

Corporate Governance

Basic Position on Corporate Governance

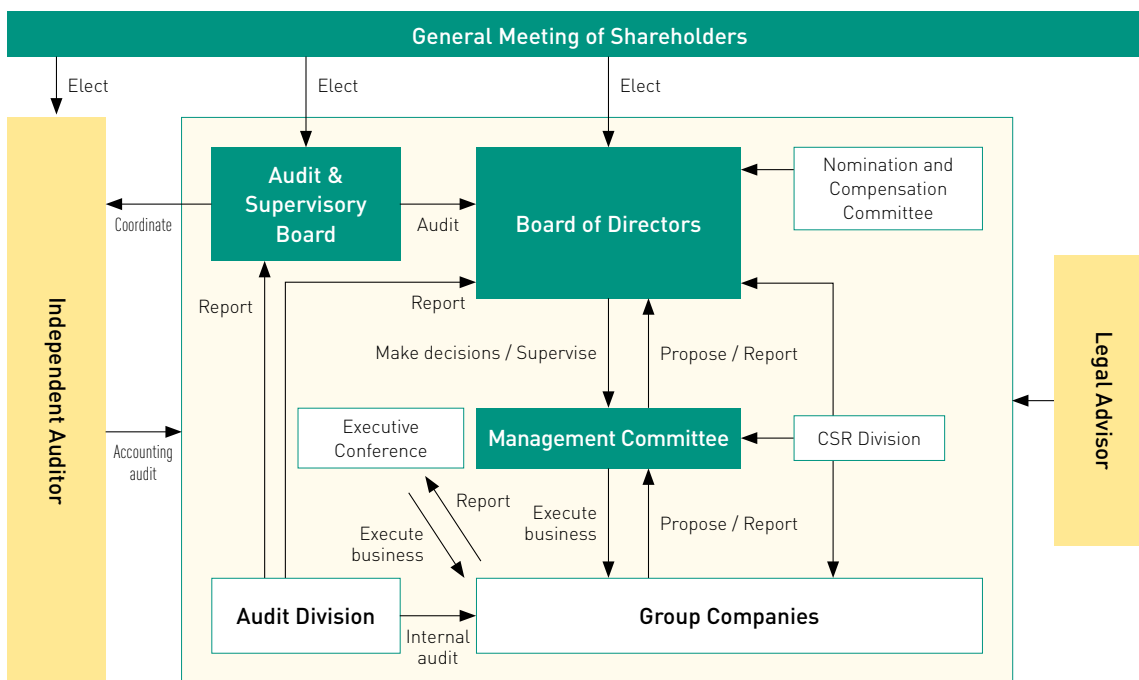
Based on its corporate philosophy, the Yamato Group carries out business activities in accordance with the law and social norms and actively promotes compliance management. Striving to maximize corporate value by

effectively utilizing the management resources of the Group is one of the top priorities of management, and we have implemented measures and bolstered management systems as part of our corporate governance initiative.

Characteristics of Corporate Governance System (As of January 31, 2019)

System	Company with auditors
Number of directors	9
Outside directors	4
Number of Audit & Supervisory Board members	4
Outside auditors	2
Term of directors	1
Executive officer system in place	Yes
Independent auditor	Deloitte Touche Tohmatsu LLC

