Directors

Tatsuya Kamoi Outside Director	**Yosuke Matsuda** Outside Director	**Shinichi Fujiwara** Senior Managing Director	**Yugo Horii** Representative Director & Chief Executive Officer	**Masahiro Nishikawa** Managing Director	**Ayako Kanamaru** Outside Director	**Tomoaki Ikeda** Director	**Masami Koizumi** Outside Director

Succession Plan

We recognize that securing talented human resources is essential to the sustainable growth of the consolidated Group. To this end, the Company has formulated a "Succession Plan" aimed at conducting talent management of personnel in the consolidated Group, including subsidiaries, and developing personnel that can take on important posts from a medium- to long-term perspective. Under this plan, we are systematically developing CEOs and executives as well as consolidated Group executives, top management, CFO, CLO, and other specialized personnel. In addition, the Corporate Governance Committee, chaired by an Outside Director, and composed of all of the Outside Directors, the Chairperson of the Board, and the Representative Director, holds discussions for regular review and revision of the plan to ensure its objectivity and transparency.

In the development of potential successors, we are strategically enhancing candidates' skills and careers by giving them access to management experience at subsidiaries, etc. and different positions within the Company according to each rank.

The elements required of the consolidated Group executives are "experience, knowledge, and skills," "capability," "qualification," and "values, personality, and ethics." Among these, particular emphasis is placed on "capability," which include "strategic thinking," "market insight," "team management," "talent and organizational development," "collaborative ability," "results orientation," and "change leadership." We advance development and appointment by adjusting the level of importance and priority of each capability in accordance with the business stage and surrounding environment.

Knowledge and Experience of Directors/Skills Matrix

The Group aims to become a corporate group essential to customers and local communities by promoting the initiatives to "ensure the safety of our communities while driving and enriching customers' lives" through swift and resolute decision-making by way of achieving our long-term vision and the 2024 Medium-term Business Plan "Accelerating Towards Excellence."

We think it is important that the Board of Directors that plays a central role for supporting the growth aimed for by the Group in the Medium-term Business Plan and for enhancing its corporate value over the medium to long term by sustainable means should be composed of directors equipped with appropriate insight and experience in order to fulfill the responsibility of the Board.

The Group believes that insight and experience in the fields described in the table below, such as "management experience," "capital cost management/financial strategy," "portfolio management," and "organization/human resources strategy," are particularly important.

The following lists the types of insight and experience possessed by the Board of Directors as a whole and by each director.

Name	Position		Skills							
			Management experience	Capital cost management/ Financial strategy	Portfolio management	Organization/Human resources strategy	Insight and experience in the Company's business fields	Risk management/ Compliance	ESG/Diversity	IT/DX
Yugo Horii	Directors who are not Audit and Supervisory Committee Members	Representative Director & Chief Executive Officer	●	●	●		Distribution/global	●	●	
Shinichi Fujiwara		Senior Managing Director	●		●	●	Retail/marketing			●
Masahiro Nishikawa		Managing Director		●		●	Retail	●		
Yosuke Matsuda		Outside Director	●	●	●		Digital/service/ marketing		●	●
Tatsuya Kamoi		Outside Director	●			●	Digital/global		●	●
Tomoaki Ikeda	Directors who are Audit and Supervisory Committee Members	Director	●	●			Wholesale/retail	●	●	
Masami Koizumi		Outside Director	●	●	●		Wholesale/retail	●		
Ayako Kanamaru		Outside Director			●	●	Global	●	●	

Basic concept of corporate governance

Based on the AUTOBACS SEVEN Group Purpose, AUTOBACS SEVEN Group Code of Conduct and Guidelines for Action, and AUTOBACS SEVEN Group Sustainability Basic Policy, we operate our business with consideration to all stakeholders. As a public institution of society, we will achieve sustainable growth and improve corporate value over the medium and long terms, and will continue striving to strengthen corporate governance to contribute to society.

Based on this fundamental philosophy, we will build a system to achieve fair and transparent management including separation of the execution of operation and supervision, together with swift, bold decision making and proper monitoring, and will endeavor to make the system fully functional in substance.

