything about cars, you find at AUTOBACS"



Two years have passed since we initiated the AUTOBACS 2010 Medium-Term Business Plan, which is now halfway to completion. We reformed the sales floors at existing AUTOBACS stores based on the concept of making it easy to understand and choose merchandise in keeping with a key plan objective of improving store profitability. Our sales, gross margin, and purchasing customer numbers show that our reforms were very well received.

Over the next two years until the end of the plan, we will endeavor to improve store profitability by enhancing the power of individual stores to match specific customer needs. At the same time, we will strive to expand market share by accelerating store openings, including of more small-format stores, to reach the goals of our medium-term business plan. We will cultivate customer support and trust for our stores and enhance the value of the AUTOBACS brand to accomplish our corporate slogan of "Anything about cars, you find at AUTOBACS."

Representative Director and Chief Executive Officer  
**Setsuo Wakuda**

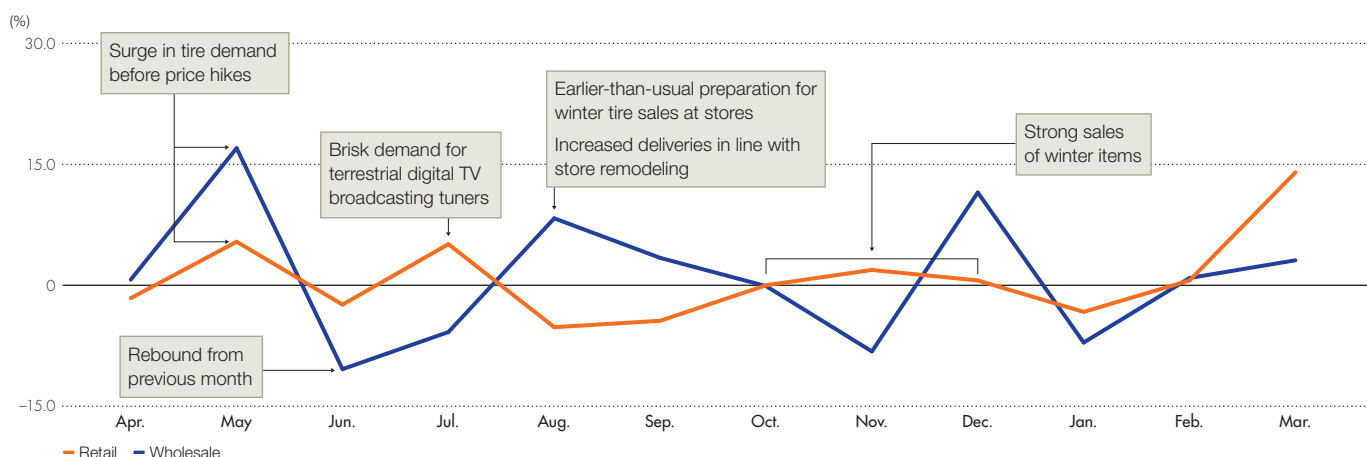
## In a Rapidly Changing Business Climate, We Achieved Higher Earnings by Advancing the AUTOBACS 2010 Medium-Term Business Plan

We experienced a challenging business climate in the fiscal year ended March 31, 2012. This was partly because of lower demand owing to a decline in production and sales of new automobiles as a result of the Great East Japan Earthquake. Another factor was that flood damage at production sites in Thailand adversely affected our merchandise lineup for car navigation systems. On the upside, we enjoyed increased digital tuner demand in line with the shift to terrestrial digital broadcasting. Demand was higher for car maintenance items and used vehicles, reflecting restoration efforts centered in the Tohoku region. We also benefited from higher tire prices and greater demand for snow tires owing to a particularly cold winter.

We responded flexibly to the dramatic changes, with management efforts centering on the AUTOBACS 2010 Medium-Term Business Plan, which was in its second year. In automotive goods and services sales, all stores of the AUTOBACS chain, including franchise stores, saw sales remain roughly level, increasing by 0.2% from a year earlier. This reflected higher sales of tires, wheels, and terrestrial digital television tuners, which offset a decline for car navigation systems. Meanwhile, in the statutory safety inspections and maintenance service business, the number of automobiles receiving statutory safety inspections grew by 7.3%, to around 535,000. This solid growth stemmed from phone-based sales promotions and other ongoing activities at stores. In the automobile purchase and sales segment, we increased the number of cars sold by 10.1%, to around 18,000, as higher demand in disaster-affected areas reinvigorated the used vehicle market.

