

Corporate Governance

Corporate Governance Philosophy

We recognize that it is vital to maintain and enhance the AUTOBACS brand to earn the support and trust of all stakeholders. We will achieve this through our commitment to providing

automotive related goods and services that satisfy customers while fulfilling our corporate social responsibilities. We therefore strive constantly to bolster corporate governance.

Changes to Corporate Governance at AUTOBACS SEVEN

	2003/3	2005/3	2006/3	2007/3	2009/3	2010/3	2011/3	2012/3
Medium-Term Business Plans			Medium-Term Business Plan		AUTOBACS BIG PLAN		AUTOBACS 2010 Medium-Term Business Plan (to March 2014)	
Separation of Execution and Supervision Functions	Officer system adopted				Executive Committee and Officers' Committee established			
Outside Officers		Outside director: 1 of 10	Outside directors: 2 of 10		Outside directors: 4 of 9		Outside directors: 3 of 8	
		Outside auditors: 2 of 4			Outside auditors: 3 of 5			Outside auditors: 3 of 4
							"Outside Director Independence Requirements" established	
Advisory Committees			Nomination Advisory Committee (merged into Corporate Governance Committee in April 2012) established		Corporate Governance Committee established			
Compliance and Risk Management Framework			Compliance Promotion Department established		Risk Management Committee established			
Management Mission, etc.	Management Mission						Management Mission revised	
		AUTOBACS SEVEN Group Code of Conduct and its Guidelines formulated						
					Corporate Governance Policy formulated			

Current Corporate Governance Framework (as of April 1, 2012)

General		Configuration	Company with a Board of Corporate Auditors
Management and Business Execution Structure	Directors & Board of Directors	Board Chairman	Representative director
		Total No. of Directors	8, including 3 outside directors (independent), 5 also serve as officers
		No. of Meetings in FY2012	20 (including 9 ad hoc meetings)
	Executive Committee	Members (Chairman)	Executive officers (Chairman: chief executive officer) Observers: outside directors, auditors
		Role	· Prior Discussion of items to be decided by the Board of Directors · Proposal, etc., of Company policies and plans
		No. of Meetings in Fiscal 2012	9
	Officers' Committee	Members (Chairman)	All officers of the Company (Chairman: chief executive officer) Observers: outside directors, auditors
Role		· Business strategy progress management, analysis, and countermeasure proposals · Full implementation, etc., of company policies, plans, and strategies	
No. of Meetings in Fiscal 2012		12	
Advisory Organs, etc. of the Board of Directors	Corporate Governance Committee	Members (Chairman)	Outside directors (independent) and representative director (Chairman: elected by the outside directors and representative director from within the outside directors (independent))
		Role	· Discuss candidates for officers and executive officers · Discuss remuneration system for directors and officers · Discuss other matters related to governance
		No. of Meetings in Fiscal 2012	9
	Risk Management Committee	Members (Chairman)	Directors serving concurrently as executive officers and officers responsible for internal control (Chairman: representative director and chief executive officer)
		Role	Promotion of smooth and proper risk management
Auditors' Audits and Internal Audit Framework	Auditors' Audit	No. of Corporate Auditors	4, including 3 outside auditors (independent)
		Audit Staff	1 (full-time)
		No. of Meetings in Fiscal 2012	19 (including 3 ad hoc meetings)
	Internal Audit	Internal Auditing Department	11 members (reporting to chief executive officer)
		Role	· Evaluation of internal control system · Audits of operations at the Company and its subsidiaries · Reporting of audit results to corporate auditors, representative director & CEO, and other officers, and directing divisions to remedy any issues

Directors and Officers

Directors



Setsuo Wakuda
Representative Director



Yasuhiro Tsunemori
Director



Hironori Morimoto
Director



Tatsuya Tamura
Director (Outside, Independent)



Norio Hattori
Director (Outside, Independent)



Teruyuki Matsumura
Director



Kiomi Kobayashi
Director



Noriaki Shimazaki
Director (Outside, Independent)

Auditors



Hidehiro Ide
Senior Corporate Auditor
(Full-time)



Toshiki Kiyohara
Corporate Auditor
(Full-time, Outside, Independent)



Tomoaki Ikenaga
Corporate Auditor
(Outside, Independent)



Yuji Sakakura
Corporate Auditor
(Outside, Independent)