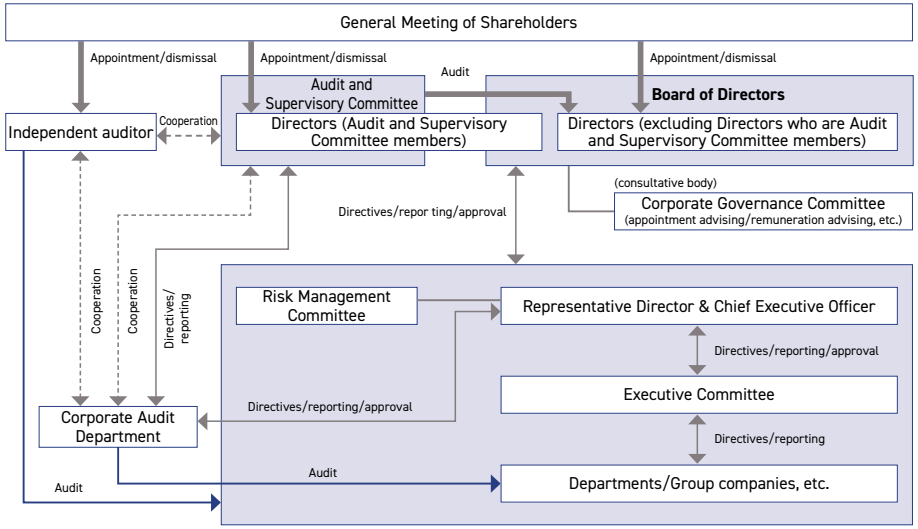
Features of the Company's corporate governance

Our company has adopted the structure of a company with an Audit and Supervisory Committee to achieve a more effective Corporate Governance System that separates business execution from supervision, enabling swift and decisive decision-making coupled with appropriate monitoring. This aims to foster sustainable growth and enhance medium- to long-term corporate value. Furthermore, we are further strengthening our corporate governance framework through the following measures.

1. **Appointment of one third or more of Independent Outside Directors:** enhancement of the supervisory function, protection of general shareholders' interest
2. **Establishment of committees as consultative bodies to the Board of Directors:** ensuring of transparency, objectivity and appropriateness
3. **Selection of full-time and selected members of the Audit and Supervisory Committee:** ensuring of effectiveness of the activities of Audit and Supervisory Committee, enhancement of the audit function
4. **Reporting segments centered on retail and wholesale:** portfolio optimization
5. **Regular meetings with business managers and executive candidates by Audit and Supervisory Committee members:** enhancement of monitoring

Corporate governance system chart

(As of April 1, 2025)



Name	Regular meeting	Chairperson	Members	Directors (excluding Directors who are Audit and Supervisory Committee members)		Directors who are Audit and Supervisory Committee members		Main roles
				Internal	Outside	Internal	Outside	
Board of Directors	Once every month in principle	Appointed in accordance with provisions prescribed by the Board of Directors	Directors	●	●	●	●	Decides the medium- to long-term course of action and annual business plans, as well as matters specified in laws and regulations or in the Articles of Incorporation, and important matters concerning the Company's business activities, and supervises the execution of duties of Directors.
Audit and Supervisory Committee	Once every month in principle	Appointed from among Audit and Supervisory Committee members by mutual election	Directors who are Audit and Supervisory Committee members	—	—	●	●	• Audits the execution of duties of Directors through supervision and assessment using audits via full-time and selected Audit and Supervisory Committee members and internal control systems via audits performed by the Corporate Audit Department. • Members attend important meetings and meetings with the Independent Auditor; full-time Audit and Supervisory Committee members improve the auditing environment, gather internal information mainly by perusing important documents, and share important matters with other Audit and Supervisory Committee members • Reports on and explains audit policies and audit results of the Audit and Supervisory Committee regularly at meetings of the Board of Directors
Corporate Governance Committee	Once every month in principle	Appointed from among Outside Directors through mutual election by committee members	Independent Outside Directors, Representative Director, and Chairperson of the Board	● (Representative Director and Chairperson of the Board only)	●	—	●	Provides reports and suggestions to the Board of Directors on the matters listed below and thereby enhances the Board of Directors' supervisory functions by strengthening the functional independence, objectivity, and accountability of the Board of Directors to further deepen corporate governance a. Election and dismissal of candidates for Directors (including Directors who are Audit and Supervisory Committee members) *Including positions with titles b. Election, dismissal, and succession planning for the Representative Director c. Remuneration system for Directors (excluding Directors who are Audit and Supervisory Committee members) d. Other matters relating to corporate governance
Executive Committee	Once every month in principle	Chairperson of the Board Directors	Directors	●	●	●	●	Serves as a forum to deliberate and build consensus on execution-related matters, where risks inherent in items subject to Board of Directors resolutions and corresponding countermeasures are discussed in advance, and company-wide policies and plans are formulated.
Risk Management Committee	Once every year in principle	Representative Director & Chief Executive Officer	Executive Directors	●	○	○	○	• Formulates annual risk management policies • Promotes smooth and appropriate risk management

●: Attendees ○: Observers

As of July 7, 2025

Board of Directors

With the aim of achieving sustainable growth and improving the medium- to long-term corporate value in consideration of fiduciary duties and accountability to shareholders, the Board of Directors decides the medium- to long-term course of action and annual business plans, as well as matters specified in laws and regulations or in the Articles of Incorporation, and important matters concerning the Company's business activities, and supervises the execution of duties of Directors.

