

Corporate Governance

Strengthening Governance for Sustainable Growth in Corporate Value

A company seeks to achieve increases in corporate value over the medium-to-long term by pursuing aboveboard business activities with capital entrusted to it by shareholders. As an entity recognized in law, it is expected to contribute to society through business activities reflecting consideration of responsibilities to customers, shareholders, employees, suppliers, local communities, and all other stakeholders. Company managers must engage in business activities that effectively contribute to the company's role in society; their actions must be in the interest of the company's ongoing

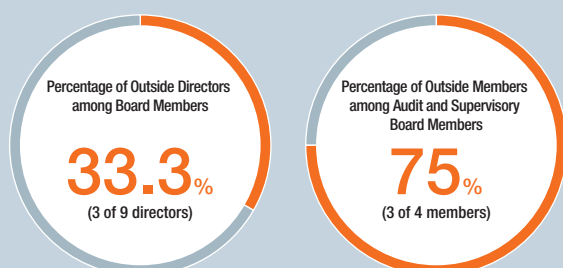
development and of accountability, to ultimately promote management transparency and the fulfillment of responsibilities to society.

With these ideas as a conceptual foundation, the Company strives to maintain the support and trust of all of its stakeholders. Starting from our number one priority - underpinning and enhancing the AUTOBACS brand by perpetually offering goods and services that please customers, while also living up to our social responsibilities - we constantly strive to strengthen and improve our corporate governance.

Corporate Governance Key Points (as of June 27, 2017)

Strengthening the Supervisory Function

Actively Appointing Outside Directors and Audit and Supervisory Board Members



Having a Board of Directors with more than 30% of its members from outside the Company strengthens the oversight function and secures transparency and objectivity in decision-making.

Securing Transparency and Objectivity in Appointments and Remuneration

Establishment of the Corporate Governance Committee as a Consultative Body for the Board of Directors

Consists of all outside directors, plus the representative director. Chair is an outside director.



The Corporate Governance Committee promotes management transparency and objectivity by acting as a consultative body to the Board of Directors on matters concerning the appointment and remuneration of directors and senior executive officers.

Separation of Execution and Supervisory Functions

Adoption of an Executive Officer System to Clarify Management Responsibility

To maintain and enhance the supervisory function of directors, an executive officer system has been adopted to separate business execution and supervisory functions.

Protecting Returns to General Shareholders

Selection of Only Qualified Independent Individuals as Outside Directors and Audit and Supervisory Board Members

By selecting only individuals who meet the requirements for "Independent Directors/Auditors," as that term is used by the Japan Exchange Group, to serve as outside directors and Audit and Supervisory Board members, we are not only ensuring the independence of outside directors and outside Audit and Supervisory Board members but also protecting returns to general shareholders.

Swift and Proper Decision-Making and Consensus Formulation

Proper Sharing and Discussion of Information among Directors and Officers

To enable swift and proper discussion and decision-making by the Board of Directors, the various committees comprised of officers provide the Board of Directors with appropriate information on management issues and business performance.

Recent History to Strengthen Corporate Governance

FY ended March 2006

- Outside directors: 2 out of 10 total directors
- Establishment of the Nomination Advisory Committee (Integrated into the Corporate Governance Committee in April 2010)

FY ended March 2009

- Outside directors: 4 out of 9 total directors
- Outside Audit and Supervisory Board members: 3 out of 5 total members
- Establishment of the Corporate Governance Committee
- Establishment of the Risk Management Committee
- Establishment of the Executive Committee, and other types of committees, to strengthen the business execution framework

FY ended March 2010

- Formulation of the Corporate Governance Policy

FY ended March 2011

- Outside directors: 3 out of 8 total directors
- Revision of the Management Philosophy
- Formulation of the Outside Director and Audit and Supervisory Board Member Requirements

FY ended March 2012

- Outside Audit and Supervisory Board members: 3 out of 4 total members

FY ended March 2016

- Establishment of the position of Senior Independent Director
- Establishment of the Independent Executive Liaison Group
- Establishment of the Director Evaluation Committee

Corporate Governance System

The Company has adopted the “Company with an Audit and Supervisory Board” organizational format (as defined under Japan’s Companies Act), which features redundant management oversight in the form of business activity supervision by the Board of Directors and audits by Audit and Supervisory Board members.