As a result of these efforts, consolidated net sales increased by 0.4% year on year to ¥237.3 billion. Consolidated operating income was up by 14.5% to ¥13.7 billion, reflecting a higher gross margin due to success in the medium-term business plan measure aimed at purchasing reform, and the effect of reducing selling, general and administrative expenses. Net income rose by 36.0% to ¥8.4 billion.

### Retail Sales and Wholesale Sales Year on Year (Year Ended March 31, 2012)



**Targets of the AUTOBACS 2010  
Medium-Term Business Plan  
(Fiscal Year Ending March 2014)**

Consolidated operating income

**¥16.0 billion**

Return on equity (ROE)

**7.0%**

Dividend on equity (DOE)

**3.0%**

**Steady Implementation of Measures to Boost Store Profitability,  
Completing Remodeling at All Stores and Training for All Employees**

We progressed as scheduled with measures to enhance store profitability, a key focus of the first two years of the AUTOBACS 2010 Medium-Term Business Plan, completing all store remodeling and training all employees. We believe that we are a step closer to achieving stores with layouts that are easy for customers to understand and which make choosing merchandise easy.

In store reforms, we found that sales, customer numbers, and gross margins were greater at remodeled stores than at stores that have yet to be remodeled. Moreover, remodeled stores also saw higher sales of maintenance-related items and services, one of the objectives of the reform. Nonetheless, remodeling had little impact at some stores, so our next challenge is to drive further improvements by having stores share know-how.

In our gross margin improvement program, we have streamlined merchandise line-ups and undertaken strategic initiatives with suppliers to improve gross margins.

On the human resources and store operation reform fronts, we completed training for all employees in such service aspects as greeting customers in a friendly manner. A third-party survey found that customer service has improved at our stores, confirming the benefits of training. We will continue initiatives to deepen customer service reforms while improving customer service skills. We will also verify and improve store operations.

In the fiscal year ending on March 31, 2013, we will boost store profitability by analyzing the cost structures and operational efficiency of stores managed by subsidiaries and initiating improvements.

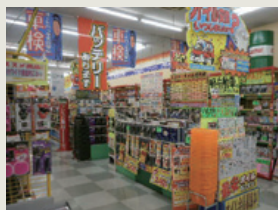
**Comparison of Remodeled and Pre-remodeled Stores**

**Year-on-Year Sales Comparison (Year ended March 31, 2012)**

Pre-remodeled stores **97.9%** Remodeled stores **101.7%**

**Sales floor**

**Comprehensive maintenance and service corner**



Make items easier to choose by putting maintenance-related merchandise together.

**Advice and sales counters**



Make inquiries easier for customers by installing standing-type counters that make sales staff more accessible.

## We Will Swiftly Accomplish Our Goal of Opening 120 New Stores

We aim to open 120 new stores during the four years of the AUTOBACS 2010 Medium-Term Business Plan. In two years through the end of March 2012, we opened 27 new stores, although we did open seven of them in one month in March 2012. We intend to maintain momentum in launching more stores.

Compared with existing stores, many new ones are in small commercial zones. To generate profits in new stores, we aim to cut costs comprehensively, including in terms of structures, store fixtures, and pit equipment.

## While Verifying the Performance of Two Pilot Stores in China, We Will Focus on Cultivating Our Business in ASEAN Countries

As of the end of March 2012, we had 27 stores in France, China, Thailand, Singapore, and Taiwan. We are verifying the performance of two pilot stores in Shanghai, China, where the automotive goods market has strong prospects. We have decided to extend our experimental period in China, and to open two or three more pilot stores with different formats to identify the needs of Chinese customers. In Singapore, we opened a third compact store in December 2011. We established the ASEAN branch to conduct regional market research. We will continue to develop stores that optimally match local needs to achieve our corporate slogan of “Anything about cars, you find at AUTOBACS” overseas as well to ensure long-term growth.



