

## Corporate Governance

Last Updated: March 23, 2022

**YAMATO HOLDINGS CO., LTD.**

Yutaka Nagao

President

Contact: +81-3-3541-4141

Securities Code: 9064

<http://www.yamato-hd.co.jp>

The corporate governance of YAMATO HOLDINGS CO., LTD. (the “Company”) is described below.

### I. Basic Views on Corporate Governance, Capital Structure, Corporate Attributes and Other Basic Information

#### 1. Basic Views

Based on the Yamato Group Corporate Philosophy, the Company and its group companies (the “Group”) has been engaging in business activities in line with laws and social norms, and promoting management in conformity with compliance.

Moreover, positioning the effective use of the Group’s business resources to maximize its corporate value as one of utmost management priorities, the Group has been implementing measures to enhance its management structure as an approach to corporate governance.

#### **[Reasons for Non-compliance with the Principles of the Japan’s Corporate Governance Code]**

The Company complies with all principles (including ones for the Prime Market to be applied on and after April 4, 2022) of Japan’s Corporate Governance Code revised in June 2021.

#### **[Disclosure Based on the Principles of the Japan’s Corporate Governance Code]**

Initiatives of Yamato Holdings for corporate governance have been described in this report as well as the Corporate Governance Guidelines, the Notices of the General Meeting of Shareholders, Japanese securities reports and Integrated Reports prepared by the Company and its website, so please refer to these reports and website.

Details of disclosure items based on the principles of the Japan’s Corporate Governance Code are as follows.

##### **[Principle 1-4 Cross-Shareholdings]**

###### *Policy on cross-shareholdings*

The Company maintains 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 possibility of creating business opportunities, among other factors.

A decision is made every year at the Board of Directors Meeting concerning whether to continue holding the stocks, based on quantitative and qualitative consideration regarding primarily the benefits and risks associated with holding the stocks, in light of various factors including the business track record with the Company, and the market price of the shares. If it is decided, as a result of the consideration, that there is little significance of holding stocks, the Company reduces the stocks held.

###### *Exercise of voting rights*

The Company maintains a policy of making decisions on supporting or opposing agenda items on a case-by-case basis, and exercises the voting rights, with consideration given to the issuing company raising its corporate value, the issuing company’s compliance framework, and the possibility that the issue will have a negative impact on the Group’s business, among other factors.

[Principle 1-7 Transactions among Related Parties]

The Company has provided that the Board of Directors shall make decisions with respect to matters such as officers with interests in competing businesses and conflict-of-interest transactions, in accordance with the Board of Directors Regulations and other regulations.

Also, the Company has established a framework to enable the persons giving approval to make sure that, if the Company or a Group company engages in business transactions with key shareholders or other related parties, the interests of shareholders and the Company are not harmed, taking into consideration the importance and nature of the business transaction in question, in accordance with internal regulations.

[Supplementary Principle 2-4-1 Ensuring Diversity in The Promotion to Core Human Resources]

The social environment surrounding our group is changing drastically, and the needs of society are rapidly diversifying. In order to flexibly respond to these changes, the human resources active in the organization must also become more diverse. By promoting respect for human rights and diversity, we aim to become an internationally competitive corporate group that is resistant to market changes.

◆Basic Diversity Policy

The Yamato Group respects the diversity of its employees, and believes that allowing each individual to maximize their abilities is the source of innovation that creates new value and leads to the growth of the company and the realization of a prosperous society. The Company promotes diversity throughout the Group by creating a working environment where diverse human resources can play an active role and training diverse human resources based on the approach of “Inclusive Management,” which is the DNA of the Yamato Group.

In January 2021, the Group formulated the “Sustainable Medium-Term Plan 2023.” We will promote sustainable management based on this plan, which sets out specific actions to be taken on each materiality issue and targets to be achieved by the fiscal year ending March 31, 2024, in order to realize our environmental and social vision, which we have set as our future vision for creating a sustainable future.

◆Social Vision

“Through Co-Creation and Fair Business Activities, Help Create a Society That Leaves No One Behind.”

◆Goals and Status of “Human Rights and Diversity”

- Percentage of all employees (full-timers) participating in human rights training

Target (cumulative total for fiscal year ended March 31, 2021 to fiscal year ending March 31, 2024): 100%

Status (fiscal year ended March 31, 2021): All executives and managers (management officers) have completed the course

- Employment rate of persons with disabilities

Target (fiscal year ending March 31, 2024): 2.5%

Status (fiscal year ended March 31, 2021): 2.36%

- Number of female managers (executives) / ratio of female managers

Target (fiscal year ending March 31, 2024): Double the number compared with the fiscal year ended March 31, 2021 / 10%

Status (fiscal year ended March 31, 2021): 336 people / 5.1%

Since 2017, the Yamato Group has been holding “Female Leaders Meetings” for female employees as part of its career development support, as well as dispatching female employees to cross-industry training and external training programs with external organizations. In addition, we also hold “sessions for supervisors” to develop female non-manager employees and support their further success, and we aim to create a workplace environment in which female employees can play an active role across the entire Yamato Group.

As we do not recognize that there is any particular difference in the timing of hiring or nationality in terms of promotion to management positions, we do not set or disclose targets for mid-career hires or foreign nationals to be promoted to management positions at this time.

\*The Yamato Group's sustainability and diversity initiatives, as well as ESG data, are posted on the Company's website.

- Yamato Group's sustainability

<https://www.yamato-hd.co.jp/csr/management/>

- Diversity

[https://www.yamato-hd.co.jp/csr/society/diversity\\_and\\_inclusion.html](https://www.yamato-hd.co.jp/csr/society/diversity_and_inclusion.html)

- ESG data

<https://www.yamato-hd.co.jp/csr/esg/performance.html>

- Integrated Report

<https://www.yamato-hd.co.jp/english/investors/library/annualreport/>

[Principle 2-6 Roles as Asset Owners of Corporate Pension Plan]

In accordance with the revision of the Group's retirement benefit system, the Yamato Group Corporate Pension Fund was dissolved and the Yamato Group Employees Welfare Center, which took over the retirement benefit investment management function, manages the reserves for the Company's corporate pension plan. The Company facilitates the professional development of said Center's staff mainly by allocating personnel with expertise at the Center's secretariat, and by sending staff members to external seminars.

The Center's management policies are decided by the board of Yamato Group Employees Welfare Center, taking into consideration the deliberations of the Pension Assets Management Committee. Personnel with the appropriate qualities are assigned to the Pension Assets Management Committee and the board of Yamato Group Employees Welfare Center, and a labor union official is assigned as a representative for the beneficiaries.

[Principle 3-1 Enhancement of Disclosure]

(i) Company objectives (e.g., Management Philosophy), management strategies and management plans

The Company formulates the medium-term management plan based on the Management Philosophy for the purpose of increasing the overall corporate value while having respect for all stakeholders, and publishes this plan on its website and other media.

(ii) Basic views and basic policies on corporate governance

The Company Precepts form the origin of the corporate spirit of the Company. Recognizing that its Management Philosophy based on the Company Precepts represents what we aim to be, the Company seeks to continually enhance its corporate value. To this end, the Company aims to improve the satisfaction of all customers, shareholders, society and employees and pursues effective corporate governance by ensuring management transparency, fairness and swiftness.

(iii) The Board of Directors' policies and procedures in determining the compensation of the senior managements and Directors

These are described in "Disclosure of Policy for Determining Compensation Amounts or Calculation Methods Thereof" under II. 1. [Director Compensation].

