

# CORPORATE GOVERNANCE

## POLICY

Through the franchise system, the Company provides a variety of goods and services in the key business areas of automotive goods and services sales, statutory safety inspections and maintenance services as well as car sales and purchases to a huge number of customers. We will continue to maintain and enhance the AUTOBACS brand and endeavor to fulfill our corporate social responsibilities. The Company will earn further support and trust from all stakeholders, by improving corporate governance as we clarify management responsibilities and expedite decision-making through streamlining of the management structure, as well as raising management transparency by strengthening the management oversight function and enhancing timely disclosure.

## SYSTEM

The Group is managed by internal directors well versed in the automotive goods and services industry and the franchise business, as well as outside directors with a wealth of business experience. We also adopt a corporate auditor system to utilize auditors' role as a monitor for business activities.

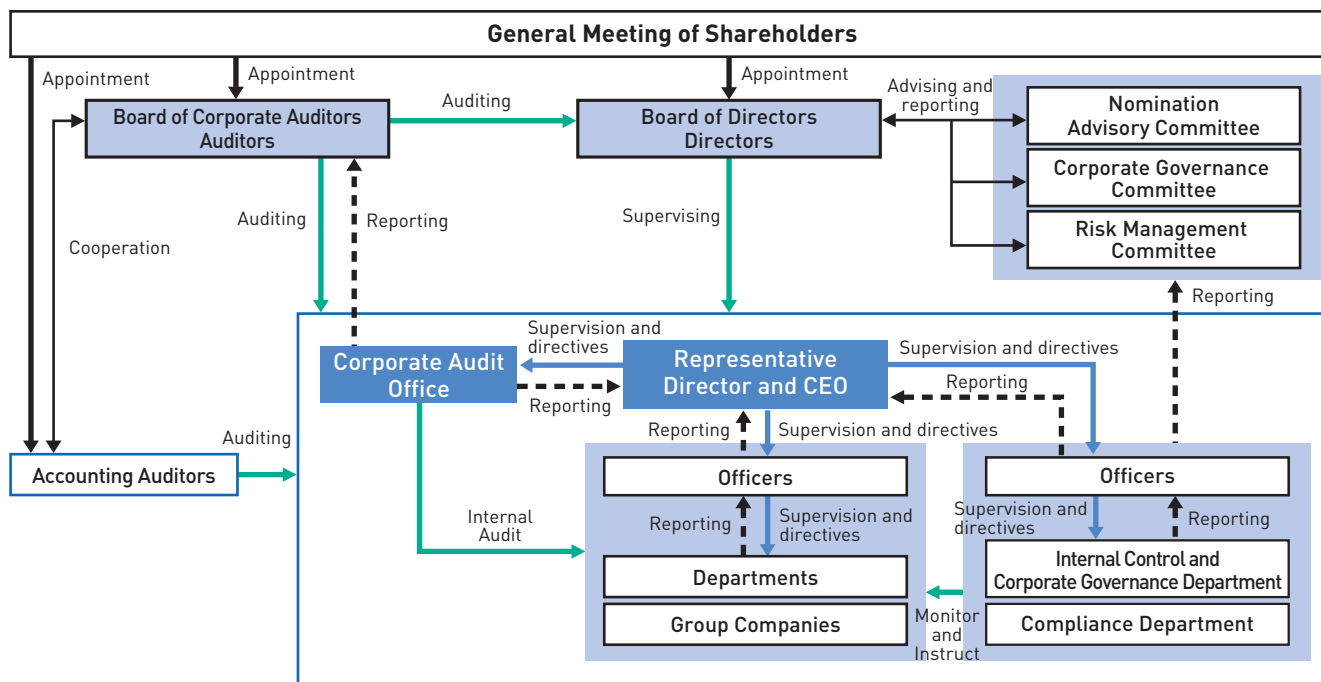
The introduction of an officer system separates the management oversight function and the business execu-

tion function. The oversight function is further bolstered by the appointment of outside directors. The establishment of committees consisting mainly of outside directors, formed as advisory organs to the representative director and Board of Directors, has created a sound and highly transparent system of corporate governance.

## Initiatives for Reinforcing Corporate Governance

June 2002	Introduction of officer system
April 2004	Establishment of Compliance Promotion Department
June 2004	Appointment of outside directors
August 2005	Establishment of Nomination Advisory Committee
July 2006	Launch of project to establish internal control system
January 2008	Establishment of Internal Control and Corporate Governance Department
April 2008	Separation of Executive Committee and Officers' Committee
May 2008	Establishment of Risk Management Committee
July 2008	Establishment of Corporate Governance Committee
March 2009	Formulation of Corporate Governance Policy

## Corporate Governance System



[As of June 25, 2009]