Corporate Governance Framework



Efforts to Improve Corporate Governance

Medium-Term Management Plan

	DAN-TOTSU Three-Year Plan HOP	DAN-TOTSU Three-Year Plan STEP	KAIKAKU 2019 for NEXT100
2002	2011	2014	2017-
Board of Directors and Audit & Supervisory Board			
<ul style="list-style-type: none"> ■ Shortened the term of directors to one year (June 2003) ■ Appointed outside directors (June 2005) 		<ul style="list-style-type: none"> ■ Implemented evaluation of effectiveness of the Board of Directors (June 2016) ■ Transitioned to a structure in which outside directors made up one-third of all directors (June 2015) 	<ul style="list-style-type: none"> ■ Appointed a female outside director (June 2017)
Committees, etc.			
<ul style="list-style-type: none"> ■ Established the Nomination and Compensation Committee (June 2005) ■ Established the Compliance and Risk Committee (August 2006) 			
Corporate Structure and Other Systems and Initiatives			
<ul style="list-style-type: none"> ■ Introduced executive officer system (June 2004) ■ Eliminated retirement benefit system for corporate officers (June 2004) ■ Disclosed ROE target in medium-term management plan (January 2005) ■ Introduced performance-based compensation system (April 2005) ■ Transitioned to a pure holding company (November 2005) ■ Introduced succession plans (July 2006) 	<ul style="list-style-type: none"> ■ Established interim holding companies to be responsible for regional management (Southeast Asia and East Asia) Southeast Asia (January 2014), East Asia (April 2017) ■ Established an advisory board (October 2014) 	<ul style="list-style-type: none"> ■ Abolished adviser position (June 2018) 	<ul style="list-style-type: none"> ■ Established Corporate Governance Guidelines (September 2015) ■ Implemented corporate officer training (October 2015)

Concurrent Posts and Main Activities of Outside Directors and Outside Audit & Supervisory Board Members

	Name	Independent officer	Concurrent posts (As of June 26, 2018)	Main activities	Attendance at meetings of the Board of Directors and/or Audit & Supervisory Board during the fiscal year ended March 31, 2018
Outside Directors	Toshitaka Hagiwara	Yes	<ul style="list-style-type: none"> • Adviser of Komatsu Ltd. • Outside Director of Zensho Holdings Co., Ltd. • Outside Director of Hino Motors, Ltd. • Outside Director of Takamatsu Construction Group Co., Ltd. 	Toshitaka Hagiwara has ample experience and extensive knowledge as a businessperson, and he comments and advises as needed on all aspects of business management. Furthermore, his collaboration with the independent auditor and the Audit Division enhances governance.	Board of Directors: 17 of 18 meetings
	Masakatsu Mori	Yes	<ul style="list-style-type: none"> • Senior Advisor of International University of Japan • Outside Director of Stanley Electric Co., Ltd. • Outside Audit & Supervisory Board Member of Kirin Holdings Company, Limited 	Masakatsu Mori has ample experience and extensive knowledge as a businessperson, and he comments and advises as needed on all aspects of business management. Furthermore, his collaboration with the independent auditor and the Audit Division enhances governance.	Board of Directors: 18 of 18 meetings
	Mariko Tokuno	Yes	<ul style="list-style-type: none"> • Outside Director of Happinet Corporation • Outside Director of Mitsubishi Materials Corporation 	Mariko Tokuno has ample experience and extensive knowledge as a businessperson, and he comments and advises as needed on all aspects of business management. Furthermore, his collaboration with the independent auditor and the Audit Division enhances governance.	Board of Directors: 14 of 14 meetings
	Yoichi Kobayashi	Yes	<ul style="list-style-type: none"> • Vice Chairman of ITOCHU Corporation 	Yoichi Kobayashi has ample experience and extensive knowledge as a businessperson, and he comments and advises as needed on all aspects of business management. Furthermore, his collaboration with the independent auditor and the Audit Division enhances governance.	Appointed in June 2018
Outside Audit & Supervisory Board members	Hiroyuki Kanae	Yes	<ul style="list-style-type: none"> • Partner, Anderson Mori and Tomotsune LPC 	Hiroyuki Kanae provides necessary advice based on his high level of expertise and abundance of experience as an international lawyer. Furthermore, he attends regular meetings to exchange opinions with the representative director and president, outside directors, and Audit & Supervisory Board members, monitoring directors' execution of duties primarily by asking questions related to overseas business risk.	Board of Directors: 18 of 18 meetings Audit & Supervisory Board: 20 of 20 meetings
	Takashi Yamashita	Yes	<ul style="list-style-type: none"> • Representative of Takashi Yamashita CPA Office • Outside Director of Shin Nippon Biomedical Laboratories, Ltd. 	Takashi Yamashita possesses sufficient insight into finance and accounting through his work as a Certified Public Accountant. Furthermore, he attends regular meetings to exchange opinions with the representative director and president, outside directors, and Audit & Supervisory Board members, monitoring directors' execution of duties primarily by asking questions related to finance and accounting.	Board of Directors: 11 of 14 meetings Audit & Supervisory Board: 14 of 14 meetings

Corporate Governance

The Company is a company with an Audit & Supervisory Board. In addition to important management decision-making and the supervision of business execution by the Board of Directors, Audit & Supervisory Board members and the Audit & Supervisory Board, which are independent from the Board of Directors, shall audit the status of execution of duties by directors.

