

March 27, 2015

AUTOBACS SEVEN announces
Amendment of the Basic Policy for Establishment of Internal Control System

March 27, 2015 (Tokyo, Japan) — AUTOBACS SEVEN Co., Ltd. (“the Company,” Representative Director and CEO: Setsuo Wakuda), announced today that its Board of Directors resolved the following amendment of the Basic Policy for Establishment of Internal Control System.

1. Purpose of the amendment

The Company is amending the policy pursuant to the Revised Companies Act and the Revised Ordinance for Enforcement of the Companies Act due to be enacted on May 1, 2015.

2. Summary of the amendment

- (i) Enhanced and more specific provisions concerning the systems that constitute Group internal control (management systems according to business content, size, etc. of subsidiaries, etc.)
- (ii) Enhanced and more specific provisions concerning systems for supporting the audit and supervisory board members’ audits and systems relating to gathering of information from employees, etc. by the audit and supervisory board members .

3. Revised “Basic Policy for the Establishment of Internal Control System”

The revised “Basic Policy for the Establishment of Internal Control System” is as follows.
(The principal revisions are underlined.)

Basic Policy for the Establishment of Internal Control System

To ensure effective and efficient operations, the reliability of financial statements, compliance with laws and regulations, and the protection of assets, the Company has formulated the “Basic Policy for Establishing an Internal Control System” in accordance with the provisions of Paragraph 5 of Article 362 and Item 6 of Paragraph 4 of Article 362 of the revised Companies Act, and Paragraph 1 and Paragraph 3 of Article 100 of the revised Ordinance for Enforcement of the Companies Act, as follows.

- (i) Systems that ensure directors and employees comply with laws and regulations and the Company’s Articles of Incorporation in executing their duties**
 - a. The Company will, to maintain and improve the supervisory function with respect to the execution of duties by directors, separate the execution and supervisory functions by adopting an officer system and continuously elect independent outside directors.
 - b. The Corporate Governance Committee, a consultative body for the Board of Directors chaired by

- an outside director, shall be established to consult on the appointment and remuneration of directors and executive officers and other matters concerning governance, in order to enhance the transparency and objectivity of decision-making processes.
- c. Directors, audit and supervisory board members, officers and employees will pursue lawful and fair business activities that accommodate social needs in accordance with “The Code of Conduct and Guidelines for Action of the AUTOBACS SEVEN Group.”
 - d. Compliance rules will be established and the officer in charge will be appointed to be responsible for controlling all compliance-related matters. Under the control of the officer, a compliance department will be established to control all compliance-related matters.
 - e. The Company will develop the foundations for complying with legal requirements by identifying laws and regulations, etc., applicable to the Company’s business and providing education and enlightening activities as needed.
 - f. To promote early detection and correction of legal violations and other problems concerning compliance, the “Orange Hot Line” (the Group’s notification system) will be established for reporting legal violations and compliance issues directly to an outside commissioned company.
 - g. Audit and supervisory board members will audit the execution of directors’ duties from an independent standpoint, including the development and implementation status of the internal control system.
 - h. The Internal Audit Department will assess internal controls and audit the appropriateness and effectiveness of operations.
 - i. Rules concerning measures against antisocial forces will be established and a system will be implemented to cut off any relationships with antisocial forces and reject any unlawful demands.

(ii) Systems for storing and managing information related to the execution of directors’ duties

With respect to information concerning decision making at the Board of Directors’ meeting, the Executive Committee meeting and any other important meetings, and with respect to information concerning important approvals of the representative director and chief executive officer, and others, and with respect to information concerning financial and other administrative operations, risks and compliance, the Company will store and manage said information in reliable and searchable conditions that suit relevant storage media and keep them available for view, as may be necessary, pursuant to laws and regulations, the Company’s Articles of Incorporation and internal rules, etc.

(iii) Rules and other systems concerning the control of risks of loss

- a. The Company will develop a risk management system designed to accurately identify and evaluate risks, and appropriately control them. The Company will also put in place a crisis management

system that prevents and minimizes damage and loss in the event of serious incidents. Combining these two systems, the Company will establish an integrated risk management system.