(iv) The Board of Directors' policies and procedures in the appointment and dismissal of the senior management and the nomination of candidates for Director and Audit & Supervisory Board Member  
Items for the appointment and dismissal of Directors, Audit & Supervisory Board Members and executive officers are deliberated by the Nomination and Compensation Committee, a majority of whose members are Outside Directors, and decided by the Board of Directors, under the policy of appointing a person who has abundant experience and considerable insight relating to corporate management and business promotion, grasps the essence of the issues facing the Company and has capabilities that will enhance its management structure taking into consideration a sense of humanity from observing and evaluating from diverse perspectives. Furthermore, items for the appointment of Audit & Supervisory Board Members require the approval of the Audit & Supervisory Board.

(v) Explanation of the individual appointment and dismissal of the senior management and the nominations of candidates for the positions as Director and Audit & Supervisory Board Member by the Board of Directors based on (iv) above

Individual backgrounds and reasons for election of candidates for Director and Audit & Supervisory Board Member have been described in Notices of the General Meeting of Shareholders.

[Supplementary Principle 3-1-3 Disclosure Related to Sustainability]

Based on the transformation plan “YAMATO NEXT100” formulated as a grand design for the management over the medium to long term, in January 2020, the Company promotes the theme “Sustainability initiatives – Management embodying the environment and society.”

This plan cites dual visions in terms of paving the way to a sustainable future, one of which is the environmental vision “Connect. Deliver the Future via Green Logistics” and other of which is the social vision “Through Co-Creation and Fair Business Activities, Help Create a Society That Leaves No One Behind.” As material issues (materiality), the Yamato Group has identified “Energy & Climate,” “Atmosphere,” “Resource Conservation & Waste,” and “Resilience of Companies & Society” in the environmental area, and “Labor,” “Human Rights & Diversity,” “Safety & Security,” “Data Unitization & Security,” “Supply Chain Management,” and “Community” in the social area, and set long-term targets, including carbon neutrality\* in fiscal 2050.

\*Scope 1 & 2 (in-house emissions)

Furthermore, in January 2021, the Yamato Group formulated the “Sustainable Medium-Term Plan 2023 (Environment and Society).” This plan is a comprehensive mid-term sustainable plan that sets out specific actions to be taken on each material issue (materiality) and targets to be achieved by the fiscal year ending March 31, 2024 in order to achieve the two visions.

The Company recognizes that climate change is a significant issue for increasing the Group’s medium to long-term corporate value and to realize a sustainable society, and we understand and evaluate risks, opportunities and their impacts related to climate change. Furthermore, we shall work to enhance information disclosure based on TCFD (Task Force on Climate-related Financial Disclosures) recommendations.

\*The Yamato Group’s initiatives on sustainability and ESG data have been posted on the Company’s website.

- The Yamato Group’s sustainability:  
<https://www.yamato-hd.co.jp/csr/management/>
- ESG data  
<https://www.yamato-hd.co.jp/csr/esg/performance.html>
- Integrated Report  
<https://www.yamato-hd.co.jp/english/investors/library/annualreport/>

#### *Investment in human capital and intellectual property*

In the medium-term management plan “One Yamato 2023,” which concludes in the fiscal year ending March 31, 2024, the Yamato Group is working on the following priority measures: HR strategy which supports “Innovating Delivery Business” and Promoting data and innovation strategies.

\*The Yamato Group’s medium-term management plan “One Yamato 2023,” the priority measures and investment plans in this plan are posted on the Company’s website.

- The Yamato Group’s medium-term management plan, “One Yamato 2023”  
<https://www.yamato-hd.co.jp/english/investors/policy/plan.html>
- Integrated Report  
<https://www.yamato-hd.co.jp/english/investors/library/annualreport/>

[Supplementary Principle 4-1-1 Determination and Disclosure of Scope of Matters Delegated to Management]

The Board of Directors Meeting is held at least once a month to deliberate on and decide the basic policies for business management.

On the other hand, the Company has set up the executive officer system in order to realize the efficiency of the management and the clarification of responsibility through the clear separation of management decision-making, supervision and execution. The scope of responsibility of each executive officer that is decided by the Board of Directors is disclosed, and executive officers execute business in accordance with internal regulations.

[Principle 4-9 Criteria for Determining Independence and Qualification for Independent Outside Directors]

As policies for independence from the Company to elect Outside Directors and Outside Audit & Supervisory Board Members, the Company has established its own criteria for determining independence as follows based on the criteria for determining independence presented by the Tokyo Stock Exchange.

The Company has appointed all of the Outside Directors and Outside Audit & Supervisory Board Members as independent officers provided for under the provisions of that exchange and registered the individuals as such with the exchange.

<Criteria for determining independence>

A party with respect to whom any of the following apply shall be deemed as not having met the requirements for independence of an Outside Director or Outside Audit & Supervisory Board Member of the Company.

- A party who is a major business partner of either the Company or a Group company (hereinafter collectively referred to as the “Company”), or otherwise if such party is a corporation or other such entity, a person who executes business thereof;
- A major business partner of the Company, or otherwise if such party is a corporation or other such entity, a person who executes business thereof;
- A consultant, accounting professional or legal professional who receives substantial monetary consideration and/or other economic benefits from the Company besides officer remuneration;
- A consultant, accounting professional, legal professional or other such professional who is a member of a corporation or other such entity that provides professional services acting as a major business partner of the Company;
- A major shareholder of the Company, or otherwise if such major shareholder is a corporation or other such entity, a person who executes business thereof;
- A recipient of donations from the Company or a person who executes business thereof;
- A person who now serves or has served in the past as a Director (excluding Outside Director), Audit & Supervisory Board Member (excluding Outside Audit & Supervisory Board Member), Executive Officer, or employee of either the Company or one of its subsidiaries;
- A close relative of a Director, Audit & Supervisory Board Member, Executive Officer or employee of the Company;
- A close relative of a person (excluding inconsequential persons) with respect to whom any of the aforementioned apply.

[Supplementary Principle 4-10-1 Approach, authority, and role regarding independence of the Nomination and Compensation Committee]

The Nomination and Compensation Committee shall comprise a majority of independent Outside Directors and internal Directors, and shall be an advisory committee of the Board of Directors, and deliberate on particularly important proposals such as nomination and compensation and submit to the Board of Directors, thereby raising management transparency.

The Nomination and Compensation Committee shall deliberate on proposals related to the appointment or removal of Directors, Audit & Supervisory Board Members, and executive officers based on business performance and multi-faceted observations and evaluation, verify the validity of such decisions, and then submit the results to the Board of Directors. In addition, the Nomination and

Compensation Committee shall deliberate on proposals concerning policies related to the compensation, etc. of Directors and executive officers and the details of compensation for each individual Director and executive officer, verify the validity of such decisions, and then submit the results to the Board of Directors. Election of the successor to a Representative Director shall be proposed to the Board of Directors, after deliberation based on multi-faceted observations and evaluation in regard to the track record, human nature, etc. of multiple candidates, including those with a referral from the incumbent Representative Director, and verifying the validity of such decisions.

[Supplementary Principle 4-11-1 Views on Total Balance of Knowledge, Diversity and Size of the Board of Directors]

The Board of Directors of the Company comprises a diverse group of officers with different areas of knowledge regarding the Yamato Group's businesses, as well as differing backgrounds including areas of professional expertise, experience, gender, and global awareness. The number of Directors cannot exceed 12 as stipulated in the Articles of Incorporation. In addition, at least half of the Directors shall be, in principle, independent Outside Directors who supervise from an independent and objective position.

The election of Directors is decided by the Board of Directors, following deliberations by the Nomination and Compensation Committee, a majority of whose members are independent Outside Directors and whose Chairperson is an independent Outside Director, based on evaluation of performance, a sense of humanity and other factors from diverse perspectives.