Also, to complement the functions of the Board of Directors, the Company established a Nomination and Compensation Committee comprising a majority of outside directors. At the same time, the Company has adopted an executive officer system to ensure prompt decision-making related to business execution.

Board of Directors

Roles and duties

- The Board of Directors shall make important decisions concerning the Company's business and supervises the execution of duties by executive directors and executive officers.
- The Board of Directors shall recognize the medium-term management plan as one of the commitments to shareholders and do its utmost to achieve the goals of the plan. Moreover, the Board of Directors shall sufficiently analyze the initiatives aimed at realizing the goals of the medium-term management plan as well as the extent to which the plan's objectives are being achieved. In addition to providing explanations to shareholders, such analyses shall be reflected in future management plans.
- The Board of Directors shall encourage executive officers to demonstrate a healthy entrepreneurial spirit and not excessively avoid or curb risk, while at the same time establishing a framework that enables it to ensure accountability.
- The scope of responsibility of each executive officer shall be decided by the Board of Directors and disclosed. Executive officers shall execute business in accordance with internal regulations.

Management

- To allow Board of Directors meeting attendees the opportunity to prepare for meetings in advance, the Board of Directors secretariat shall send agenda items and related materials to directors well in advance of the meeting date and provide explanations in advance as needed.
- The annual schedule of Board of Directors meetings as well as anticipated agenda items shall be decided in advance, and this information shall be provided to directors and Audit & Supervisory Board members.
- The number of issues to be deliberated as well as the frequency of meetings shall be appropriately set, and the time of meetings shall be decided so as to allow sufficient time for deliberations.
- As needed, meetings comprising Board of Directors meeting attendees shall be held for the purpose of exchanging ideas, thereby encouraging lively debate.

- The effectiveness of the Board of Directors shall be evaluated through questionnaires and interviews performed by the chair.

Evaluation of effectiveness

To verify the effectiveness of the Board of Directors, the Company listens to the individual opinions of all directors and Audit & Supervisory Board members regarding the composition and operational status of the Board of Directors. Based on these opinions, the Company carries out an evaluation on the Board's effectiveness in terms of such matters as the condition of the Board's operation and the state of deliberation held at Board meetings.

By sharing the issues brought to light through the evaluation at Board of Directors meetings, the Company makes efforts to examine and implement measures toward realizing improvements.

Results of Evaluation for the Fiscal Year Ended March 31, 2018

The evaluation deemed that the composition, operating conditions, and state of deliberations of the Board of Directors are generally appropriate for an organization that fulfills a supervisory function. The evaluation also determined that the Board has fostered an environment that allows its members to actively participate in Board meetings and hold open-minded discussions.

The fiscal year ended March 31, 2018, was a year in which the Company made a dramatic change in course with its policies, as reflected by revisions to the content of *TA-Q-BIN* services and their fees.

The lively discussions held by the Board of Directors, which centered on reforming working styles, provided the backdrop to this kind of dramatic decision-making. Accordingly, the Company believes that the Board has sufficiently fulfilled its responsibility in implementing important measures during the fiscal year ended March 31, 2018.

In light of this, the Company confirmed that the Board of Directors is functioning in an effective manner that contributes to its Corporate Governance Guidelines of "securing sound management" and "achieving prompt and accurate decision-making and business execution."

Going forward, the Company will enhance the effectiveness of its working style reforms. At the same time, the Company will continue to maintain and improve the effectiveness of its Board of Directors with a view to

executing its growth strategy aimed at the next 100 years upon celebrating its 100-year anniversary in the fiscal year ending March 31, 2020.