Best efforts to achieve the Medium-term Business Plan

To achieve our long-term vision and realize accelerated growth, we announced our Medium-term Business Plan, the 2024 Medium-term Business Plan "Accelerating Towards Excellence," in May 2024 and are currently advancing it. We have positioned the global pursuit of becoming the "Mobility Lifestyle Infrastructure" for our customers as our new direction for evolution. We will strive relentlessly, both domestically and internationally, to reduce the "hassles" associated with mobility for our customers and to continuously propose the 'joy of going out'. We aim to evolve into a corporate group that earns even greater customer support and to become an indispensable presence in society as the infrastructure supporting the mobility society.

This plan focuses on concentrating management resources on two core pillars: "Retail" and "Wholesale." It places global expansion within these business domains and business expansion into adjacent and peripheral areas at the core of our strategy. For the final year of the plan, FY2026, we have set management targets of consolidated net sales of ¥280 billion, consolidated operating income of ¥15 billion, and a ROIC of 7.0%. We are advancing various initiatives under three key focus areas: "Creating Touch Points", "Developing and Supplying Products and Solutions", and "Establishing New Business Domains". To advance this Medium-term Business Plan, we have established a system where young talent poised to lead the next generation of management takes the lead, consistently executing the plan from formulation to implementation. Concurrently, we are maximizing company-wide execution and driving force by forming cross-departmental and cross-group company task forces. Furthermore, to accelerate management decision-making and enhance operational efficiency, we are abolishing positions equivalent to executive officers starting in FY2025 and concurrently advancing the spin-off of each business unit. We regularly analyze the causes of discrepancies between annual budgets and actual results for each fiscal year and disclose and explain these findings to stakeholders, including shareholders, through financial results announcements and other channels.

Composition of the Board of Directors

- With an emphasis on having a good balance of knowledge, experience, and skill,* the Board of Directors consists of internal Directors well-versed in the Company's business, and Outside Directors with diverse backgrounds, including one female Director.
- Board composition is decided following the careful consideration of diversity and appropriate scale, including gender, internationality, career history, and age.

*The Group believes that it is important for the Board of Directors that will support the growth aimed for in the Medium-term Business Plan and play a key role to sustainably enhance its corporate value in the medium- to long-term to be composed of directors equipped with appropriate insight and experience in order to fulfill their responsibilities.
The kinds of insight and experience in the fields such as "management experience," "capital cost management/financial strategy," "portfolio management," and "organization/human resources strategy," are particularly important in our view.

Policies and Procedures for the Appointment and Dismissal of Management Team Executives and the Nomination of the Candidates for Directors

Our Directors are individuals who understand the importance of the relationship of mutual trust we have with franchisees, suppliers, employees, and others in the AUTOBACS franchise chain, and who have the will and ability to improve corporate value and common shareholder interests over the medium to long term.

Candidates for internal Directors shall be individuals who are familiar with the Company's business. Candidates for Outside Directors shall have corporate management experience, and expertise and experience with laws and regulations, finance, governance, risk management, etc. They shall also meet the requirements for independence stipulated in Article 436-2 of the Securities Listing Regulations of the Tokyo Stock Exchange, Inc. and the requirements for independence stipulated by the Company. In addition, we strive to ensure that one or more of the Directors who are Audit and Supervisory Committee members have considerable expertise in finance and accounting.

We established the Corporate Governance Committee, chaired by an Outside Director, and composed of all of the Outside Directors, Chairperson of the Board, and Representative Director, as a consultative body to the Board of Directors. Decisions on proposals to be submitted to the General Meeting of Shareholders regarding the selection of Director candidates and the dismissal of Directors are made by the Board of Directors after consulting and receiving reports from this Committee. When appointing Directors who are Audit and Supervisory Committee members, the Representative Director and the Audit and Supervisory Committee discuss the required human resource qualifications at the time of Director candidate selection.

