

# 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
<b>Kiomi Kobayashi</b> 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.
<b>Teruyuki Matsumura</b> 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.
<b>Isao Hirata</b> 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.
<b>Naoyuki Koyama</b> 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.
<b>Eiichi Kumakura</b> 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.
<b>Yugo Horii</b> 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
<b>Noriaki Shimazaki</b> 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
<b>Hatsuo Odamura</b> 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
<b>Yoshiko Takayama</b> 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
<b>Toshiki Kiyohara</b> 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
<b>Tomoaki Ikenaga</b> 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
<b>Yuji Sakakura</b> 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 <sup>\*Excerpted</sup>

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](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.