Audit & Supervisory Board

Roles and duties

- The Audit & Supervisory Board and its members shall exercise their authority actively and proactively, and they shall appropriately state their opinions at Board of Directors meetings as well as to members of senior management.
- The full-time Audit & Supervisory Board members shall attend Board of Directors meetings and other important meetings related to the execution of

business, express reasonable opinions, hold effective Audit & Supervisory Board meetings, and ensure that information is shared and that members work together in a coordinated manner.

- The Audit & Supervisory Board shall regularly hold information exchange meetings for the purpose of sharing information with outside directors, thereby ensuring more robust gathering of information and encouraging teamwork.

Nomination and Compensation Committee

- The Nomination and Compensation Committee shall comprise outside directors and the same number of or fewer internal directors with an outside director serving as the committee chair.
- The committee shall deliberate on matters related to the appointment or removal of senior management members based on business performance and multifaceted observations and evaluation, thereby verifying the validity of such decisions, and decide policies on

compensation and other matters related to senior management members.

- The committee shall propose candidates as successors to the representative director to the Board of Directors, following deliberation based on multifaceted observations and evaluations of candidates' track records, human nature, and other factors, thereby increasing management transparency.

Support Framework for Directors and Audit & Supervisory Board Members

- The Company shall establish a support framework that enables it to provide necessary and adequate information at the necessary time to allow directors to effectively fulfill their roles and duties.
- By participating in key business strategy meetings for the overall Group, such as the "Business Summit," "Business Conference," and "Management Plan Unveiling," as well as by observing key Group business sites, including those overseas, participants are able to better understand the business strategies and provide opportunities to see how these strategies are being advanced.
- As a system to help Audit & Supervisory Board members smoothly perform their duties, employees in the internal audit division shall be appointed to assist Audit & Supervisory Board members.

- Audit & Supervisory Board members shall exercise their authority to perform investigations in accordance with the Companies Act. In addition, if a director or employee discovers a fact that could potentially inflict marked damage on the Company, he/she shall immediately report this fact to an Audit & Supervisory Board member, even if there is no request to do so from an Audit & Supervisory Board member.
- If a director or Audit & Supervisory Board member believes it to be necessary, he/she shall obtain advice from an outside expert at the Company's expense.
- The internal audit division shall regularly hold meetings with the full-time Audit & Supervisory Board members, and provide audit reports in a planned manner to the Board of Directors and the Audit & Supervisory Board, thereby enhancing the provision of information to as well as bolstering coordination with outside directors and outside Audit & Supervisory Board members.

Corporate Governance

Compensation of Directors and Audit & Supervisory Board Members

Directors and Audit & Supervisory Board members	Total compensation and other remuneration (Millions of yen)	Total by compensation and remuneration category (Millions of yen)	Head count of eligible directors and Audit & Supervisory Board members
		Basic compensation	
Directors (excluding outside directors)	274	274	5
Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members)	48	48	2
Outside directors and Audit & Supervisory Board members	61	61	6

for determining director compensation, deliberations are conducted through the Nomination and Compensation Committee, more than half of whose members are outside directors, with the Board of Directors making resolutions.

Director compensation comprises fixed remuneration that reflects external standards and performance-based amounts. In addition, a certain percentage of their compensation is allocated to purchasing shares of the Company through the Officers and Executives' Shareholding Association. The compensation of Audit & Supervisory Board members and outside directors is fixed in keeping with the nature of their work.

► Policies related to methods for calculation and determination of director compensation

To ensure the objectivity and transparency of policies

Policy on Cross-Shareholdings

The Company shall maintain a policy of owning stocks that are deemed meaningful, based on a comprehensive consideration from a medium- to long-term perspective of the relationship with the Group's businesses, the profitability of the Company, and the potential for creating new business opportunities, among other factors. A decision shall be made every year at the Board of Directors meeting concerning whether to continue holding the stocks based on careful consideration of various factors including previous business transactions with the Company and the market price of the shares, and after

verifying the benefits and risks associated with holding the stocks from a quantitative and qualitative perspective. The Company works to reduce the number of stocks it owns that are deemed to be of little significance.