AUTOBACS ANAN Store opened in Anan City, Tokushima, on March 15, 2012



AUTOBACS SHANGHAI CAO AN GONG LU Store opened in China on May 14, 2011

Progress of the AUTOBACS 2010 Medium-Term Business Plan	
Item	Progress Status
<b>1. Measures to improve store profitability</b>	
1) Store reform	We completed AUTOBACS format store remodeling and shared know-how throughout the Group.
2) Gross margin improvement	We improved the gross margin through a process of selection and concentration of suppliers.
3) Human resources and store operation reform	We completed advanced customer service training for all employees.
4) Expansion of statutory safety inspection services	We increased revenues from these services through phone call-based promotions and other initiatives. We also made steady progress in staff training for next-generation vehicles.
5) Growth in automobile sales	We increased sales by stepping up purchasing at stores and employing our used-vehicle sales website.
<b>2. Measures to increase market share</b>	
1) New store openings	We opened 27 of 120 new stores we plan to launch.
2) Development of service formats	In April 2012, we established an Auto Body Repair and Painting Center to handle bodywork repairs.
3) Development of multichannel strategy	Sales of tires and wheels were strong, reflecting initiatives that included redesigning our Internet shopping website and enhancing its merchandise lineup.
<b>3. Overseas business</b>	We continued experimenting at two stores in Shanghai, China, and opened our third Singapore store.
<b>4. Streamlining headquarters</b>	We continued to cut headquarters costs and drive efficiency.
<b>5. CSR/Corporate governance</b>	Toyosu headquarters obtained certification under ISO 14001, an international standard for environmental management systems.



Advanced customer service training

## Aiming to Increase AUTOBACS Brand Value by Enhancing the Power of Individual Stores

Although the automotive goods market will probably decline over the medium and long terms, we expect demand in the automotive maintenance market to remain stable as more people in Japan use their cars for longer, while the number of car registrations should stay unchanged (please see the market data on page five). A greater environmental awareness among consumers is raising interest in minicars and compact cars. These vehicles generally have fewer accessories, so we look for automotive goods demand to expand among owners of such cars.

During the first two years of the AUTOBACS 2010 Medium-Term Business Plan, we consolidated our foundations for future growth under all operating climates by reforming stores and undertaking human resources and store operation reforms, complementing our existing strengths such as high market share, a dominant store network, and stable financial position. In the last two years of this initiative, we will develop AUTOBACS's strengths even further, and focus on expanding our market share by enhancing the power of individual stores to improve their quality while opening more stores.

Enhancing the power of individual stores entails each store seeking to become No. 1 in its respective commercial zone. Automotive lifestyle preferences differ markedly in every region throughout Japan. We believe that offering merchandise and services that best match each area will earn customer support and trust for each store, taking us closer to achieving our corporate slogan of "Anything about cars, you find at AUTOBACS." We will create stores that local customers support and trust by continuing to reform our stores, human resources and operations at each store.

We will expand market share by opening new stores, including 30 in the fiscal year ending March 31, 2013. We will draw heavily on small-format stores cultivated over the past two years to achieve our store opening goals and expand market share.

Through the initiatives above, we are targeting consolidated net sales of ¥242,500 million for the fiscal year ending on March 31, 2013, up by 2.2% from a year earlier.





**Teruyuki Matsumura**  
Senior Executive Officer,  
Head of Marketing &  
Sales Strategy Planning and IFRS

### Creating Stores That Help Customers to Understand and Select Merchandise

Over the past two years, we have remodeled the sales floors at all AUTOBACS format stores, and focused on developing merchandise that meets customers' needs and offering high quality merchandise at affordable prices. These reform efforts have seen positive feedback from customers who have found the reforms made it easier to understand and select merchandise. We have also seen an increase in sales of maintenance-related goods. Over the next two years, we intend to widen the scope of these reforms to Super AUTOBACS stores.

### Becoming Closer and More Convenient for Our Customers

In the fiscal year ending March 31, 2013, we will begin a radical overhaul of our customer relationship management strategy, aiming to win the support and trust of our customers as a closer and more convenient part of their motoring lifestyle. This will involve analyzing the purchase data of the approximately 6 million AUTOBACS members to gain insights into their purchasing behavior at stores. We will use these insights to provide merchandise and services that are better suited to our customers' vehicles, lifestyles, and life stages.



**Kiomi Kobayashi**  
Senior Executive Officer,  
Head of Sales Operation and  
Area Strategy & Planning

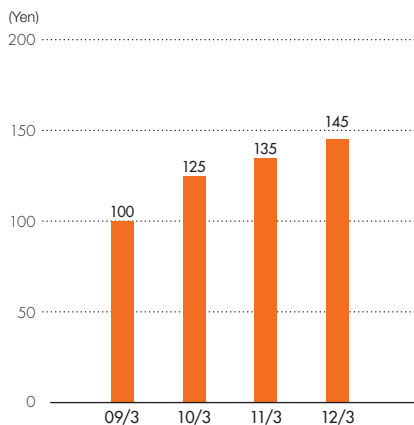
### A Store Opening Strategy Focused on Customer Needs in Small Commercial Areas

Up until now, AUTOBACS has opened stores mainly in commercial areas of 100,000 to 150,000 people. As such, we have been unable to provide adequate service to small commercial zones of around 50,000 people. We have now begun addressing the demand for close, reliable stores to help with the motoring needs of people in such areas. We have completely reassessed our construction methods, store fixtures, pit equipment, and store operations, and proceeded to open 27 new low-cost stores in a format for small commercial areas over the past 2 years. Looking ahead, we plan to open a total of 120 of these stores by the end of March 2014 by using the know-how we have gained to accelerate our store development.