- b. The Risk Management Committee, chaired by the representative director and chief executive officer, will formulate annual risk management policies. In accordance with said annual policies and risk management rules, the Committee will promote risk management activities in a smooth and appropriate manner.
- c. In the event of a serious crisis, the representative director and chief executive officer, who chairs the Risk Management Committee, will set up the Crisis Response Headquarters in accordance with the crisis management rules and other rules, and take the lead in ensuring a prompt and appropriate response and early recovery.
- d. Audit and supervisory board members and the Internal Audit Department will audit the effectiveness of the Company's integrated risk management system.

(iv) Systems for ensuring the efficient execution of directors' duties

- a. To ensure improved quality of discussions and prompt decision making at Board of Directors' meetings, an appropriate number of directors will be maintained.
- b. The Board of Directors will establish the Executive Committee as a forum for forming a consensus among officers. The Executive Committee will hold preliminary discussions on matters to be addressed at the Board of Directors' meeting and provide adequate information for decision making, including the results of preliminary discussions, to the Board of Directors.
- c. The Board of Directors formulates the Medium-Term Business Plan and the fiscal-term business plan, and periodically verifies the status of progress, etc., of business strategies and various measures pursued on the basis of business plans.
- d. The Board of Directors delegates the execution of duties to the representative director, executive directors and officers based on the management structure and segregation of roles defined by the Board of Directors.
- e. The representative director, as the person in charge of execution, controls the execution of duties of the executive directors and officers, aiming at achieving the Group's goals. Executive directors and officers decide on specific goals in the areas for which they are responsible and develop an efficient business execution system.

(v) Systems including those listed below that ensure appropriateness of business operations by the Group, comprising the Company and its subsidiaries (hereinafter the "Group")

- a. Systems for reporting matters related to the execution of duties by directors, etc., of the Company's subsidiaries to the Company

- Based on the affiliates' management rules stipulated by the Company and the subsidiaries' operational standards based on these rules, the Company shall request submission of necessary related documents to understand its subsidiaries' business management accurately.
 - The Company shall request that the Company's officers or employees attend a board of directors' meeting or an executive committee meeting held once a month by each subsidiary so that each subsidiary can report to the Company the results of operation, financial position and other important information of the subsidiary.
- b. Rules and other systems concerning the control of risks of loss at the Company's subsidiaries
- The Company shall formulate risk management rules concerning the risk management of the entire Group, request that its subsidiaries conduct risk management based on these rules and control the risks of the entire Group comprehensively and in an integrated manner.
 - The Company shall operate the Risk Management Committee in charge of the risk management of the Group, including the subsidiaries of the Company, and deliberate on issues related to the promotion of risk management of the entire Group to formulate measures to address such issues.
- c. Systems that ensure the efficient execution of duties by directors, etc., of the Company's subsidiaries
- While paying respect to the autonomy and independence of the management of its subsidiaries, the Company shall draw up basic policies and operational policies for managing subsidiaries to contribute to the appropriate and efficient operation of Group management.
 - The Company stipulates organizational standards for its subsidiaries related to chain of command, authority, decision making, etc., and has the subsidiaries establish their own system in line with these standards. For example, based on the scope and scale of each subsidiary's business, the subsidiaries are allowed to choose whether to install a system without a board of directors or an officer system.
- d. Systems that ensure subsidiaries' directors, etc., and employees comply with laws and regulations and the Company's Articles of Incorporation in executing their duties
- The Company shall have its subsidiaries establish a system in which directors, audit and supervisory board members, officers and employees pursue lawful and fair business activities that accommodate social needs in accordance with "The Code of Conduct and Guidelines for Action of the AUTOBACS SEVEN Group."
 - The Company shall have its subsidiaries establish a system to deploy an appropriate number of audit and supervisory board members and persons in charge of promotion of compliance in accordance with the scope and scale of each subsidiary's business.

- The Company shall have its subsidiaries establish a system whereby their audit and supervisory board members audit the execution of duties by their directors, including the establishment and operation of internal control systems.
 - The Company shall have its subsidiaries establish a system to use the Orange Hot Line, which was established for early detection and correction of legal violations and other issues concerning compliance.
- e. Other systems to ensure the appropriateness of business operations by the Group
- The Company will ensure the appropriate and effective use of information technology within the relevant range of information communication and business operations of the Company and its subsidiaries.
 - The Company's audit and supervisory board members and Internal Audit Department will investigate the appropriateness of the business operations of its subsidiaries.