Officers

Setsuo Wakuda

Chief Executive Officer and Chief Chain Officer

Yasuhiro Tsunemori

Vice Chief Executive Officer and Vice Chief Chain Officer

Hironori Morimoto

Senior Managing Executive Officer, Head of Corporate Administration

Teruyuki Matsumura

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

Kiomi Kobayashi

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

Hiroki Yoshiyama

Senior Executive Officer, Head of Overseas Operations

Eiji Kaminishizono

Executive Officer, Chubu Region

Isao Hirata

Executive Officer, Corporate Strategy

Yuzuru Toide

Officer, Store Development and Land Use & Development

Yoshiki Tateuchi

Officer, Northern Japan Region

Eiichi Kumakura

Officer, Kanto Region

Tetsuya Kato

Officer, Kansai Region

Masaru Sasaki

Officer, Southern Japan Region

Shinichi Fujiwara

Officer, Marketing & Sales Strategy Planning and Customer Relationship Management Project

Yoshihiro Emoto

Officer, Car Goods & Services

Katsuhito Matani

Officer, Car Maintenance & Insurance Services

Shinya Kurahayashi

Officer, Car Sales

Naoyuki Koyama

Officer, Asia Market Research Project

Kosuke Kaya

Officer, China Business

Yugo Horii

Officer, Internal Control and Legal

Masahiko Katsushima

Officer, Finance & Accounting

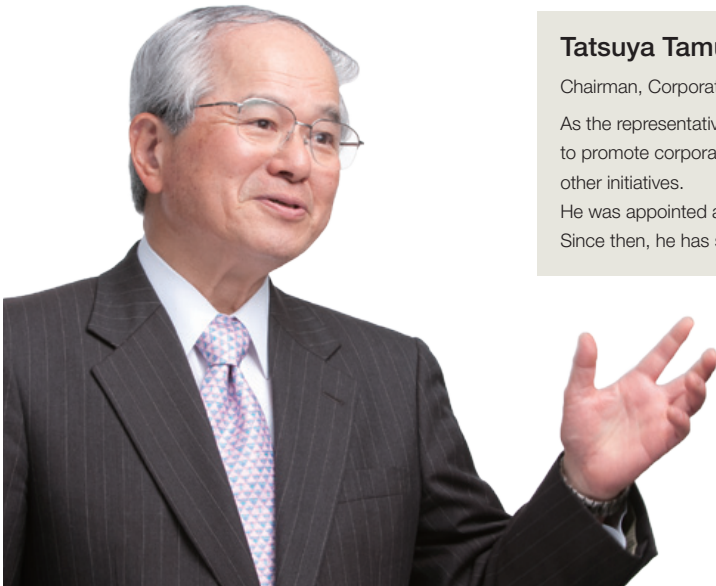
Kazushige Hojo

Officer, Human Resources, General Affairs and Information Systems

Corporate Governance Committee Chairman Interview

AUTOBACS SEVEN has endeavored continuously to improve governance.

The Company focuses particularly on improving management transparency and objectivity and reinforcing its oversight function through its Corporate Governance Committee and its appointment of independent outside officers. We asked Tatsuya Tamura, an outside director and chairman of the Corporate Governance Committee, for his assessment of the Company's governance as an outside officer.



Tatsuya Tamura

Chairman, Corporate Governance Committee (outside director and independent officer)

As the representative director of the NPO Japan Corporate Governance Network, Mr. Tamura works to promote corporate governance in Japan through the spread of the outside director system and other initiatives.

He was appointed as an outside director of AUTOBACS SEVEN in June 2008.

Since then, he has served as the chairman of the Corporate Governance Committee.

When you became a director of the Company, what did you think at the time about its corporate governance?

I was appointed right after AUTOBACS SEVEN submitted improvement status reports to the Tokyo Stock Exchange and the Osaka Securities Exchange for inappropriate disclosures relating to the issuance of convertible bonds. The Company regretted its actions and was accordingly trying to improve and reinforce governance.

The Company believed that it ought to deploy a framework to enable the Board of Directors to monitor management and check its actions if necessary. In particular, the Company thought it important for outside directors to play a role on the board of directors to ensure that deliberations included an awareness of the shareholder's perspective.

During your first year on the Board of Directors, the Company doubled the number of outside directors to four and established the Corporate Governance Committee as an advisory body. What was the thinking behind this action?