As of June 27, 2017, the Company, with three outside directors on its nine-member Board of Directors, is considered to have a Board of Directors in which outsiders play a central role. Given that the Company has also established a Corporate Governance Committee consisting of all of the outside directors and the representative director, the Company’s corporate governance system is a hybrid combining the features of a Company with an Audit and Supervisory Board and a “Company with Committees” (as defined under Japanese law).

Management and Business Execution Framework

1) Board of Directors

Chaired by the representative director, the Board of Directors consists of nine members (6 who are also officers, and 3 outside directors) and, in principle, meets once a month. The Board of Directors makes decisions on matters specified in laws and regulations or in the articles of incorporation, and important matters concerning the Company’s business activities. It also receives reports on such matters as required. To strengthen the oversight function, efforts are made to maintain a Board of Directors with outside directors comprising over 30% of sitting directors. In addition, to protect returns to general shareholders, independence is stressed in selecting outside directors. Efforts are made to ensure the best possible decisions are made to increase corporate value over the medium-to-long term.

2) Executive Committee

The Executive Committee, which is chaired by the chief executive officer and comprised of senior executive officers, meets, in principle, once a month. The executive committee discusses inherent risks, possible responses, and other aspects of matters scheduled to be taken up by the Board of Directors and reports on these discussions and their results to the Board. It also develops companywide policies and plans. Outside directors and Audit and Supervisory Board members, acting as observers, attend meetings of the Executive Committee and express their opinions as necessary.

3) Other Committees

Committees with memberships including officers with differing responsibilities and representatives of various business segments are established to discuss policies and management matters affecting the entire company; confirm business performance and progress in

implementing the medium-term business plan; and confirm implementation progress, analyze, and make recommendations regarding strategies concerning particular operations. In principle, such committees meet one or two times a month.

Consultative Bodies

1) Corporate Governance Committee

The Corporate Governance Committee is chaired by an outside director and consists of outside directors and the representative director. In principle, it meets once a month to discuss candidates for director, statutory auditor, and senior executive officer positions, the remuneration system for directors and officers, and other governance-related matters. The committee submits its findings and recommendations on these matters to the Board of Directors.

2) Risk Management Committee

With the representative director as its chair, the Risk Management Committee is comprised of directors with officer responsibilities and officers responsible for internal control functions. In principle, the committee meets once a year to set a direction that will promote efficient, proper pursuit of risk management.

Auditing System

1) Internal Audits

A staff of nine auditors evaluates the internal control system and continuously performs audits to determine whether the business activities of the Company and its subsidiaries are in compliance with the law and regulations, and internal rules and manuals. Assessments and audit results are reported to the representative director, Audit and Supervisory Board members, and officers as appropriate, and corrective measures and guidance are provided to departments where deficiencies are identified.