The Company will list the expertise and experience of each Director and Audit & Supervisory Board Member in the Notice of the General Meeting of Shareholders and the Integrated Report for the fiscal year ended March 31, 2021 and thereafter.

- Notice of the 156th Ordinary General Meeting of Shareholders  
[https://www.yamato-hd.co.jp/english/investors/stock/meeting/pdf/E\\_syousyuu\\_2021.pdf](https://www.yamato-hd.co.jp/english/investors/stock/meeting/pdf/E_syousyuu_2021.pdf)
- Integrated Report 2020  
[https://www.yamato-hd.co.jp/english/investors/library/annualreport/pdf/e\\_ir2020\\_06\\_02.pdf](https://www.yamato-hd.co.jp/english/investors/library/annualreport/pdf/e_ir2020_06_02.pdf)

[Supplementary Principle 4-11-2 Concurrent Positions Held by Outside Officers]

The status of Outside Directors or Outside Audit & Supervisory Board Members having concurrent positions with other organizations is disclosed annually in the Notice of the General Meeting of Shareholders, the Japanese securities report and other materials.

[Supplementary Principle 4-11-3 Analysis and Evaluation of Effectiveness of the Board of Directors]

In order to verify the effectiveness of the Board of Directors, the Company conducts a questionnaire survey relating to the composition and management conditions of the Board of Directors annually for all Directors and all Audit & Supervisory Board Members and based on the result of the said survey, the Company evaluates the effectiveness of the Board of Directors' management conditions, deliberation conditions, etc. Moreover, from the fiscal year ended March 31, 2020, in order to make the effectiveness evaluation more useful, interviews by the Chairperson (Director and Chairman) have conducted in addition to the questionnaire.

In the effectiveness evaluation for the fiscal year ended March 31, 2021, the Company received an evaluation that the composition, management conditions and deliberation conditions of the Board of Directors were largely appropriate as a system where the Board of Directors serves the oversight function, and that the culture where attendees actively speak up and engage in unrestricted discussions at the Board of Directors Meeting had taken hold.

Based on these situations, the Company has confirmed that the Board of Directors has been able to display effectiveness that contributes to securing sound management and achieving prompt and accurate decision-making and business execution, which are the Company's basic policies for corporate governance.

With regard to the medium-term management plan, "One Yamato 2023," which was announced in January 2021, the Board of Directors conducted proactive exchanges of views and, at the formulation stage, had exhaustive discussions to ensure the effectiveness of this medium-term management plan in light of changes in the external environment since the formulation of the transformation plan

“YAMATO NEXT100.” The Company will regularly monitor the progress of the medium-term management plan, including the influence of organizational restructuring, conducted in April 2021.

Going forward, the Company will further strengthen corporate governance to improve the soundness of the entire Yamato Group’s management while continuously work to maintain and improve the effectiveness of the Board of Directors for the execution of the growth strategies called for in the medium-term management plan “One Yamato 2023.”

[Supplementary Principle 4-14-2 Policy on Training of Directors and Audit & Supervisory Board Members]

So that the Directors and Audit & Supervisory Board Members are able to fulfill their various roles and duties, the Company ensures opportunities in a regular and planned manner for them to obtain and improve the necessary knowledge regarding laws and regulations, finance, the management environment that surrounds the Group, new technology, etc.

Furthermore, the Company ensures opportunities to deepen understanding of the Group’s management strategy, business activities and conditions, etc., through strategy meetings held with all of the people responsible for business activities in attendance, lively debates at meetings with outside experts, business location inspections, etc.

[Supplementary Principle 5-1 Policy for Constructive Dialogue with Shareholders]

In order to increase corporate value continuously and over the medium to long term through constructive dialogue with shareholders and investors, the Company promotes dialogue by the President and other members of senior management, among other measures.

The person responsible for Investor Relations strategy shall act as the point of contact for individual interviews with shareholders, and the President, Directors, including Outside Directors, and other members of senior management shall respond appropriately within a reasonable scope based on shareholders’ wishes, the purpose of the interviews, etc.

The basic policies have been provided and disclosed in the Corporate Governance Guidelines developed by the Company.

## 2. Capital Structure

Foreign Shareholding Ratio	From 20% to less than 30%
----------------------------	---------------------------

### [Status of Major Shareholders]

Name	Number of Shares Owned (Shares)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	46,476,300	12.51
Yamato Employees' Shareholding Association	23,784,672	6.40
Custody Bank of Japan, Ltd. (Trust Account)	21,904,900	5.90
Meiji Yasuda Life Insurance Company	14,814,860	3.99
Nippon Life Insurance Company	14,770,653	3.98
Mizuho Bank, Ltd.	10,247,442	2.76
Yamato Trading-Partner Shareholding Association	8,409,569	2.26
TOYOTA MOTOR CORPORATION	5,748,133	1.55
Sompo Japan Insurance Inc.	5,133,900	1.38
Aioi Nissay Dowa Insurance Co., Ltd.	4,800,220	1.29

Controlling Shareholder (except for Parent)	—
Parent (Listed Stock Market)	N/A

Supplementary Explanation

—

## 3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section
Fiscal Year-End	March
Type of Business	Land Transportation
Number of Employees (Consolidated) at End of the Previous Fiscal Year	1,000 or more
Net Sales (Consolidated) for the Previous Fiscal Year	¥1 trillion or more
Number of Consolidated Subsidiaries at End of the Previous Fiscal Year	From 10 to less than 50



#### **4. Policy for Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder**

—

#### **5. Other Special Circumstances Which May Have Material Impact on Corporate Governance**

We have transformed to a fully optimized organization structured according to customer segments and promoted efforts to revamp the Group's management structure to further accelerate management in order to further enhance a management structure that enables us to confront customer and social needs. Furthermore, in April 2021, we launched a new Group management structure. The Group management structure consists of business units under the Company, which serves as a pure holding company, upon the integration of the consolidated subsidiary Yamato Transport Co., Ltd. and seven other Group companies. The Group Management structure consists of: Retail Business Unit consisting of Retail Business Division; Corporate Business Unit consisting of Corporate Business Division, Global SCM Business Division, and EC Business Division; Functional Divisions; and Corporate function.

## II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Supervision in Management

### 1. Organizational Composition and Operation

Organization Form	Company with Audit & Supervisory Board Members
-------------------	--

#### [Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	12
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	Chairman (excluding the case where the person concurrently serves as President)
Number of Directors	9
Appointment of Outside Directors	Appointed
Number of Outside Directors	5
Number of Independent Officers Designated from among Outside Directors	5

#### Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Masakatsu Mori	From another company											
Mariko Tokuno	From another company											
Yoichi Kobayashi	From another company											
Shiro Sugata	From another company											
Noriyuki Kuga	From another company											

\* Categories for "Relationship with the Company"

"○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past;

"●" when a close relative of the director presently falls or has recently fallen under the category; and

"▲" when a close relative of the director fell under the category in the past

a. Executive (a person who executes business; hereinafter, the same) of the Company or its subsidiary

b. Non-executive director or executive of the parent of the Company

c. Executive of a fellow subsidiary of the Company

d. Party whose major client or supplier is the Company or an executive thereof

e. Major client or supplier of the Company or an executive thereof

f. Consultant, accounting professional or legal professional who receives a large amount of

- monetary consideration or other property from the Company besides compensation as a director
- g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a corporation)
  - h. Executive of a client or supplier of the Company (which does not correspond to any of d., e., or f.) (the director himself/herself only)
  - i. Executive of a corporation to which outside officers are mutually appointed (the director himself/herself only)
  - j. Executive of a corporation that receives a donation from the Company (the director himself/herself only)
  - k. Other

Outside Directors' Relationship with the Company (2)