In addition, in order to ensure the timely and fair appointment and dismissal of Representative Director, beginning in the fiscal year ended March 31, 2024, the Corporate Governance Committee evaluates their performance and verifies whether they are fulfilling their role appropriately.

In addition, the Audit and Supervisory Committee discusses and expresses its opinion as to whether the Director candidates selected by the Corporate Governance Committee, in which Outside Directors who are Audit and Supervisory Committee members participate, are suitable for the position. In doing so, the Audit and Supervisory Committee considers the following: the selection policies that took into account such matters as the qualifications of each candidate and his or her eligibility as a Director, the status of nomination procedures, and for Executive Director candidates, the status of their business execution and contribution to business performance in each fiscal year.

Outside Directors

Status of appointment

The Company's Outside Directors consist of personnel with diverse backgrounds, including one female. All Outside Directors meet the criteria for independence set forth by the Tokyo Stock Exchange, Inc. and the independence requirements set forth by the Company. Outside Directors with experience and knowledge in a variety of fields actively contribute to discussions, such as at meetings of the Board of Directors, from an independent and objective standpoint.

Independent Outside Directors Liaison Meeting

The Company has appointed a chief independent Outside Director.

In addition, the Independent Outside Directors Liaison Meeting, consisting of four independent Outside Directors and hosted by the chief independent Outside Director, meets several times a year to strengthen mutual information sharing and communication among Outside Directors. In the fiscal year ended March 31, 2025, the meeting was held five times and the recommendations that resulted therefrom were reported to the Representative Director.

Support system for Outside Directors

When Outside Directors assume their positions, they are given explanations of the Company's management philosophy, strategies, and line of business, and are also given tours of our core business bases.

Regarding the Board of Directors and the Executive Committee, we send materials and minutes via e-mail or paper documents, and the secretariat or the department in charge of agenda items provides necessary information as appropriate, as well as explanations in advance as necessary.

In addition, we have established the Executive Committee, which consists of Directors, to ensure that Outside Directors can make appropriate judgments based on sufficient information. As a forum for deliberating in advance the matters to be resolved by the Board of Directors, it examines business profitability, risks, and other aspects of the matters for resolution. Through this, Outside Directors will be able to gain a deeper understanding of the matters to be resolved and the issues facing the Company and be able to fully discuss them at the Board of Directors meetings.

WEB | Independence criteria for the Outside Directors

Evaluation of the Board of Directors' Effectiveness

The Company analyzes and evaluates the effectiveness of the Board of Directors every year since fiscal year 2015 to assess whether it is appropriately performing its roles, and to identify issues in the Board of Directors in order to make continuous improvements.

The effectiveness evaluation for the fiscal year ended March 31, 2025 was answered by all Directors with multiple choice and free-form responses. In addition, the "gap analysis on the level of importance and amount of discussion of Board of Directors proposals," which was newly incorporated into the effectiveness evaluation in the fiscal year ended March 31, 2023, was conducted again as a reference material for future Board of Directors discussion themes. Based on the results, the Board of Directors and the Corporate Governance Committee conducted multiple discussions before finalizing the evaluation results.

Evaluation items	Overall Board evaluation, Board operation, Board composition, Board agenda, Board discussion and decision-making process, support system for Outside Directors, Audit and Supervisory Committee, Corporate Governance Committee, relationship with investors and shareholders, response to issues pointed out in FY2023, etc.

Evaluation results for the fiscal year ended March 31, 2025

Positive feedback	• The Board of Directors, Audit and Supervisory Committee, and Corporate Governance Committee are generally effective
Expected improvements	• There is room for improvement in deepening discussions from a management perspective and strengthening group governance. • With regard to issues pointed out, as a result of discussions by the Board of Directors, it was decided to focus on the following initiatives

Countermeasures

〈Deepening Management Discussions〉
- Enhance progress reports on business strategies and Medium-term Business Plans by business managers to ensure substantive discussion opportunities
- Strengthen initiatives to concretize and deepen company-wide discussions on long-term strategy, management strategy, and growth strategy

〈Strengthening Group Governance〉
- Conduct discussions to strengthen group governance supporting business expansion and identify specific challenges
- For post-group-formation monitoring, regularly conduct progress reports and discussions/confirmations on improvement items

Monitoring Sustainability Activities

Addressing overall sustainability issues as an important theme, the Company established the ESG & SDGs Project in January 2021, led by the Chief Executive Officer, and has been promoting it as a company-wide project. The contents of relevant discussions and decisions are reported to the Board of Directors, and the Board provides approval on the Company's initiatives, issues instructions and conducts supervision, as necessary.