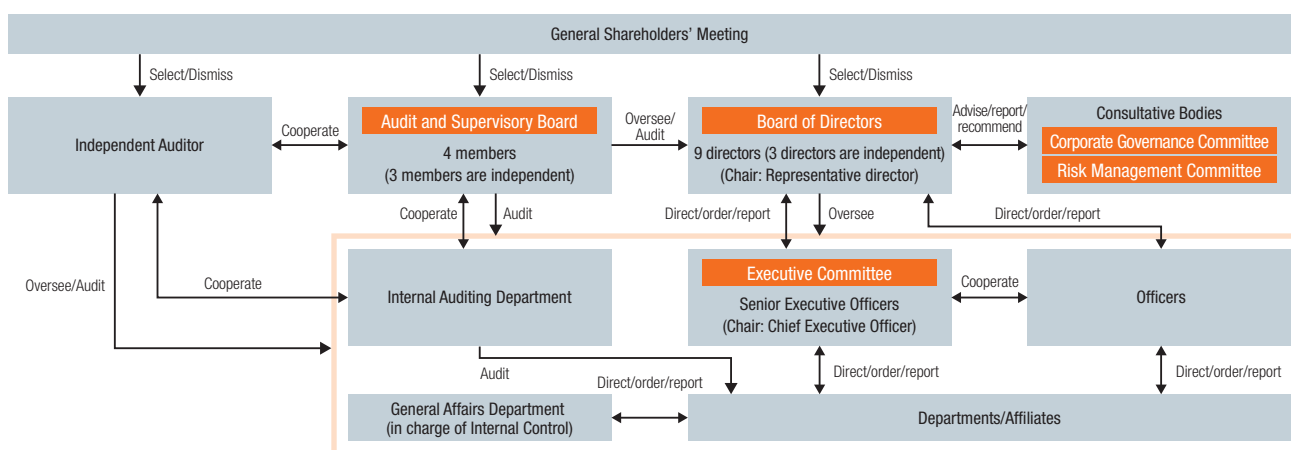
2) Audits by Audit and Supervisory Board Members

The Audit and Supervisory Board consists of four members, three of whom are outside members. The Audit and Supervisory Board sets an audit direction and establishes an audit plan. Reports are received from each Audit and Supervisory Board member on the progress and results of their work, and from the Board of Directors and the independent auditor on the progress of activities they are pursuing. Detailed explanations are requested as needed. Each Audit and Supervisory Board member attends important meetings to monitor the performance of duties by directors and officers.

3) Independent Audits

The Company has engaged Deloitte Touche Tohmatsu LLC to perform independent audits.

Corporate Governance Framework



Corporate Governance

Nomination of Inside Directors

Basic Policy

In nominating directors, only those who understand the importance of trust-based relationships with franchise stores, suppliers, employees and others involved in the AUTOBACS franchise chain, and who have the will and capabilities to increase corporate value and the common benefit of shareholders over the medium-to-long term are considered.

Nomination Process

Possible candidates for director are submitted to the Corporate Governance Committee for consideration. After receiving feedback from the Corporate Governance Committee, the Board of Directors makes the final nominations of persons to be put forth as director candidates. Persons being considered for nomination as an inside director are interviewed by the Corporate Governance Committee, which then considers their suitability as candidates for those positions.

Reasons for Nomination as an Inside Director

Name	Position	Reasons for Nomination
Kiomi Kobayashi Re-nomination	Representative Director and Chief Executive Officer, Chief AUTOBACS Chain Officer	Kiomi Kobayashi has contributed to the development of the Company's business over many years, for example, strengthening new-store-openings and marketing capabilities, and helping to establish a foundation for overseas businesses, at the AUTOBACS business. He is possessed of experience and a track record that are indispensable for leading the Company as its chief executive.
Teruyuki Matsumura Re-nomination	Director and Senior Managing Executive Officer, Head of Overseas Business and New Business Development	In the AUTOBACS business, Teruyuki Matsumura has been engaged in expanding the automobile purchase and sales, and statutory safety inspections and maintenance, operations, and has contributed to the development of business by strengthening relationships with franchisees. He has also amassed experience and a track record of performance in building foundations for new-business and overseas- business operations.
Isao Hirata Re-nomination	Director and Senior Managing Executive Officer, Head of Corporate Administration	Isao Hirata has built a systems platform integrating business strategy and IT strategy, and as the head of corporate planning and IR, has demonstrated leadership in building relationships with investors and other stakeholders, and in formulating the Company's business plans. He is well experienced and has built a solid track record in fundamentally strengthening the Company's management.
Naoyuki Koyama Re-nomination	Director and Senior Managing Executive Officer, Head of AUTOBACS Business Planning	Naoyuki Koyama has demonstrated leadership in both the reconstruction of the foundation for overseas business and the development of new business formats and products for the domestic AUTOBACS business. He has experience and a solid track record in creating new business packages for the domestic AUTOBACS business.
Eiichi Kumakura Re-nomination	Director and Senior Executive Officer, Head of Western Japan Region Headquarters	In addition to building an outstanding track record in the merchandise and sales areas of the domestic AUTOBACS business, Eiichi Kumakura has contributed significantly to the enhancement of relationships with franchisees and is possessed of experience and an outstanding record of achievement in rapidly advancing reforms in the domestic AUTOBACS business.
Yugo Horii Re-nomination	Director and Senior Executive Officer, Office of the President and Overseas Business Planning	Yugo Horii has made significant contributions in management and administration. These include many years of endeavor in legal affairs and the construction of internal control systems for the AUTOBACS Group. In addition, he is possessed of experience and an outstanding track record in the building of foundations for pursuing retail and service operations and wholesale operations in the overseas business.