Name	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Masakatsu Mori	○	—	<p>The Company considers it important for conducting fair and transparent business management to appoint a highly independent Outside Director who has no interests in the Company, in order to receive advice on general management from an independent viewpoint.</p> <p>Mr. Masakatsu Mori possesses abundant experience and considerable insight, particularly in the fields of finance/accounting, IT/digital technology and global business as a corporate manager. Accordingly, the Company has determined that utilizing this insight to furnish oversight and advice from a managerial standpoint, particularly regarding matters of management strategy overall encompassing business execution and business strategy, financial strategy, and sustainability strategy, will contribute to further enhancing our management structure, and has elected him as Outside Director.</p> <p>&lt;Reasons for appointment as an independent officer&gt;</p> <p>In addition to the above reason, because he is an Outside Director who does not fall under any of the independence standards set forth in the Guidelines concerning Listed Company Compliance, etc. and is unlikely to cause a conflict of interest with general shareholders, he has been considered appropriate for an independent officer and appointed.</p>

Name	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Mariko Tokuno	○	—	<p>The Company considers it important for conducting fair and transparent business management to appoint a highly independent Outside Director who has no interests in the Company, in order to receive advice on general management from an independent viewpoint.</p> <p>Ms. Mariko Tokuno possesses abundant experience and considerable insight, particularly in the fields of marketing/sales and global business as a corporate manager. Accordingly, the Company has determined that utilizing this insight to furnish oversight and advice from a managerial standpoint in addition to the standpoint of customers and employees, particularly regarding business execution, business strategy, and human resources strategy, will contribute to further enhancing our management structure, and has elected her as Outside Director.</p> <p>&lt;Reasons for appointment as an independent officer&gt;</p> <p>In addition to the above reason, because she is an Outside Director who does not fall under any of the independence standards set forth in the Guidelines concerning Listed Company Compliance, etc. and is unlikely to cause a conflict of interest with general shareholders, she has been considered appropriate for an independent officer and appointed.</p>

Name	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Yoichi Kobayashi	○	—	<p>The Company considers it important for conducting fair and transparent business management to appoint a highly independent Outside Director who has no interests in the Company, in order to receive advice on general management from an independent viewpoint.</p> <p>Mr. Yoichi Kobayashi possesses abundant experience and considerable insight, particularly in the fields of marketing/sales and global business as a corporate manager. Accordingly, the Company has determined that utilizing this insight to furnish oversight and advice from a managerial standpoint, particularly regarding business execution, business strategy, and investment strategy, will contribute to further enhancing our management structure, and has elected him as Outside Director.</p> <p>&lt;Reasons for appointment as an independent officer&gt;  In addition to the above reason, because he is an Outside Director who does not fall under any of the independence standards set forth in the Guidelines concerning Listed Company Compliance, etc. and is unlikely to cause a conflict of interest with general shareholders, he has been considered appropriate for an independent officer and appointed.</p>

Name	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Shiro Sugata	○	—	<p>The Company considers it important for conducting fair and transparent business management to appoint a highly independent Outside Director who has no interests in the Company, in order to receive advice on general management from an independent viewpoint.</p> <p>Mr. Shiro Sugata possesses abundant experience and considerable insight, particularly in the fields of marketing/sales, IT/digital technology and global business as a corporate manager. Accordingly, the Company has determined that utilizing this insight to furnish oversight and advice from a managerial standpoint, particularly regarding business execution, business strategy, increasing productivity, and cost structure reform, will contribute to further enhancing our management structure, and has elected him as Outside Director.</p> <p>&lt;Reasons for appointment as an independent officer&gt;  In addition to the above reason, because he is an Outside Director who does not fall under any of the independence standards set forth in the Guidelines concerning Listed Company Compliance, etc. and is unlikely to cause a conflict of interest with general shareholders, he has been considered appropriate for an independent officer and appointed.</p>

Name	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Noriyuki Kuga	○	—	<p>The Company considers it important for conducting fair and transparent business management to appoint a highly independent Outside Director who has no interests in the Company, in order to receive advice on general management from an independent viewpoint.</p> <p>Mr. Noriyuki Kuga possesses abundant experience and considerable insight, particularly in the fields of personnel/labor management, finance/accounting and global business as a corporate manager. Accordingly, the Company has determined that utilizing this insight to furnish oversight and advice from a managerial standpoint, particularly regarding business execution, financial strategy, and corporate governance, will contribute to further enhancing our management structure, and has elected him as Outside Director.</p> <p>&lt;Reasons for appointment as an independent officer&gt;  In addition to the above reason, because he is an Outside Director who does not fall under any of the independence standards set forth in the Guidelines concerning Listed Company Compliance, etc. and is unlikely to cause a conflict of interest with general shareholders, he has been considered appropriate for an independent officer and appointed.</p>

Voluntary Establishment of Committee(s) Equivalent to Nominating Committee or Compensation Committee	Established
--	-------------

Committee's Name, Composition, and Chairperson's Attributes

	Committee Equivalent to Nominating Committee	Committee Equivalent to Compensation Committee
Committee's Name	Nomination and Compensation Committee	Nomination and Compensation Committee
Total Committee Members	6	6
Full-time Members	0	0
Inside Directors	2	2
Outside Directors	4	4

Outside Experts	0	0
Other	0	0
Chairperson	Outside Director	Outside Director

Supplementary Explanation

The committee comprises six members, who consist of two internal Directors and four Outside Directors. An Outside Director serves as chairperson.

**[Audit & Supervisory Board Members]**

Establishment of Audit & Supervisory Board	Established
Maximum Number of Audit & Supervisory Board Members Stipulated in Articles of Incorporation	5
Number of Audit & Supervisory Board Members	5

Cooperation among Audit & Supervisory Board Members, Accounting Auditor and Internal Audit Division

As for cooperation between Audit & Supervisory Board Members and the Accounting Auditor, they hold Liaison Meetings regularly and conduct effective audits.

As for cooperation between Audit & Supervisory Board Members and the Internal Audit Division, Internal Audit Department carries out audits on effectiveness of internal control, and a framework where results of the audits are reported to Audit & Supervisory Board Members has been established.

Appointment of Outside Audit & Supervisory Board Members	Appointed
Number of Outside Audit & Supervisory Board Members	3
Number of Independent Officers Designated from among Outside Audit & Supervisory Board Members	3

Outside Audit & Supervisory Board Members' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Takashi Yamashita	CPA													
Ryuji Matsuda	Attorney at law													
Yoshihide Shimoyama	From another company													

\* Categories for "Relationship with the Company"

"○" when the audit & supervisory board member presently falls or has recently fallen under the category;

"△" when the audit & supervisory board member fell under the category in the past;

"●" when a close relative of the audit & supervisory board member presently falls or has recently fallen under the category; and



“▲” when a close relative of the audit & supervisory board member fell under the category in the past

- a. Executive (a person who executes business; hereinafter, the same) of the Company or its subsidiary
- b. Non-executive director or accounting advisor of the Company or its subsidiary
- c. Executive or Non-executive director of the parent of the Company
- d. Audit & supervisory board member of the parent of the Company
- e. Executive of a fellow subsidiary of the Company
- f. Party whose major client or supplier is the Company or an executive thereof
- g. Major client or supplier of the Company or an executive thereof
- h. Consultant, accounting professional or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as an audit & supervisory board member
- i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a corporation)
- j. Executive of a client or supplier of the Company (which does not correspond to any of f., g., or h.) (the audit & supervisory board member himself/herself only)
- k. Executive of a corporation to which outside officers are mutually appointed (the audit & supervisory board member himself/herself only)
- l. Executive of a corporation that receives a donation from the Company (the audit & supervisory board member himself/herself only)
- m. Other