TOPICS

Key Matters Discussed and Reported at the Board of Directors Meeting (Fiscal Year Ended March 2025)

Business Strategy	• 2024 Medium-term Business Plan "Accelerating Towards Excellence" • Subsidiarization through share acquisition • Group's IT Strategy • Assessment of the continued holding of strategic shareholdings • Progress in brand business restructuring • Post-investment monitoring/Post-merger Integration (PMI)
Sustainability	• CDP Climate Change Questionnaire response results • ESG & SDGs Project KPI progress
Governance	• Evaluation of the Board of Directors' effectiveness for the fiscal year ended March 31, 2025 • Review of the overall status of our governance measures and direction for addressing challenges • Internal controls and compliance within the consolidated group

Activities of the Audit and Supervisory Committee and the Governance Committee (Fiscal Year Ended March 2025)

Audit and Supervisory Committee (Number of meetings held: 17)	• Reviewed and deliberated on audit-related matters • All Audit and Supervisory Committee members attended Board of Directors meetings, Executive Committee meetings, and General Managers meetings, where they asked questions and expressed opinions • Conducted on-site and remote audits of 13 subsidiaries, including 4 overseas subsidiaries • Held monthly meetings with the department responsible for subsidiary corporate auditors • Held biannual liaison meetings with subsidiary corporate auditors as participants
Governance Committee (Number of meetings held: 14)	• Review of director candidates, including those who are candidates for Audit and Supervisory Committee members • Examination of the compensation system for directors (excluding those who serve as Audit and Supervisory Committee members) • Performance evaluation of the Representative Director • Review of the overall status of the Company's governance initiatives and consideration of appropriate responses

Policy and Procedures for Determining Remuneration for Management Team Executives and Directors

The Company has established a policy for determining remuneration to maintain and increase the corporate value of the AUTOBACS SEVEN Group. The Company ensures the objectivity and transparency of a remuneration system for its Directors (excluding Directors who are Audit and Supervisory Committee members) through consultation with the Corporate Governance Committee, a body that is chaired by an Outside Director and composed of all of the Outside Directors, Chairperson of the Board, and the Representative Director.

Directors' Remuneration

Basic policy

The basic policy for determining Directors' remuneration has the criteria of maintaining and increasing the corporate value of the AUTOBACS Group, which comprises a franchise system, and securing human resources capable of effectively supervising the Company's business operations as Directors of the Company.

Remuneration standard

The remuneration standard is based on the results of third-party surveys on remuneration for directors and officers and takes into account such factors as the Company's position in the industry, the difficulty of achieving targets, and responsibilities.

Composition and basic policy of remuneration

Remuneration for the Company' s Directors
Remuneration for the Company's Directors (excluding Outside Directors and Directors who are Audit and Supervisory Committee members) consists of fixed remuneration (monetary remuneration and stock remuneration). The ratio of monetary remuneration to stock remuneration in fixed remuneration is 2 to 1 for the Representative Director and 7 to 3 for Directors. For Outside Directors and Directors who are Audit and Supervisory Committee members, fixed remuneration (monetary remuneration) set for each role is paid.

Fixed remuneration (monetary remuneration)	Determined based on the basic remuneration as a Director and the remuneration for other delegated duties set according to individual roles.
Fixed remuneration (stock remuneration)	Restricted stock issued in advance at a face value set according to each individual role, with the aim of improving medium- to long-term performance and corporate value and further sharing value with shareholders.

Remuneration for Directors for business execution
Remuneration for directors in charge of the execution of duties among the Company's directors (excluding outside directors and directors who are audit and supervisory committee members) consists of fixed remuneration for directors as well as of fixed remuneration (monetary remuneration), variable remuneration (monetary remuneration) and variable remuneration (stock remuneration) as types of remuneration for the execution of duties. The percentages set for fixed remuneration (monetary remuneration), variable remuneration (monetary remuneration), and stock remuneration (fixed and variable remuneration) for the Company's directors are roughly 42%, 28%, and 30%, respectively, in the case of Representative Director & Chief Executive Officer. The percentage of variable remuneration will become higher in proportion to the ranks of executive directors.