Outside Directors and Outside Audit and Supervisory Board Members

Nominations

In principle, outside directors and Audit and Supervisory Board members are nominated from among a set of candidates put forth by a third-party institution. At present, nominees for the positions of outside director and outside Audit and Supervisory Board member are comprised of individuals, including one woman, with professional backgrounds spanning a wide spectrum. All outside directors meet the requirements for independence specified in law and in the Company's own rules. Each of the outside directors is possessed of experience and knowledge in various fields and is actively contributing to Board of Directors discussions from his or her own independent, objective perspective.

Appointment of a Senior Independent Director

The Company, in order to broaden the dialogue with shareholders and other investors, has appointed a senior independent director.

Reasons for Nominations of Outside Directors and Outside Audit and Supervisory Board Members

Name	Other Key Positions Concurrently Held	Reason for Nomination	Attendance Record
Noriaki Shimazaki Outside Director (Independent)	Advisor, IFRS Foundation Asia-Oceania Office; Advisor, The Japanese Institute of Certified Public Accountants; Chairman, XBRL Japan Inc.; Outside Director, UKC Holdings Corporation; Outside Director, Nomura Holdings, Inc.; Director, Nomura Securities Co., Ltd.; Outside Director, Loginet Japan Co., Ltd.; Director, Kamikawa Taisetsu Sake Brewery Co., Ltd.	Noriaki Shimazaki has extensive business experience and knowledge across a broad array of fields, including accounting and finance, personal development, risk management, and management strategy. He has many years of experience in corporate management and in public service roles, charged with monitoring and supervision responsibilities, mainly in accounting.	16 times/16 times
Hatsuo Odamura Outside Director (Independent)	Advisor, TAITO CORPORATION	With extensive knowledge and experience in crisis management (including eradication of antisocial forces) and organizational management accumulated through his long career in law enforcement, and professional experience in areas related to road traffic, Hatsuo Odamura is extremely knowledgeable of the transportation-related aspects of society.	16 times/16 times
Yoshiko Takayama Outside Director (Independent)	Managing Director, J-Eurus IR Co., Ltd.; Director, Japan Corporate Governance Network; Member of the Council of Experts Concerning the Follow-up of Japan's Stewardship Code and Japan's Corporate Governance Code, Financial Services Agency and Tokyo Stock Exchange, Inc.; President, Japan Board Review Co., Ltd.	In addition to her experience as a consultant in the fields of finance and M&A, Yoshiko Takayama has experience and a record of achievement as a corporate consultant, contributing, for example, to the evaluation of boards of directors, in connection with the fields of IR and corporate governance, and the pursuit of IR activities.	16 times/16 times
Toshiki Kiyohara Outside Audit and Supervisory Board Member (Independent)	—	Toshiki Kiyohara has experience as a corporate representative director, and the Company would like for him to apply his experience in strengthening its oversight function.	16 times/16 times
Tomoaki Ikenaga Outside Audit and Supervisory Board Member (Independent)	Partner, Anderson Mori & Tomotsune; Independent Member of the Oversight Committee, Moody's Japan K.K.; Independent Member of the Oversight Committee, Moody's SF Japan K.K.	Tomoaki Ikenaga has a wealth of experience and knowledge as a lawyer. The Company looks forward to having Mr. Ikenaga apply his expert knowledge of internal controls and compliance in audits of the Company.	16 times/16 times
Yuji Sakakura Outside Audit and Supervisory Board Member (Independent)	Representative Director, Relations Japan Corporation; Audit & Supervisory Board Member (Outside), UKC Holdings Corporation	Based on his many years of financial experience, mainly in international finance and capital markets, at a general trading company, Yuji Sakakura is possessed of wide-ranging knowledge of finance, accounting, and capital markets.	16 times/16 times