Outside Audit & Supervisory Board Members' Relationship with the Company (2)

Name	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Takashi Yamashita	○	—	<p>The Company considers it important for conducting fair and transparent business management to appoint a highly independent Outside Audit &amp; Supervisory Board Member who has no interests in the Company, in order to receive advice on general management from an independent viewpoint.</p> <p>The Company has elected Mr. Takashi Yamashita as Outside Audit &amp; Supervisory Board Member in order to draw on his expertise related to finance and accounting as a certified public accountant with respect to the Company's audit structure.</p> <p>&lt;Reasons for appointment as an independent officer&gt;</p> <p>In addition to the above reason, because he is an Outside Director who does not fall under any of the independence standards set forth in the Guidelines concerning Listed Company Compliance, etc. and is unlikely to cause a conflict of interest with general shareholders, he has been considered appropriate for an independent officer and appointed.</p>

Name	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Ryuji Matsuda	○	—	<p>The Company considers it important for conducting fair and transparent business management to appoint a highly independent Outside Audit &amp; Supervisory Board Member who has no interests in the Company, in order to receive advice on general management from an independent viewpoint.</p> <p>The Company has elected Mr. Ryuji Matsuda as Outside Audit &amp; Supervisory Board Member in order to draw on his sophisticated expertise as a qualified attorney at law with respect to the Company's audit structure.</p> <p>&lt;Reasons for appointment as an independent officer&gt;  In addition to the above reason, because he is an Outside Director who does not fall under any of the independence standards set forth in the Guidelines concerning Listed Company Compliance, etc. and is unlikely to cause a conflict of interest with general shareholders, he has been considered appropriate for an independent officer and appointed.</p>
Yoshihide Shimoyama	○	—	<p>The Company considers it important for conducting fair and transparent business management to appoint a highly independent Outside Audit &amp; Supervisory Board Member who has no interests in the Company, in order to receive advice on general management from an independent viewpoint.</p> <p>The Company has elected Mr. Yoshihide Shimoyama as Outside Audit &amp; Supervisory Board Member in order to draw on his experience as a director and an outside audit &amp; supervisory board member at other companies with respect to the Company.</p> <p>&lt;Reasons for appointment as an independent officer&gt;  In addition to the above reason, because he is an Outside Director who does not fall under any of the independence standards set forth in the Guidelines concerning Listed Company Compliance, etc. and is unlikely to cause a conflict of interest with general shareholders, he has been considered appropriate for an independent officer and appointed.</p>

**[Independent Officers]**

Number of Independent Officers	8
--------------------------------	---

Matters relating to Independent Officers
--

The Company appoints and registers all Outside Directors and Outside Audit & Supervisory Board Members as independent officers.

**[Incentives]****[Updated]**

Implementation of Measures to Provide Incentives to Directors	Performance-linked remuneration
---	---------------------------------

Supplementary Explanation
---------------------------

From the fiscal year ending March 2022, the Company's remuneration for Directors consists of basic remuneration (fixed remuneration), short-term performance-linked remuneration (variable remuneration), and medium- to long-term performance-linked remuneration (variable remuneration). Independent Outside Directors receive only basic remuneration (fixed remuneration).

The Company is to make payment of its medium- to long-term performance-linked remuneration under its performance-linked and share-based remuneration system (share-based remuneration), approved per resolution at its General Meeting of Shareholders held on June 23, 2020. The Company will accordingly make calculations based on performance benchmarks for the fiscal year ending March 31, 2022, and grant points (1 point corresponds to 1 share) in June 2022.

Recipients of Share Options	
-----------------------------	--

Supplementary Explanation
---------------------------

—

**[Director Compensation]****[Updated]**

Disclosure of Individual Directors' Compensation	No individual disclosure
--	--------------------------

Supplementary Explanation
---------------------------

The total amount for all Directors has been disclosed.

Policy for Determining Compensation Amounts or Calculation Methods Thereof	Established
--	-------------

Disclosure of Policy for Determining Compensation Amounts or Calculation Methods Thereof
--

**1. Basic policy**

The Company determines matters regarding remuneration for the Company's Directors based on the

following considerations.

○Competitive remuneration levels

•The remuneration level shall reward Officers for their roles, responsibilities and business performance, and shall be appropriate for securing talented human resources.

○Remuneration system that places emphasis on increasing corporate value and shareholder value

•The remuneration system shall be linked to business performance and furthermore serve as motivation for achieving performance targets.

•The remuneration structure shall be linked to medium- to long-term corporate value and furthermore encourage a sense of common interests with shareholders.

○Fairness and impartiality of the remuneration system

•The process of determining remuneration shall be objective and highly transparent.

## *2. Remuneration structure*

The Company's remuneration for Directors consists of basic remuneration (fixed remuneration), which takes remuneration levels at other companies and other such factors into consideration, and short-term performance-linked remuneration (variable remuneration), and mid-to-long-term performance-linked remuneration (variable remuneration). The mid-to-long-term performance-linked remuneration (variable remuneration) will apply to remuneration paid in July 2022 onwards. In addition, remuneration for Auditors and Independent Outside Directors consists exclusively of basic remuneration due to the nature of their functional roles.

## *3. Policy for determining basic remuneration (fixed remuneration)*

Basic remuneration (fixed remuneration) is determined in accordance with rank and title and based on responsibilities, upon having considered remuneration levels at other companies and other such factors.

## *4. Policy for determining short-term performance-linked remuneration (variable remuneration)*

The standard amount will be set at a percentage within a range of 45-55% of the basic remuneration (fixed remuneration). Both the percentage within the range as well as the basic remuneration (fixed remuneration) shall be determined based on the position of the Director. The remuneration for each individual shall be set at between 0-150% of the standard amount, depending on the extent to which the company achieved its performance targets, as well as the Director's mission evaluation. The company's performance targets shall refer to consolidated operating revenues, consolidated operating profit and profit attributable to owners of parent.

## *5. Policy for determining mid-to-long-term performance-linked remuneration (variable remuneration)*

The standard amount will be set at within a range of 30-40% of the basic remuneration (fixed remuneration), which shall be determined based on the position of the Director. The remuneration for each Director shall be set at between 0-150% of the standard amount, depending on the extent to which the company achieved its performance targets, as well as the Director's mission evaluation. The company's performance targets shall refer to ROE, TSR and ESG metrics.

The mid-to-long-term performance-linked remuneration (variable remuneration) amount shall be divided by the average closing price of the company's shares in the Tokyo Stock Exchange during the month prior to the first fiscal year of the Medium-term Management Plan, to calculate the number of shares to be granted, and 1 share shall be converted to 1 point, which shall then be granted to the Director.

## *6. Policy for determining mix of remuneration and other compensation types for individual Directors*

The mix of remuneration types is such that the higher a Director's position, the more weight assigned to performance-linked remuneration. The Company has opted for this approach upon having taken into account remuneration levels at other companies, in part because this approach makes it possible to furthermore fuel motivation with respect to achieving performance targets, generating medium- to long-term corporate value, and attaining sustainable growth, and also because the Company seeks to offer remuneration levels competitive for recruiting and retaining talented human resources.

## *7. Timing of delivery and conditions*

The Company pays its basic remuneration (fixed remuneration) and short-term performance-linked

remuneration (variable remuneration) as monetary sums on a monthly basis encompassing twelve equal installments annually.

As for the mid-to-long-term performance-linked remuneration (variable remuneration), points will be granted once a year, in June, and the cumulative number of points until retirement shall be counted (one stock for each point) and the stocks shall be provided based on the Director's Stock Remuneration Rules.