In exercising the voting rights of shares held, the decision to support or oppose agenda items at the shareholders' meeting shall be made on a case-by-case basis, with consideration given to the issuing company's enhancement of corporate value, the issuing company's compliance framework, and the possibility of a negative impact on the Group's business, among other factors.

Compliance

► Strengthening internal control for the Group overall

The Yamato Group has established an internal control system in order to promote sound corporate culture in the Group as a whole and to enable employees to perform their duties effectively and efficiently without any misbehavior or mistakes. Having stipulated its basic policy on the internal control system in accordance with the Companies Act, each Group company is working on strengthening internal control.

In addition, in order to respond to the internal control report system pursuant to the Financial Instruments and Exchange Act, we are promoting reviews of business rules and the standardization of operations, checking whether operations have been effectively performed in accordance with the rules, and establishing a system to immediately put improvements in place should there be any shortcomings.

Internal control over the financial reporting of the Yamato Group as of March 31, 2018, was considered valid, and a report was submitted to the Kanto Local Finance Bureau.

► Reinforcing the Whistle-Blower System

With regard to compliance violations by the Company, employees, directors, and other members, the Yamato Group ensures an appropriate framework related to whistle-blowing by having in place a contact point for the president, a contact point managed by the Compliance and Risk Committee, and a contact point managed by an outside attorney. The Company shall secure a framework in which employees who report on such violations are protected under whistle-blower regulations.

Furthermore, to promptly discover violations of laws, internal regulations, and other regulations and enact an appropriate response, the Company is moving forward with various operational improvements, including determining a specific whistle-blowing response process shared across the Group, in addition to establishing handling methods and risk assessment standards. Violations and responses to violations shall be regularly reported to the Compliance and Risk Committee and the Board of Directors.

Business Continuity Plan (BCP)

As a corporate group that offers the *TA-Q-BIN* service as a part of social infrastructure, the Yamato Group has formulated a business continuity plan (BCP) to ensure that it can keep offering services in a steady manner even under unforeseeable circumstances. Based on the experience gained after the Great East Japan Earthquake and other disasters, we are anticipating various emergency scenarios in an effort to reinforce our crisis management system on a Groupwide basis.

We have also established the Yamato Group BCP Basic Policy, which is supported by the three pillars of giving the utmost priority to human life, aiming for the prompt recovery of operations at each Group company,

and meeting the expectations of local community members as a part of social infrastructure. Guided by this policy, we have determined various Groupwide standards and have created a wide range of manuals in accordance with the business continuity of each Group company.

Going forward, we will strengthen our response to dealing with damage from natural disasters such as earthquakes, for which damage is expected to be large in scale, and flooding caused by heavy rain and other factors. At the same time, we will promote extensive examinations of various risks that could impact our business continuity.

Accountability

The Yamato Group considers the explanation of corporate and management data to shareholders, investors, and other stakeholders to be an important corporate governance issue and is committed to the speedy, accurate, and fair disclosure of information. Furthermore, the Group

has established the Disclosure Policy in order to disclose and manage information in a more appropriate manner and enhance the reliability of that information.

The main investor relations activities are listed below.

Item	Number of times	Content
Settlement of Accounts Meetings for analysts and institutional investors	4	The first-quarter meeting is held by telephone with the Chief Financial Officer. Meetings for the second, third, and fourth quarters are held with the president.
Visits by the president to investors in the United States, Europe, and Asia	1 or more per year to each region	The president or chairman makes regular overseas visits to investors in the United States, Europe, and Asia to explain management policies.
Small meetings with the president	2 per year	Creating regular opportunities for direct dialogue with management
Facility tours	2 or more per year	Creating regular opportunities to promote understanding of business operations
Website for investor relations materials	—	Financial results, news releases, securities reports, and quarterly reports; materials pertaining to settlement of accounts meetings, convocation notices for the ordinary general meeting of shareholders, notices of resolution, and disclosure of voting results. Publication of most important information in two languages—Japanese and English—so that information can be communicated to foreign investors.
Establishment of IR department	—	Responsible for developing IR strategies to initiate dialogue with shareholders and other investors and disclosing information