## CORPORATE GOVERNANCE SYSTEM (as of May 22, 2009)

Corporate Governance Framework			
General		Configuration	Company with a Board of Corporate Auditors
Directors & Board of Directors		Board Chairman	Representative Director
		No. of directors	9 (4 outside directors; 5 also serve as executive officers)
		No. of Board meetings held in FY2009	20 times (including 8 ad hoc meetings)
Auditors & Board of Corporate Auditors		No. of corporate auditors	5 (3 outside auditors)
		Key meetings attended by auditors	Board of Directors, Executive Committee, Officers' Committee, and others
		No. of Board meetings held in FY2009	21 times (including 7 ad hoc meetings)
Advisory organs of the representative director and Board of Directors	Nomination Advisory Committee	Chairman	Outside director
		Member	Outside directors and representative director
		Role	Advises the Board of Directors on candidates for directorships and officers with directorships
		No. of meetings held in FY2009	2 times
	Corporate Governance Committee	Chairman	Outside director
		Member	Outside directors and representative director
		Role	<ul style="list-style-type: none"> <li>Advises the Board of Directors from the perspective of corporate governance</li> <li>Consultation of remuneration for directors and officers</li> </ul>
		No. of meetings held in FY2009	11 times
	Risk Management Committee	Chairman	President & CEO
		Member	Officers with directorships and outside directors
		Role	Promotion of smooth and proper risk management
		No. of meetings held in FY2009	4 times
Strengthening of business execution and supervisory function			
Strengthening of supervisory function		Introduction of officer system	June 2002
		Appointment of outside directors	June (2004: 1/10 (one director out of ten directors); 2005: 2/10; 2006: 2/8; 2008: 4/9)
Decision-making and business execution		Decision-making and business execution structure	<ul style="list-style-type: none"> <li>Board of Directors: Decision-making</li> <li>Executive Committee: Formulation of companywide policy and plans; discussion of items to be resolved prior to the Board of Directors' meetings</li> <li>Officers' Committee: Checking and discussion of mid-term and annual management plans, assessment of business results and discussion of measures to be implemented</li> </ul>
Audit function			
Internal auditing organ		Internal Auditing Department	Internal Audit Office
		Role	<ul style="list-style-type: none"> <li>Monitoring of internal control systems</li> <li>Audits of the Company and its subsidiaries</li> <li>Reporting of audit results to corporate auditors, Representative Director &amp; CEO, and other officers</li> </ul>
Auditing of accounts		Accounting auditor	Deloitte Touche Tohmatsu*1
Measures for reinforcing corporate governance			
Compliance		Principles of compliance	Formulation of the AUTOBACS SEVEN Group's Code of Conduct and its Guidelines (June 2004) available on the Company's website: <a href="http://www.autobacs.co.jp/ja/csr/koudoukihan.html">http://www.autobacs.co.jp/ja/csr/koudoukihan.html</a>
		Observance of the Code of Conduct	Introduction of collecting written pledges to the Code of Conduct (April 2008)
		Compliance education	Implementation of e-Learning on compliance
		Internal reporting system	Establishment of the Orange Hotline (July 2004)
		Personal information protection	<ul style="list-style-type: none"> <li>Formulation of privacy policy (December 2004) available on the Company's website: <a href="http://www.autobacs.co.jp/en/privacy.html">http://www.autobacs.co.jp/en/privacy.html</a></li> <li>e-Learning on the protection of personal information</li> </ul>
Accountability		Principles of accountability	Formulation of policy on timely disclosure (January 2008) available on the Company's website: <a href="http://www.autobacs.co.jp/ja/csr/tekijikaijishoushin.html">http://www.autobacs.co.jp/ja/csr/tekijikaijishoushin.html</a>
		Materials that contribute to investors' understanding and evaluation	In principle, disclosed information, important information, and materials for briefings on business results are to be made available in Japanese and English on the Company's website.
Integrated risk management*2		Principles of integrated risk management	Formulation of integrated risk management policy (October 2008) available on the Company's website: <a href="http://www.autobacs.co.jp/ja/csr/riskmanagement.html">http://www.autobacs.co.jp/ja/csr/riskmanagement.html</a>
		Risk management system (normal conditions)	<ul style="list-style-type: none"> <li>Formulation of risk management regulations and manual on risk management system activities</li> <li>Establishment of risk management committee, management of risk and establishment and promotion of companywide risk management systems in line with annual risk management policy</li> </ul>
		Crisis management arrangements (contingency arrangements)	<ul style="list-style-type: none"> <li>Formulation of crisis management regulations and serious incident report manual</li> <li>The Risk Management Committee chairman sets up a Crisis Management Headquarters when a serious unforeseen event occurs, or is in danger of occurring, in order to undertake prompt appropriate actions aiming at recovery.</li> </ul>
Executive remuneration		Principles of remuneration for directors and officers	<ul style="list-style-type: none"> <li>Formulation of policy on director and officer remuneration (February 2009)</li> <li>Defining approach to determining remuneration and describing formulation of performance-based remuneration by integrating remuneration purpose, levels, and factors in order to establish an appropriate remuneration system</li> </ul>
		Objectivity and transparency	The Board of Directors requests the Corporate Governance Committee to consult remuneration structure and levels.
Governance of subsidiaries		Basic principles for management of subsidiaries	Prescribing basic principles for the management of subsidiaries in the Regulations for Affiliated Companies (revised February 2009)
		Supervising Department	Establishment of supervising department for the management of subsidiaries

\*1 From July 2009, corporate name has been changed to Deloitte Touche Tohmatsu LLC.

\*2 Integrated risk management refers to the system of risk management and crisis management arrangements.