**8. Matters relating to decisions on remuneration and other compensation for individual Directors**

The remuneration and other compensation for individual Directors, including the basic remuneration (fixed remuneration), the short-term performance-linked remuneration (variable remuneration), and the mid-to-long-term performance-linked remuneration (variable remuneration) is, with the objective of securing objectivity and transparency, determined by the Board of Directors, based on the proposal by the Nomination and Compensation Committee, which is chaired by an independent outside Director and of which the majority of members are independent outside Directors, following deliberations in the Nomination and Compensation Committee regarding the amount and calculation method of the remuneration and other compensation for individual Directors.

**9. Other**

A certain percentage of the monetary remuneration shall be allocated to the purchase of shares of the Company through the Officers and Executives' Shareholding Association.

**[Supporting System for Outside Directors and/or Audit & Supervisory Board Members]**

In the operation of the Nomination and Compensation Committee by Outside Directors, the Company's Human Resources Department provides support.

For Outside Audit & Supervisory Board Members, the Company's Internal Audit Department provides support.

**[Status of Persons Who Have Retired from a Position Such as Representative Director and President]**

Retired Representative Director and Presidents, etc. Holding Advisory or Any Other Position in the Company

Name	Title/Position	Responsibilities	Working Form and Conditions (Full-time/Part-time, Paid/Unpaid, etc.)	Date of Retirement from Position Such as President	Term of Office
Kaoru Seto	Special Adviser	Implementing social contribution activities, and serving as an officer for an industry group or public institution and an outside director, etc. for other companies, which the Company approves  [Outside officer, etc. at other major organizations] Outside Director of RICOH LEASING COMPANY, LTD. Outside Director of NEC Corporation	Part-time Unpaid	March 31, 2011	1 year

Makoto Kigawa	Special Adviser	Implementing social contribution activities, and serving as an officer for an industry group or public institution and an outside director, etc. for other companies, which the Company approves  [Outside officer, etc. at other major organizations] Chairman of Yamato Group Research Institute Outside Director of Komatsu Ltd. Outside Director of Seven Bank, Ltd. Outside Director of Oki Electric Industry Co., Ltd.	Part-time Paid	March 31, 2015	1 year
---------------	-----------------	--	----------------	----------------	--------

Total Number of Retired Representative Director and Presidents, etc. Holding Advisory or Any Other Position in the Company	2
--	---

#### Other Matters

- A person with experience as Representative Director and President of the Company, etc. may serve as a Special Adviser for the purpose of implementing social contribution activities and assuming the position of an officer for an industry group or public institution and an outside director, etc. for other companies, or other purposes.
- The system for Special Advisers has been instituted as regulations, and appointment/retirement, compensation, treatment and other matters regarding Special Advisers are determined by the Nomination and Compensation Committee.
- Special Advisers take no part in decision-making on oversight of management, execution of operations and others. Therefore, the Company judges that this does not pose any problem in governance.
- The Company thinks that making use of knowledge of a person with experience as its Representative Director and President, etc. in the business community or the welfare field will lead to social contribution, and continues the Special Adviser system. On June 28, 2018, the Advisor system was abolished.

## 2. Matters on Functions of Business Execution, Audit and Supervision, Nomination and Compensation Decisions (Overview of Current Corporate Governance System)

### (1) Overview of current corporate governance framework

The Company has set up the Board of Directors, which comprises nine members including five Outside Directors, and the Audit & Supervisory Board, which comprises five members including three Outside Audit & Supervisory Board Members, and enhanced the oversight function for execution of operations. Moreover, the Company has established the management committee and the executive conference and organized the management structure that enables prompt and accurate decision-making on important matters. In addition, management transparency is raised through deliberations on matters related to the election of candidates for Directors and compensation that Directors receive and verification of the validity of such decisions by the Nomination and Compensation Committee, which mainly consists of Outside Directors.

With regard to Audit & Supervisory Board Members, the Company believes that the full-time system for Audit & Supervisory Board Members is inevitable to strengthen not only post audits but also preventive audits, and the Audit & Supervisory Board has appointed two full-time Audit & Supervisory Board Members, who also attend important meetings as well as the Board of Directors Meetings and audit the execution of duties by Directors.

### (2) Measures to enhance the function of Audit & Supervisory Board Members

The Company has appointed three disinterested and highly independent Outside Audit & Supervisory Board Members, three of whom have knowledge on finance and accounting. Furthermore, the Company has established the structure that enables Audit & Supervisory Board Members to smoothly conduct audit work by assigning one staff member who assists Audit & Supervisory Board Members, and been working to enhance the function of Audit & Supervisory Board Members.

### **3. Reasons for Adoption of Current Corporate Governance Framework**

As described in 2. above, the Company thinks that the Company's Board of Directors and Audit & Supervisory Board fully serve the function and the current corporate governance framework is the best for the Company, and has employed that system.



### III. Implementation of Measures for Shareholders and Other Stakeholders

#### 1. Measures to Energize General Meetings of Shareholders and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Meeting of Shareholders	In principle, the Notice of General Meeting of Shareholders is sent to shareholders at least three weeks before each General Meeting of Shareholders.
Scheduling General Meeting of Shareholders Avoiding the Peak Day	Since 2006, when possible, the Company has avoided holding a General Meeting of Shareholders on a peak day.
Allowing Electronic or Magnetic Exercise of Voting Rights	The Company has made it possible for shareholders to exercise their voting rights through a computer or a smartphone.
Participation in Electronic Voting Platform and Other Efforts to Enhance the Voting Environment for Institutional Investors	The Company has made it possible for shareholders to exercise their voting rights using an electronic platform for exercising voting rights.
Providing Convocation Notice in English (Translated Fully or Partially)	The Company prepares English translations of the convocation notices and makes them available on its website.

#### 2. IR Activities

	Supplementary Explanations	Explanation by Representative
Preparation and Publication of Disclosure Policy	The Company has prepared Disclosure Policy and made them available on its website.	
Regular Investor Briefings for Analysts and Institutional Investors	The Company regularly holds Financial Results Meetings and other briefings.	Yes
Regular Investor Briefings for Overseas Investors	The Company conducts meetings with overseas investors individually in North America, Europe and Asia for briefings of its management policies. In light of the challenges of traveling overseas due to the spread of the novel coronavirus disease (COVID-19), the Company has been conducting meetings via telephone and web conferences.	Yes

<p>Posting of IR Materials on Website</p>	<p>Financial information including Financial Results, Japanese securities reports and Financial Results Meeting Materials, as well as other materials such as Notice of General Meeting of Shareholders, Notice of Resolutions and the voting results, Integrated Report, are posted on the Company's website.</p> <ul style="list-style-type: none"> <li>• Investor Relations: <a href="https://www.yamato-hd.co.jp/english/investors/">https://www.yamato-hd.co.jp/english/investors/</a></li> </ul>	
<p>Establishment of Department and/or Manager in Charge of IR</p>	<p>Investor Relations Department (IR Department)</p>	