(vi) Matters pertaining to employees assisting with the duties of audit and supervisory board members where audit and supervisory board members request the deployment of such employees

The Company will assign employees dedicated to supporting the duties of audit and supervisory board members. The number of employees, the selection of employees, and other matters will be decided through discussions between audit and supervisory board members and directors.

(vii) Matters pertaining to the independence of the employees from the directors mentioned in the preceding paragraph

Employees who assist with the duties of the audit and supervisory board members shall follow the leadership and instructions of audit and supervisory board members. The Audit and Supervisory Board shall evaluate the performance of those employees, and audit and supervisory board members and directors shall consult each other with respect to the transfer and treatment of said employees.

(viii) Matters pertaining to ensuring the effectiveness of the instructions given to employees who assist with the duties of the audit and supervisory board members

All the directors, audit and supervisory board members, officers and employees of the Company shall be notified that the employees who assist with the duties of the audit and supervisory board members must comply with directions and instructions from audit and supervisory board members.

(ix) Systems including those listed below concerning reporting to the Company's audit and supervisory board members

- a. System that allows the Company's directors and employees to report to the audit and supervisory board members
- Directors and officers will periodically report to the audit and supervisory board members through important meetings such as the Board of Directors' meetings, on the status of the execution of their duties, and also provide supplementary reports as needed without delay.
 - Directors, officers, and employees will promptly and accurately respond when they are requested by audit and supervisory board members to report on the business, or when audit and supervisory board members conduct research on business and asset status of the Group.
 - Directors will immediately report to the audit and supervisory board members if they discover anything that has caused or may cause substantial damage to the Company.
- b. System that allows directors, audit and supervisory board members, officers and employees of the Company's subsidiaries or persons who received reports from them to report to the Company's audit and supervisory board members
- Directors, audit and supervisory board members, officers and employees of the Company's subsidiaries shall promptly make an appropriate report on business execution when they are requested by audit and supervisory board members of the Company to do so.
 - In an incident that could cause substantial damage to the Company or its subsidiaries, such as legal violations, the directors, audit and supervisory board members, officers and employees of the Company's subsidiaries shall immediately report to the department in charge of managing the Company's subsidiaries or use the Orange Hot Line.
 - The Company's Internal Audit Department, Legal Department and General Affairs and Internal Control Department shall hold a meeting regularly to report to the Company's audit and supervisory board members on the actual status of internal audits, compliance, risk management, etc., at the subsidiaries.
 - The department in charge of the Orange Hot Line shall report the status of internal reporting from the Group's directors, audit and supervisory board members, officers and employees on a regular basis to the Company's directors, audit and supervisory board members and Board of Directors, while ensuring the anonymity of the report's source.

(x) System to ensure the persons who reported to audit and supervisory board members are not treated unreasonably because of such reporting

The Company prohibits the Group's directors, audit and supervisory board members, officers and employees who reported to audit and supervisory board members from being treated unreasonably because of such reporting. This directive shall be thoroughly disseminated to the Group's directors, audit and supervisory board members, officers and employees.

(xi) Matters pertaining to the policies concerning prepayment or redemption procedures for expenses incurred by the execution of duties by audit and supervisory board members or other handling procedures for expenses or liabilities incurred by the execution of such duties

- a. In cases when audit and supervisory board members bill the Company for prepaid expenses incurred through the execution of their duties, the department handling such matters shall deliberate on said bills and pay the expenses or liabilities without delay, except in cases when it was determined and verified that such expenses or liabilities were unnecessary for the execution of the duties.
- b. To pay expenses incurred by the execution of duties by audit and supervisory board members, a certain amount of the budget shall be set aside each year.

(xii) Other systems that ensure effective auditing by audit and supervisory board members

- a. To enhance the audit function of audit and supervisory board members, the Company will take into account their expertise as well as independence when electing outside audit and supervisory board members.
- b. Audit and supervisory board members will hold regular meetings with the independent auditor, the Internal Audit Department, audit and supervisory board members of the Group, and other parties to exchange information and opinions and promote close cooperation.
- c. Audit and supervisory board members will hold regular meetings with the representative director to audit the execution of duties by directors and further improve the audit system.
- d. Audit and supervisory board members will promote cooperation with lawyers, certified public accountants, and other experts outside the Company when the audit and supervisory board members believe it necessary to do so in executing their duties.

Enacted on May 19, 2006

Revised on March 29, 2012

Revised on March 27, 2015

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