Fixed remuneration (monetary remuneration)	The scope of control and responsibility, degree of influence on the management of the AUTOBACS SEVEN Group, and achievements in the previous fiscal year are considered to determine fixed remuneration from the remuneration table.
Variable remuneration (monetary remuneration)	The achievement of a single-year consolidated operating income target is set as a payment condition. The amount varies between 0 and 150% of the performance based remuneration standard depending on the degree of achievement of the following targets: financial performance figures such as ordinary profit targets for all businesses and each area of responsibility, and an individual assignment based on a strategic target including a medium- to long-term perspective, which cannot be measured by financial performance figures alone.
Variable remuneration (stock remuneration)	To improve performance and corporate value over the medium and long term and better share value with shareholders, restricted stock (performance-based stock remuneration) is issued in advance linked with the achievement of single-year performance targets in the amount specified according to individuals' roles.

Process of determining remuneration

1. Remuneration for the directors (excluding outside directors and directors who are audit and supervisory committee members)	Remuneration is determined at the Board of Directors' meeting, along with the remuneration system that ensures objectivity and transparency through consultation with the Corporate Governance Committee.
2. Remuneration for the execution of duties by the directors	Remuneration is determined by the Chief Executive Officer, based on the remuneration system for the execution of duties determined at the Board of Directors' meeting after consultation with the Corporate Governance Committee.
3. Remuneration for the directors (excluding directors who are audit and supervisory committee members)	The Audit and Supervisory Committee has expressed the opinion that the director remuneration policy, the content of the system, and the compensation determination procedures are appropriate, and that the remuneration amounts are appropriate as they correspond to the roles, responsibilities, and performance of each director.
4. Remuneration for the directors who are audit and supervisory committee members	Remuneration is determined at the Audit and Supervisory Committee, within the limit of the amount of remuneration resolved in advance at a General Meeting of Shareholders.

Our variable compensation (monetary remuneration) is determined based on the Company's director remuneration system, which is approved by the Board of Directors following consultation with the Corporate Governance Committee. This system takes into account the scope and responsibilities of executive duties and incorporates both financial and non-financial performance indicators. Financial metrics include common evaluation indicators such as the single-year consolidated ordinary profit target and the ROIC target. Non-financial metrics encompass key ESG and SDGs KPIs. To align with mid- to long-term performance goals outlined in our management strategy and Medium-Term Business Plan, and to promote sustainable enhancement of corporate value and value sharing with shareholders, we have newly introduced mid- to long-term performance-based remuneration. This remuneration is contingent upon achieving the operating profit targets set forth in the 2024 Medium-term Business Plan.

Total amount of remuneration, etc. for fiscal year ended March 31, 2025

Classification	Fixed remuneration (monetary)		Variable remuneration (monetary)		Stock remuneration (fixed/variable)		Total amount of remuneration, etc. (million yen)
	Number of persons paid	Amount of payment (million yen)	Number of persons paid	Amount of payment (million yen)	Number of persons paid	Amount of payment (million yen)	
Directors who are not audit and supervisory committee members (excluding outside directors)	5	122	3	89	3	35	247
Directors who are not audit and supervisory committee members (outside directors)	3	24	–	–	–	–	24
Total of directors who are not audit and supervisory committee members	**8**	**146**	**3**	**89**	**3**	**35**	**271**
Directors who are audit and supervisory committee members (excluding outside directors)	1	25	–	–	–	–	25
Directors who are audit and supervisory committee members (outside directors)	2	36	–	–	–	–	36
Total of directors who are audit and supervisory committee members	**3**	**61**	**–**	**–**	**–**	**–**	**61**

1. Stock remuneration is the amount recorded as an expense in the 78th fiscal year (April 1, 2024 to March 31, 2025).
2. Remuneration for directors (excluding directors who are audit and supervisory committee members) was resolved in the amount of ¥480 million or less per year (including ¥50 million or less per year for outside directors) with the number of eligible directors being seven or less at the 72nd ordinary general meeting of shareholders held on June 21, 2019. At the conclusion of the ordinary general meeting of shareholders for the said term, the number of directors (excluding directors who are audit and supervisory committee members) was four (including one outside director).
3. Remuneration for directors (audit and supervisory committee members) was resolved in the amount of ¥120 million or less per year with the number of eligible directors being five or less at the 72nd ordinary general meeting of shareholders held on June 21, 2019. At the conclusion of the ordinary general meeting of shareholders for the said term, the number of directors (audit and supervisory committee members) was three (including two outside directors).
4. Remuneration for granting shares with restrictions on transfer for directors (excluding outside directors and directors who are audit and supervisory committee members) was resolved in the amount of ¥100 million or less per year with the number of eligible directors being seven or less at the 72nd ordinary general meeting of shareholders held on June 21, 2019. At the conclusion of the ordinary general meeting of shareholders for the said term, the number of directors (excluding outside directors and directors who are audit and supervisory committee members) was three.