### 3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Provisions to Ensure Due Respect for Stakeholders in Internal Rules, etc.	As prescribed in the Corporate Stance of the Group Corporate Philosophy, “the Yamato Group realizes co-existence and co-prosperity through extensive communication with all stakeholders, while respecting human rights in all of its business activities, and this is stated on the Company’s website.
Implementation of Environmental Conservation Initiatives, CSR Activities, etc.	<p>Based on the transformation plan “YAMATO NEXT100” formulated as a grand design for the management over the medium to long term, in January 2020, the Company promotes the theme “Sustainability initiatives – Management embodying the environment and society.” This plan cites dual visions in terms of paving the way to a sustainable future, one of which is the environmental vision “Connect. Deliver the Future via Green Logistics” and other of which is the social vision “Through Co-Creation and Fair Business Activities, Help Create a Society That Leaves No One Behind.” As material issues (materiality), the Yamato Group has identified “Energy &amp; Climate,” “Atmosphere,” “Resource Conservation &amp; Waste,” and “Resilience of Companies &amp; Society” in the environmental area, and “Labor,” “Human Rights &amp; Diversity,” “Safety &amp; Security,” “Data Unitization &amp; Security,” “Supply Chain Management,” and “Community” in the social area.</p> <p>Furthermore, in January 2021, the Yamato Group formulated the Sustainable Medium-Term Plan 2023 (Environment and Society). This plan is a comprehensive mid-term sustainable plan that sets out specific actions to be taken on each material issue (materiality) and targets to be achieved by the fiscal year ending March 31, 2024 in order to achieve the two visions.</p> <p>* The Yamato Group’s initiatives on sustainability and CSR, and ESG data have been posted on the Company’s website.</p> <ul style="list-style-type: none"> <li>• The Yamato Group’s sustainability: <a href="https://www.yamato-hd.co.jp/csr/management/">https://www.yamato-hd.co.jp/csr/management/</a></li> <li>• CSR information: <a href="https://www.yamato-hd.co.jp/csr/">https://www.yamato-hd.co.jp/csr/</a></li> <li>• ESG data: <a href="https://www.yamato-hd.co.jp/csr/esg/performance.html">https://www.yamato-hd.co.jp/csr/esg/performance.html</a></li> <li>• Integrated Report: <a href="https://www.yamato-hd.co.jp/english/investors/library/annualreport/">https://www.yamato-hd.co.jp/english/investors/library/annualreport/</a></li> </ul>
Formulation of Policies for Information Provision to Stakeholders	As prescribed in the Corporate Stance of the Group Corporate Philosophy, “the Yamato Group is working to accurately and fairly disclose corporate information while thoroughly ensuring administration and protection of company assets with the aim of becoming a corporation trusted by the public,” and this is stated on the Company’s website.

## **IV. Matters Related to Internal Control System**

### **1. Basic Views on Internal Control System and Progress of System Development**

In accordance with the Companies Act and the Enforcement Regulations of the Companies Act, the Company has established Policy to develop its internal control system.

i. Corporate framework ensuring that execution of duties by directors of the Company complies with laws and regulations and the Articles of Incorporation, and other systems for ensuring the proper business operation of the corporate group consisting of the Company and its subsidiaries

a) To ensure that execution of duties by directors of the Company complies with laws and regulations and the Articles of Incorporation, and to ensure the proper business operation of the Company and each Group company, the Company has established the “Group Corporate Philosophy” and the “Statement of Compliance.” The Representative Director of the Company is responsible for ensuring that these two directives are fully understood by directors of the Company and each Group company. At the same time, directors shall perform their businesses in accordance with these directives.

b) To ensure that the above directives are fully understood, the Company establishes “Compliance and Risk Committee” headed by the executive officer who oversees the Group’s compliance and risk management and shall monitor the undertaking of the Group-wide compliance and risk management. The Head of the committee shall monitor compliance at the Company and each Group company and report the situation to the Board of Directors of the Company.

c) The Company shall develop a whistle-blower system for the Group to allow employees to report any compliance violations by directors of the Company and each Group company.

d) In the “Corporate Stances” of the “Group Corporate Philosophy,” the Company declares it shall have no relationship with antisocial forces, and shall station employees to perform related businesses in a division in charge of compliance and risk management of the Company and each Group company. The division in charge of compliance and risk management makes systematic efforts in collaboration with outside specialized institutions, such as police and attorneys, to prevent antisocial forces from being involved in management and prevent possible damage caused by antisocial forces.

ii. Framework for storing and managing information related to execution of duties by directors of the Company

Directors of the Company shall prescribe the retention period of the documents and the division in charge in the organization regulations and basic regulations on document management and prepare, store and manage the material documents in relation to the execution of duties by directors and minutes of each meeting.

iii. Policy and framework for managing risks of loss of the Company and its subsidiaries

a) The Company shall assign an executive officer who oversees the Group’s compliance and risk management. Employees shall be stationed to perform related businesses in a division in charge of compliance and risk management of the Company and each Group company.

b) The Company shall develop a “Risk Management Basic Policy” as the basis of risk management. Each Group company shall also develop a “Risk Management Basic Policy” on the basis of this policy.

c) In the Group companies, large companies under the Companies Act shall establish a division in charge of risk management, and assign an officer in charge of the same. The division in charge of compliance and risk management of the Company shall oversee this, and monitor and manage risk status at each Group company in a timely manner.

d) The Company shall establish the Internal Audit Department to audit the implementation status and the effectiveness of risk management at the Company and each Group company.

iv. Framework ensuring the efficiency of execution of duties by directors of the Company and its subsidiaries

a) The Company shall adopt the executive officer system in order to realize the efficiency of the management and the clarification of responsibility through the clear division of management decision-making, supervision and execution.

b) The Company shall hold the Board of Directors Meeting more than once a month. In addition, material matters to be deliberated at the Board of Directors Meeting shall be discussed and examined at the management committee comprising full-time directors, executive officers, and full-time audit &

supervisory board members.

c) The Company shall define in the organizational regulations the procedure and the officer in charge with respect to the business operation based on the resolution of the Board of Directors and at the management committee of the Company as well as the resolution of each Group company's Board of Directors.

v. Framework ensuring that execution of duties by directors and employees of the Company and its subsidiaries complies with laws and regulations and the Articles of Incorporation

a) To realize management in conformity with compliance at the Company and each Group company, the Company and each Group company shall formulate "Corporate Stance" and "Employee Credo of Conduct" as directives applicable to all employees. The documents shall be posted and distributed, and training implemented.

b) In the Group companies, large companies under the Companies Act shall establish a division in charge of compliance promotion, and assign an officer in charge of the same. The division in charge of compliance and risk management of the Company shall oversee this, and monitor and manage compliance promotion status at each Group company in a timely manner.

c) The Company shall establish the Internal Audit Department to audit the implementation status and the effectiveness of compliance at the Company and each Group company.

d) The Company shall hold "Compliance and Risk Committee" meetings regularly to develop and promote specific measures to ensure compliance and monitor the progress at the Company and each Group company.

e) The Company shall establish a whistle-blower system for the Group to develop an environment in which compliance violations are promptly reported.

vi. Framework ensuring the proper business operation of the corporate group consisting of the Company and its subsidiaries

a) To ensure the proper business operation of the Company and each Group company, the Company shall establish "Group Corporate Philosophy." The Company and each Group company shall formulate their company rules and execute business operations accordingly.

b) The Company shall assign an executive officer to be in charge of basic strategy for Group-wide management, and station employees to perform related businesses at the Management Strategy Department at the Company and each Group company.

c) The Company, as a pure holding company, shall be responsible for the planning and control of each Group company's operation in accordance with the executive management contract that prescribes the management duties that the Company will execute with respect to each Group company.

d) Each Group company shall execute business operations in accordance with the management policy formulated by the Company, and shall obtain the approval of the Company's Board of Directors Meeting or the management committee in advance, when executing material matters. In addition, all material management matters shall be reported to the Company's related division.

vii. Appointment of supporting personnel, when audit & supervisory board members of the Company request such personnel

The Internal Audit Department shall provide support to audit & supervisory board members and personnel shall be appointed when deemed necessary in consultation with the Audit & Supervisory Board.

viii. Securing independence of the personnel in the preceding item from directors and effectiveness of instructions from audit & supervisory board members

The personnel in the preceding item cannot hold a concurrent position that has the duties of planning or control of business operations. Accordingly, reassignment, evaluation, or disciplinary action against the supporting personnel requires the approval of the Audit & Supervisory Board in advance.

ix. Framework for reporting to audit & supervisory board members by directors and employees of the Company and framework for reporting to audit & supervisory board members of the Company by directors, audit & supervisory board members and employees of subsidiaries, or those who have received reports from the said persons

a) In addition to matters designated by law, directors and employees of the Company and directors,

audit & supervisory board members and employees of each Group company shall report the following to audit & supervisory board members of the Company without delay.