We could have opted to change the format to a company with committees, but instead of pushing in that direction, we concluded that we should adopt a format that better matched the Company's individual needs.

It was especially hard for the Board of Directors to make fair judgments on director appointments and remunerations given that most of the directors were internal. So, we decided to establish the Corporate Governance Committee, comprising mainly outside directors, to deliberate particularly on these two issues.

While it was acceptable to have only outside directors on the committee, we invited the representative director to become a member because we had to communicate with him in deliberations.

The committee is a voluntary advisory entity without decision-making authority. Still, we were confident that AUTOBACS SEVEN's Board of Directors would accept the verdicts and recommendations of the Corporate Governance Committee, and the representative director concurred with us. So, we positioned the committee as an advisory entity for the Board of Directors and started this new mechanism to match the needs of AUTOBACS SEVEN.

Is the Corporate Governance Committee performing well?

It ultimately became a hybrid mechanism in that it combines the frameworks of a Company with a Board of Corporate Auditors and a Company with Committees. I rate the mechanism highly as it is performing most effectively.

The committee deliberates mainly on the issues of remuneration and appointments, which was its initial purpose. We also discuss wide-ranging corporate governance issues, such as how best to run the Board of Directors and identifying areas that need improvement and reinforcement to manage the Company more from a shareholder's perspective.

What's your assessment of the remuneration system?

We review remuneration issues every year, such as how to link remuneration with business performance and what approach to take regarding the ratio between basic fixed remuneration and performance-based remuneration.

The system ensures objectivity by having the representative director and chief executive officer propose remuneration arrangements to the Board of Directors only after they have been discussed by the Corporate Governance Committee, rather than simply laying them on the table directly. I think the system has proven to be effective.

In terms of the direction we take in reviewing the remuneration system in future, we still need to examine what indicators we would link with remuneration. We also have to look at how to couple remuneration with short- and long-term business performance and results.

Another item for discussion is how the remunerations of top management and other officers should differ. A joint-stock company imposes huge responsibilities and pressures on top management, and I think we should reflect that factor sufficiently in remuneration.

The Company makes independence a key priority in choosing outside directors. What do you think about the selection process?

AUTOBACS SEVEN uses a third-party institution for selecting candidates instead of choosing from acquaintances of management or investors or from among business partners. I think this system is extremely fair.

Officers select candidates after assessing the backgrounds and expertise of those people. The Corporate Governance Committee reviews the selections. Still, I think that we can even improve this setup by involving the committee from the start of the candidate selection process.

As an outside director, what do you think of the Company's Board of Directors?

I have been an outside director at several companies, so I can say from experience that proceedings in AUTOBACS SEVEN's Board of Directors meetings are easy for outside directors to participate in.

Agenda items tabled for the Board of Directors are already well discussed from the perspectives of officers in the Executive Committee and Officers' Committee. This mechanism leaves plenty of time in the Board of Directors' meeting for outside directors to question and discuss issues that would not come up from inside the Company. Also, outside directors can attend meetings of the Executive Committee and Officers' Committee to confirm directly how discussions are proceeding. As a result, there has been no confusion in any of our discussions.

What role do you think you should fulfill as an outside director?

I think my role is to monitor management from a shareholder's perspective.

Based on personal experience and knowledge, an outside director can view a company from a different stance than internal specialists and think from the standpoint of a shareholder.

For example, when an investment proposal is brought to the attention of the Board of Directors, it is important to avoid making decisions based solely on investment amounts. You have to also look at the proposal in the context of whether it is for an existing or new business. The perspectives of outside directors are especially valuable in reviewing such differences.

What corporate governance challenges do you think that the Company will face?

AUTOBACS SEVEN is extremely sincere in its corporate governance endeavors. On top of that, the representative director fully understands and faithfully adheres to his responsibilities and roles.

I think that the challenges down the track will be how we cultivate the next generation of management and work out rules for after inside directors retire.

As an outside director, I believe that we must fully discuss these issues.

Corporate Governance Committee Members

Chairman:	Tatsuya Tamura, (outside director, independent officer)
Committee Members:	Norio Hattori, (outside director, independent officer)
	Noriaki Shimazaki (outside director, independent officer)
	Setsuo Wakuda, (representative director)
Observers:	All outside auditors (all independent auditors)