Dialogues with shareholders and other investors are led by the Representative Director and Chief Executive Officer. The appointment of a senior independent director will promote the constructive development of this dialogue.

Establishment of a Liaison Group for Outside Directors and Audit and Supervisory Board Members

The Company has established the Liaison Group for Outside Directors and Audit and Supervisory Board Members, which is chaired by the senior independent director and includes only outside directors and outside Audit and Supervisory Board members among its participants. The group is intended to be a vehicle for outside directors and outside Audit and Supervisory Board members to share information and enhance communication among themselves, and it is expected to be a venue for the development of a common understanding of, and exchange of information on, governance and other management matters at the Company. The group, which, in principle, meets several times a year, held its first meeting in December 2015.

Independence Requirements for Outside Directors and Audit and Supervisory Board Members ^{*Excerpted}

The Company's independent directors and independent Audit and Supervisory Board members are outside directors and outside Audit and Supervisory Board members as defined in Japan's Companies Act and Ordinance for Enforcement of the Companies Act. They also fulfill the following requirements for independence. Independence shall be considered to have been lost at the time any of the following requirements for independence are violated.

1. No conflict of interest with the Company nor any affiliate of the Company (referred to below as "the Group" or "Group"), nor with specified companies.
2. During the most recent five fiscal years, including the current fiscal year, no marital relationship to a Group director with executive or management responsibilities, nor to a Group executive of similar authority, and no relatives within the second degree, nor person sharing a household, serving in such a capacity.
3. No marital relationship to someone with a conflict of interest with the Group, nor with specified companies, and no relatives within the second degree, nor person sharing a household, having a conflict of interest with the Group or specified companies.
4. No other circumstances that would prevent the fulfillment of the duties of an independent director or independent Audit and Supervisory Board member.

Full text

http://www.autobacs.co.jp/en/csr/co_gove_system_en.html

Remuneration for Members of the Board of Directors, and Audit and Supervisory Board Members

Director Remuneration

1) Basic Policy

The basic policy on determining director remuneration is to secure as AUTOBACS SEVEN directors outstanding individuals who will work to maintain and increase the corporate value of the Company Group, which comprises a franchise system, and contribute to the effective functioning of the business oversight function.

2) Remuneration Standards

Standards for remuneration shall be set by considering third-party survey data on executive remuneration, and taking into account the Company's position in the industry and factors such as difficulty of achieving targets and specific roles of individuals.

3) Remuneration Composition and Basic Concepts

Remuneration for the Company's directors is composed of "fixed remuneration," as the basic element, and "performance-based remuneration," which varies depending upon changes in evaluation indicators for achievement of plan targets that are primarily quantitative.

Performance-based remuneration is based on performance in achieving objectives of the business plan for the fiscal year. The ratio of performance-based remuneration to total remuneration is designed to rise with the rank of the officer. However, given the nature of performance-based remuneration, outside directors, who have no management or executive responsibilities, are ineligible for performance-based remuneration and receive only fixed remuneration.