Compliance

Compliance System

The Company has been strengthening its compliance system. At the same time, we are making sure that everyone at headquarters, subsidiaries, and all AUTOBACS Group stores, including those of franchisees, are fully aware of the importance of conducting business activities in compliance with laws and regulations and ethics.

Compliance with laws and regulations and corporate ethics is looked upon as a matter of course. Based on this premise, we have clearly defined our Code of Conduct and Guidelines for Action to meet the legitimate expectations of all stakeholders. With these as our basic principles, we promote thorough compliance and education and training activities not only within the Company, but also for our franchise corporations. Our Code of Conduct and Guidelines for Action include matters related to anti-corruption, the prohibition of insider trading, and the prohibition of business with antisocial forces. As a means to monitor the status of compliance, we hold monthly meetings of the Integrated Risk Management Secretariat Council, which consists of relevant departments. We have established a system to check for any deviation from the Code of Conduct and Guidelines for Action and take prompt action if a problem is identified.

WEB | Compliance

Ongoing educational initiatives regarding compliance

In accordance with our Basic Rules on Compliance, we provide compliance education on insider trading and security for all employees.

WEB | Code of Conduct and Guidelines for Action

Risk Management

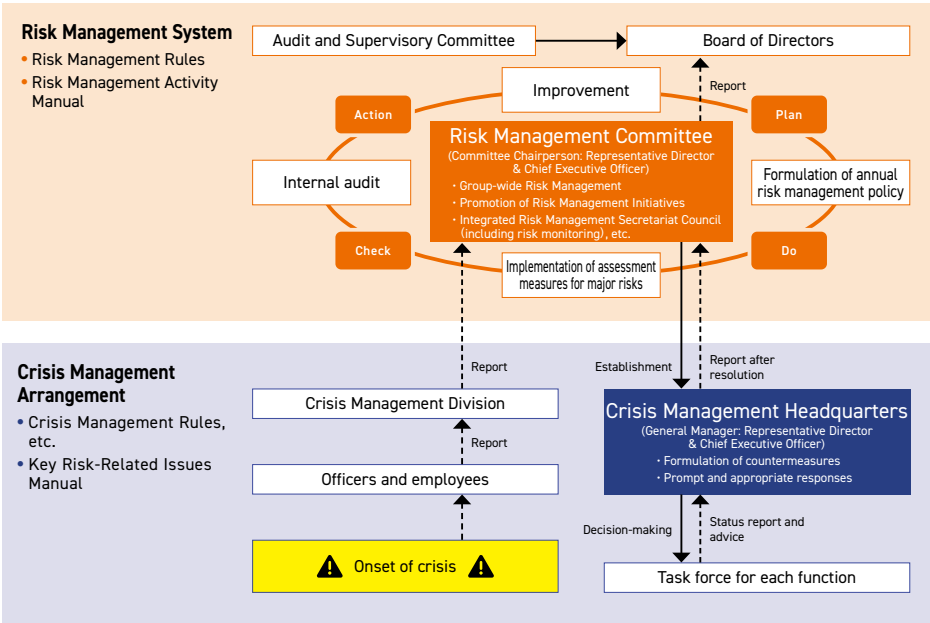
Approach to Integrated Risk Management

Our company provides a wide range of products and services to numerous customers, including the AUTOBACS franchise system, aiming to become the Mobility Lifestyle Infrastructure. We recognize that our most critical management priority is to continuously work on maintaining and enhancing the “AUTOBACS” brand to earn further support and trust from all stakeholders.

To this end, we not only respond to the daily changes in the environment surrounding the Group, but also accurately identify, evaluate, and appropriately control various risks that may hinder the achievement of our goals. In addition, we strive to fulfill our corporate social responsibility by establishing a system that enables us to minimize damage and loss in the event of a serious incident and prevent the spread of such damage.

We believe that it is our corporate social responsibility to establish an integrated risk management system that combines the risk management system we employ during normal times with the crisis management arrangements we employ during emergencies, and continuously work to improve upon our integrated risk management. We have established the principles of integrated risk management in our Integrated Risk Management Policy. We will continuously work on improving integrated risk management throughout the Group and aim to become a corporate group that is trusted by its stakeholders.