- Material violations of laws and regulations and the Articles of Incorporation as well as misconduct, by directors or employees
  - Crucial information obtained through whistle blowing
  - Other facts that threaten to cause significant losses to the Company and each Group company
- b) The Company and each Group company shall create a framework to ensure that persons who have reported to audit & supervisory board members of the Company and each Group company are not treated disadvantageously because of the said report.

x. Policy on procedures for advance payment or reimbursement of expenses incurred in the execution of duties by audit & supervisory board members of the Company, and other expenses incurred in the said execution of duties, or handling of debts

The Company shall develop a policy regarding the handling of audit expenses and secure a budget of a certain amount to cover audit expenses.

xi. Framework ensuring the effectiveness of auditing by audit & supervisory board members of the Company

- a) In addition to the Board of Directors Meeting, audit & supervisory board members of the Company may attend other important meetings, including those of the management committee and the executive conference, and understand the process of important decision-making and status of business operation, and provide necessary opinions.
- b) The Company shall establish regular meetings between audit & supervisory board members and the representative director to exchange opinions.
- c) The Internal Audit Department of the Company shall report progress and results of internal audits of the Company and each Group company as necessary to audit & supervisory board members to realize a collaborative framework for effective audits.
- d) Audit & supervisory board members of the Company and each Group company shall exchange information and enhance collaboration throughout the Group at Group Audit & Supervisory Board Members' Liaison Meetings.
- e) The Company shall establish a liaison office for the Audit & Supervisory Board and Group Audit & Supervisory Board Members' Liaison Meetings in the Internal Audit Department of the Company to promote efficient audits by audit & supervisory board members of the Company and each Group company.
- f) The Company shall receive explanations on the contents of its accounts from the Accounting Auditor as needed and exchange information to realize a collaborative framework for effective audits.

## **2. Basic Views on Eliminating Anti-Social Forces and Progress of Related Efforts**

To be a corporate group widely trusted by society, in the "Corporate Stance" of the "Group Corporate Philosophy," the Group declares its policy to thoroughly block any kind of relationship with antisocial forces and organizations that pose a threat to the order and safety of civil life, and has established specialized division within the Group. The division makes systematic efforts in collaboration with outside specialized institutions, such as police and attorneys, to prevent antisocial forces from being involved in management and prevent possible damage caused by antisocial forces.

## V. Other

### 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not adopted
Supplementary Explanation	

—

### 2. Other Matters Concerning Corporate Governance System

#### Overview of Timely Disclosure System

##### 1. Corporate stance for timely disclosure

The Group has established the “Group Corporate Philosophy,” and works to make timely and appropriate information disclosure, recognizing that it has a social responsibility to various stakeholders.

##### 2. Information aggregation

At the Company, the Public Relations Department and the Finance and IR Department aggregate information on decisions resolved and material events in all Group companies and on financial information, respectively, as the division responsible for information management.

##### 3. Timely and appropriate disclosure of information

In principle, the Company discloses corporate information that meets the disclosure standards set forth by the Securities Listing Regulations upon approval of the Board of Directors. In case of emergency, however, information is disclosed at the discretion of a Representative Director. In information disclosure, information on decisions resolved and material events is disclosed by the Public Relations Department, and financial information is disclosed by the Finance and IR Department.

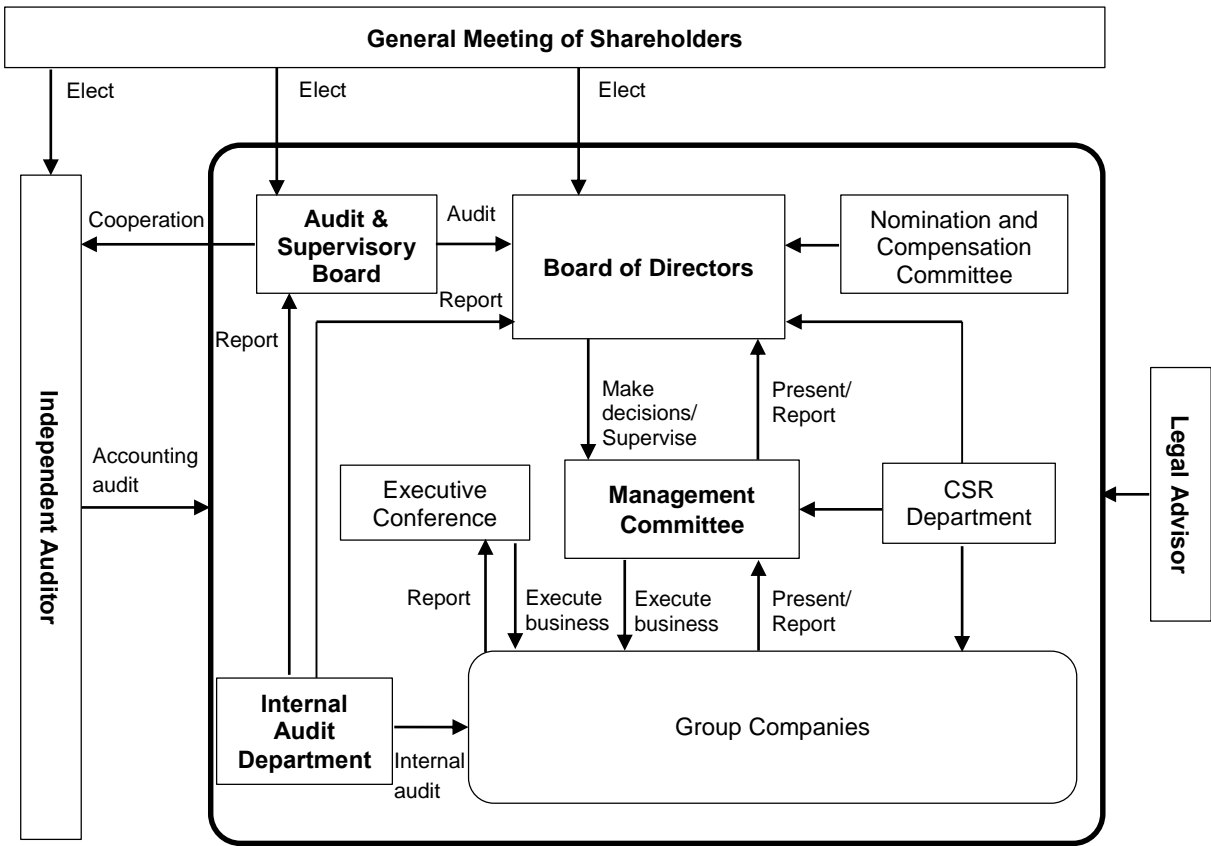
##### 4. Checking function for the internal structure

###### (1) Internal audit function

The Company has established a structure where appropriateness and effectiveness of the internal management structure are verified through its Internal Audit Department and Internal Audit Department of the Group companies and recommendations are made on remediation and correction of problems as needed, and the verification results are reported to Representative Directors.

###### (2) Compliance and Risk Committee

The Group positions compliance as one of highest priority issues in business management, and has set up the Compliance and Risk Committee and the CSR Department to examine whether compliance is implemented. This committee has built a structure where if any issue to be corrected arises, the committee provides guidance and advice to the person responsible for the division in question and reports the findings to Representative Directors as needed.



**Disclosure System**