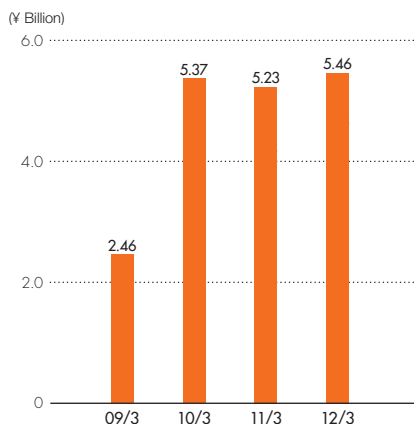
### Developing Human Resources Who Local Customers Support and Trust

We believe that the quality of store employees is important because they are the interface between stores and customers. Advanced customer service training for employees at all stores over the past two years has begun to bear fruit, with noticeable improvements in employees' manner and attitude as they serve customers. In fiscal 2013, we will implement management training for managers at all stores in a drive to enhance the power of individual stores. The training will focus on developing managers' abilities to think about area-specific ways to effectively increase footfall and to work efficiently, their ability to establish PDCA cycles and work decisively and effectively, and their ability to think and act on their own initiative, deliver results, and create an organization. Through these efforts, AUTOBACS is developing people customers will support and trust, reinforcing the notion that "Anything about cars, you find at AUTOBACS."

## Dividend per Share



## Amount of Own Share Buyback



## Strengthening Shareholder Returns

We intend to invest aggressively as we progress with the growth strategies under our medium-term business plan. On the other hand, we aim to generate a consolidated return-on-equity of 7%, to improve capital efficiency and to strengthen shareholder returns. We have a consolidated dividend-on-equity target of 3%. In the fiscal year ended March 31, 2012, we paid an annual dividend of ¥145 per share, up ¥10 from a year earlier. The dividend-on-equity ratio was 3.3%. We also repurchased 1.6 million shares for ¥5,458 million and canceled treasury stockholdings. While considering current cash flow and investments focused on medium-term growth, we will also reinforce shareholder returns.

## Promoting CSR and Reinforcing Corporate Governance to Ensure Sustainable Growth

The Group considers CSR a core management focus and is actively promoting CSR initiatives. We recognize a particular need to advance environmental efforts, and have implemented activities to lower our environmental impact. Our headquarters in Koto-ku, Tokyo, has obtained certification under ISO 14001, an international standard for environmental management systems. We will undertake activities to reduce our environmental impact further by expanding our environmental management system to encompass our distribution centers and regional bases.

AUTOBACS SEVEN is also reinforcing and improving its ongoing systems for corporate governance. AUTOBACS SEVEN is a company with a Board of Corporate Auditors. However, three out of the eight members of the Board of Directors are outside directors. We have also established a Corporate Governance Committee, which consists of all outside directors and the representative director. Thus we maintain a hybrid corporate governance system based on the company with a Board of Corporate Auditors system and with the functions of a company with a committee system. By ensuring that all six outside officers (three outside directors and three outside auditors) are independent, we improve the independence of these roles, and protect the interests of regular shareholders. (Please see pages 18–21 for further information about corporate governance.)



Environmentally-enhanced store  
(Solar panels installed)



ISO 14001 registration certificate

## Aiming to Achieve Our Corporate Slogan of “Anything about cars, you find at AUTOBACS”

We have moved ahead to date by prioritizing the customer's perspective from various aspects, including in terms of sales space design and customer service. All AUTOBACS stores can now handle statutory safety inspections and perform light bodywork repairs, augmenting their sales of automotive goods sales. More of our stores purchase and sell automobiles. Our automotive service offerings for customers are thus expanding.

Our goal for this fiscal year is to ensure that stores garner solid support and trust by enhancing the power of individual stores to offer merchandise and services that match local customer needs. Through these initiatives and the measures of our medium-term business plan, we will make the AUTOBACS brand more valuable, achieving our corporate slogan of “Anything about cars, you find at AUTOBACS” while reinforcing the Group's corporate value. Thank you for your continued support and understanding of our efforts.

July 2012

Setsuo Wakuda

Representative Director and Chief Executive Officer

湧田節夫