Integrated risk management system conceptual diagram



Major Risks

Items	Major risks	Main countermeasures
Risks associated with domestic market environment	• Our operating results and financial condition could be negatively affected by the impact of changes in domestic and overseas situations on product procurement, the worsening of Japan's economy due to exchange rate fluctuation, sluggish consumer spending, changes in our competitive advantage, etc.	• Mitigated risk by identifying important risks through risk assessment by the Risk Management Committee and external organizations, and taking action against them
Risks associated with store operation	• Accidents could occur in association with store operations such as waste processing, handling of toxic substances, and pit work, reducing the number of customers due to a worsened impression of stores	• Provided training and instructional education on pit work accidents, etc. • Thoroughly disseminated work manuals • Continuously inspected and improved a compliance check program
Risks associated with technological innovations	• Technological developments in driving support functions and automated driving, the spread of EVs, etc., will bring about a change in market size and the demand of replacement parts sold by the Group • If customer needs diversify with technological advances and we are unable to flexibly respond to customer needs, sales will decrease	• Collaborated with domestic and foreign automobile manufacturers • Entered the EV market • Acquired Specific Maintenance Certifications (electronic control unit maintenance) at all stores designated for performing statutory safety inspections • Promoted efforts to acquire expertise regarding technological innovations
Risks associated with information security	• If a disaster, cyberattack, etc., causes the shutdown of the data center function, system failure, or an external leak of personal information or confidential corporate information, it will worsen the Group's social credibility, lead to the payment of damages, etc.	• Implemented entrance and exit controls such as firewalls • Implemented information protection measures with all access subject to verification • Established regulations on information security • Provided information security e-learning and targeted e-mail attack drills to all AUTOBACS SEVEN Group employees • Established data centers that can provide 24-hour response • Diversified risk by establishing data centers at multiple locations • Backed up data regularly and established a system that allows the system to be restarted promptly WEB | AUTOBACS SEVEN Group Information Security Policy
Risks associated with climate change	• Climate change such as cool summers and mild winters will lead to decreased demand for seasonal products and decreased net sales due to a shift in sales timing • If increased environment-related legal restrictions and social demands lead to the introduction of a carbon tax and an increase in various restrictions, it will restrict our business activities and increase operation and equipment costs	• Utilized renewable energy • Promoted environmentally-friendly stores • Implemented decarbonization efforts such as the sale and maintenance of EVs • Promoted energy conservation • Flexibly reviewed our portfolio in order to balance the climate change issue with business promotion
Risks associated with securing and developing human resources	• If changes in social attitudes and the employment environment make it difficult for us to continuously hire adequate human resources, it will keep us from securing sales in existing businesses and advancing our growth strategy	• Bulk recruitment including the Group and franchisees • Strengthened efforts to secure certified mechanics • Established a personnel system and work environment that accommodate diverse working styles and values • Implemented a human resource development program inclusive of the Group and franchisees • Provided a support system for certified mechanic qualification and various other qualifications • Established in-group qualifications
Risks associated with the development and procurement of products	• If an accident, etc. occurs caused by private-brand products or other products, customers will lose trust and the brand will be damaged • If product procurement becomes difficult due to the domestic or overseas situation, sales will decrease • Rising retail costs associated with a steep increase in purchasing prices will cause the demand for products and services to recede	• Established "AUTOBACS Group Product Quality Guidelines" to maintain and improve quality • Conducted product inspections in accordance with AQL standards • Managed quality in accordance with the "Product Quality Control Regulations"
Risks associated with compliance	• If an officer or employee commits fraud, it will decrease the Group's social credibility and lead to large claims for damages	• Promoted awareness and thorough compliance with the Code of Conduct and Guidelines for Action • Executed a compliance check program in store operation • Implemented a serious incident reporting system and whistleblowing system
Risks associated with natural disasters	• If an earthquake, typhoon, or other natural disaster causes physical damage to a facility or vacant positions due to the death or injury of officers or employees, it will lead to product loss, a decrease in net sales, and the incurrence of costs associated with restoration to the original state, replenishment of personnel, etc.	• Formulated a BCP (Business Continuity Plan) • Identified issues and mitigated risk by envisioning various disaster cases and executing them in biannual drills
Risks associated with virulent infectious diseases	• The outbreak of an infectious disease such as COVID-19 will lead to store closings and shortened business hours	• Distributed countermeasure equipment and stored it in reserve • Minimized the risk of infection by introducing teleworking for back office jobs
Risks associated with management of private and confidential information	• If there is a leak of personal or confidential information held by the Company, it will decrease the Group's social credibility	• Implemented regulations and restrictions on document handling • Implemented strict measures for managing important electronic data, such as setting access permissions, passwords, and time limits WEB | Privacy Policy

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