4) Remuneration Determination Process

The objectivity and transparency of the Company's director remuneration system and remuneration amounts are secured by having the Corporate Governance Committee, which is chaired by an outside director and is comprised of all of the outside directors and the representative director, deliberate and provide input on these matters.

Remuneration for Audit and Supervisory Board Members

Remuneration for the Company's Audit and Supervisory Board members is determined by the Audit and Supervisory Board members, within an overall remuneration amount approved at a general shareholders' meeting. Considering their role as independent individuals with the authority to oversee the directors in the fulfillment of their duties, remuneration for Audit and Supervisory Board members is composed of only fixed remuneration.

Total Remuneration for the Fiscal Year ended March 2017

Category	Total Remuneration Amount (Millions of yen)	Fixed Remuneration		Performance-based Remuneration	
		Recipients (Individuals)	Amount (Millions of yen)	Recipients (Individuals)	Amount (Millions of yen)
Director	Total for Directors	12	272	5	2
	Subtotal for Outside Directors	3	36	—	—
Audit and Supervisory Board Member	Total for Audit and Supervisory Board Members	5	66	—	—
	Subtotal for Outside Audit and Supervisory Board Members	3	41	—	—
Total		17	339	5	2

Note

1. Total annual remuneration for all directors: ¥480 million (Resolution approved at the ordinary general shareholders' meeting held June 28, 2006)
2. Total annual remuneration for all Audit and Supervisory Board members: ¥120 million (Resolution approved at the ordinary general shareholders' meeting held June 28, 2006)
3. The information above also applies to three outside directors and one Audit and Supervisory Board member who stepped down from their positions as of the 69th ordinary general shareholders' meeting, held June 21, 2016.

Corporate Governance

Facilitating the Exercise of Voting Rights

To enable participation by as many shareholders as possible, the Company avoids days when large numbers of other companies have scheduled their general shareholders' meetings when scheduling its own. The 70th ordinary general shareholders' meeting was held on Tuesday, June 27, 2017.

Efforts are made to send general shareholders' meeting notifications three weeks ahead of the meeting date to give shareholders ample time to make attendance arrangements. For the 70th ordinary general shareholders' meeting, notifications were sent 21 days in advance of the meeting date. Furthermore, meeting notifications were posted on the Company's website, TDNET, and on an electronic voting platform on May 31, mainly for the convenience of institutional investors in Japan and abroad.

Use of an electronic voting platform (accessible via personal computer and some types of cell phone) was instituted beginning with the 62nd ordinary general shareholders' meeting held in June 2009. In addition, an English-language version of the meeting notification is prepared and posted on the electronic voting platform and the Company's website at the same time the Japanese version is posted, and voting results are translated into English and posted on the Company's website.

Dialogue with Investors

The Company engages in constructive dialogue with shareholders through venues such as the general shareholders' meeting and results briefings, and discloses information in a timely, appropriate manner on the Company's corporate website. Regarding institutional investors, the Company engages in dialogue by, for example, participating in results briefings by investment securities firms and holding briefings when interim and full-year results are announced.

Investor Dialogue Data

Analysts and Institutional Investors

- Regular briefings: Held after announcements of interim and year-end results
- Small group meetings and one-on-one meetings: Held basically every quarter
- * Includes presentations by the representative director

Overseas Investors

- Regular briefings
 - Meetings in Europe: Held 1 during FY 2016
 - Teleconference with U.S. investors: Held 1 during FY 2016
- * Includes presentations by the representative director

Compliance

The Company is moving forward with the strengthening of its compliance structure and is stressing to employees of the parent company, subsidiaries, and all AUTOBACS Group stores, including franchise stores, the importance of pursuing business activities that are legally and ethically irreproachable.

Respect for the law and corporate ethics is a given. With that as a fundamental premise, the Code of Conduct and Guidelines for Action have been established in response to the legitimate expectations of all stakeholders and serve as fundamental principles in efforts to reinforce compliance understanding and conduct education initiatives for employees of not only the Company but also franchisees.

To check compliance conditions, meetings of the Compliance Administration Committee, comprised of representatives of departments with compliance promotion responsibilities, are convened monthly to determine whether any activities inconsistent with the Code of Conduct or Guidelines for Action have taken place. A system for rapidly responding to any problems that come to light has been established.

Risk Management

The Company, in addition to a risk management system for properly identifying and evaluating risks and implementing proper controls, has also adopted a comprehensive risk management posture integrating crisis management focused on limiting the extent of damage, and minimizing damage and losses, caused by a major event.

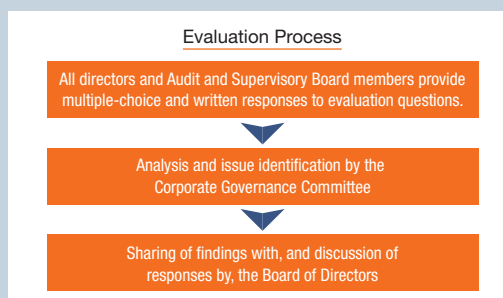
The Risk Management Committee, which is chaired by the representative director and chief executive officer, sets the direction for risk management for the fiscal year and, based on that direction and provisions concerning risk management, takes steps to smoothly and appropriately advance risk management activities.

The Risk Management Committee identifies key risk-related issues for each fiscal year and monitors measures to address them. The Risk Management Committee, the General Affairs and Internal Control Department, Legal Department, Corporate Audit Department and Customer Relations Department cooperate to assist monitoring by the Risk Management Committee. In addition, the officer in charge of general affairs reports to the Board of Directors on serious incidents and responses to them, as set forth in the rules for reporting on serious incidents, and shares these reports with the Audit and Supervisory Board and other relevant bodies within the Company.

Evaluating the Board of Directors

The Company evaluated the effectiveness of the Board of Directors to determine whether it is properly fulfilling its role, and to promote its ongoing improvement by analyzing and evaluating issues concerning effectiveness of the Board of Directors.

As a result, it was determined that the Company's Board of Directors is for the most part functioning properly. In particular, the evaluation found that the composition and setting of agendas for the Board of Directors are appropriate and that proper oversight is being performed through constructive, thorough discussions within an atmosphere allowing open, active debate. As an issue going forward, it was determined that there is a need to enhance the oversight function by engaging in thorough discussion based on monitoring of progress in implementing medium- to long-term management policies and strategies.



Directors and Audit and Supervisory Board Members

Directors



Kiomi Kobayashi

Representative Director and
Chief Executive Officer,
Chief AUTOBACS Chain Officer



Teruyuki Matsumura

Director and Senior Managing
Executive Officer,
Head of Overseas Business and
New Business Development



Isao Hirata

Director and Senior Managing
Executive Officer,
Head of Corporate
Administration



Naoyuki Koyama

Director and Senior Managing
Executive Officer,
Head of AUTOBACS Business
Planning



Eiichi Kumakura

Director and Senior
Executive Officer,
Head of Western Japan Region
Headquarters



Yugo Horii

Director and Senior
Executive Officer,
Office of the President and
Overseas Business Planning



Noriaki Shimazaki

Director (Outside, independent)



Hatsuo Odamura

Director (Outside, independent)



Yoshiko Takayama

Director (Outside, independent)

Audit and Supervisory Board Members



Kozo Sumino

Audit and Supervisory
Board Member (Full-time)



Toshiki Kiyohara

Audit and Supervisory
Board Member
(Full-time, outside, independent)



Tomoaki Ikenaga

Audit and Supervisory
Board Member
(Outside, independent)



Yuji Sakakura

Audit and Supervisory
Board Member
(Outside, independent)