

Corporate Governance

As of March 31, 2014

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.

The current status of provision for oversight of business execution and management, internal control, and related functions at the Yamato Group is illustrated as follows.

Status of Corporate Governance

The Board of Directors, Management Advisory Committee and Executive Committee serve as administrative organs involved in business decision-making, execution, and supervision of the Yamato Group. This management structure enables decisions to be made swiftly and precisely on important business matters. The number of Board members cannot exceed 12 as stipulated in the articles of incorporation of Yamato Holdings. As of the submission date of this report, the Board comprised seven directors, two of whom are outside directors. The term of office for directors has been set at one year in order to clarify management responsibilities for each fiscal year.

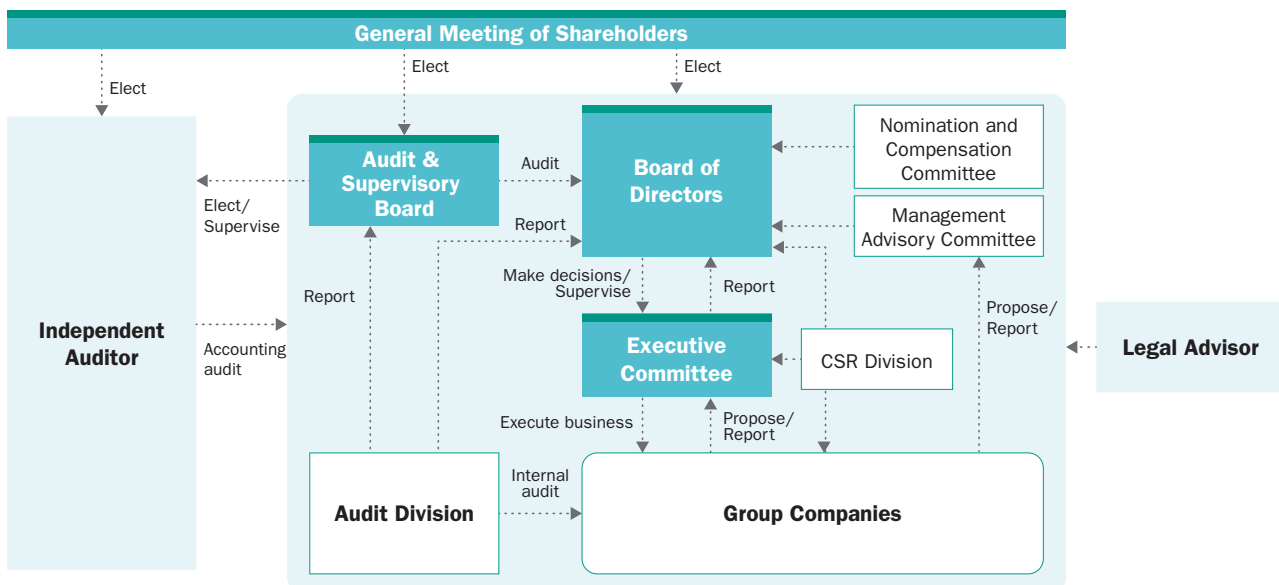
Outside Directors and Outside Audit & Supervisory Board Members

The two outside directors and three outside Audit & Supervisory Board members currently appointed by Yamato Holdings have no conflict of interest in terms of, but not limited to, their human, capital, and business relationship with the Yamato Group. None hold or held positions as an outside director, outside Audit & Supervisory Board member, full-time director, full-time Audit & Supervisory Board member, executive officer, or employee of companies with which the Yamato Group has or had such relationships.

Both outside directors, Toshitaka Hagiwara and Masakatsu Mori, have ample experience and extensive knowledge as business people. They comment and advise as needed on all aspects of business management. Furthermore, their collaboration with the Independent Auditor and the Audit Division enhances governance.

Similarly, all outside Audit & Supervisory Board members have ample expertise in finance and accounting. They are Koji Okawa, whose experience has included working for a financial institution and a tax accounting firm; Motoharu Yokose, a certified public accountant; and Hiroyuki Kanae, who has professional experience as a lawyer. Outside Audit & Supervisory Board members attend Audit & Supervisory Board meetings as well as periodic meetings to exchange opinions with the President. These meetings also serve to

Corporate Governance Framework



confirm the status of directors' execution of duties, by means of including questions regarding management policy.

To ensure objective checks of management, two of the seven directors are currently outside directors. This configuration allows the outside directors to adequately fulfill their appointed function. Similarly, three of the four Audit & Supervisory Board members are outside Audit & Supervisory Board members to reinforce supervision of business execution. This configuration, too, enables the outside members to adequately fulfill their appointed function.

The Group maintains a policy of satisfying the independence criteria of Tokyo Stock Exchange, Inc. when choosing outside directors and Audit & Supervisory Board members. The Group has notified the Tokyo Stock Exchange that all the above outside directors and Audit & Supervisory Board members are independent, as required.

Full-time Audit & Supervisory Board member Hiroshi Kawada and Audit & Supervisory Board member Koji Okawa resigned, and Kazuko Takahara was newly appointed as a full-time Audit & Supervisory Board member at the conclusion of the Ordinary General Meeting of Shareholders on June 24, 2014. Consequently, the Company's Audit & Supervisory Board became comprised of three members, two of which are outside Audit & Supervisory Board members.

Status of Internal Audits, Audits by Audit & Supervisory Board Members, and Accounting Audits

The Audit & Supervisory Board is made up of one full-time Audit & Supervisory Board member and three outside Audit & Supervisory Board members. Audit & Supervisory Board members attend meetings of the Board of Directors and other important meetings to audit the execution of duties by the directors, and otherwise endeavor to improve the

soundness of management and the trust of the public. A full-time staff member has been appointed to assist the Audit & Supervisory Board members to put in place a framework that enables the Audit & Supervisory Board members to smoothly carry out their functions. In addition, Group Auditors' Liaison Meetings are held periodically for the full-time Audit & Supervisory Board members of the major operating companies to confer on auditing policies and procedures, exchange information, and otherwise enhance collaboration. Meetings with internal auditors are also held periodically to exchange information.

Internal audits are performed by an 11-member team that operates independently from any other Group organ. Together with the 102 employees who conduct internal audits for Group companies, the Yamato Group has a total of 113 internal auditors who check whether the business and affairs of the Group as a whole are being carried out appropriately and efficiently based on the annual auditing plan. A structure is in place under which results are reported to the Board of Directors and the Audit & Supervisory Board. Also, the Group Internal Auditing Committee meets regularly with the internal auditors of the operating companies to confer on problems and propose improvements based on auditing policies and audit results. At the same time, management collaborates with Group companies' internal control divisions to improve and build systems to validate internal controls.

As the Group's appointed Independent Auditor, Deloitte Touche Tohmatsu LLC holds regular meetings with Audit & Supervisory Board members and conducts effective accounting audits. Accounting audits are performed by two certified public accountants, Yoshiaki Kitamura and Kazuhide Kobori, assisted by another 9 certified public accountants and 20 other staff members.

Compensation of Directors and Audit & Supervisory Board Members

Details of Compensation for Directors and Audit & Supervisory Board Members

Director and Audit & Supervisory Board member category	Total compensation and other remuneration (Millions of Yen)	Total by compensation and remuneration category (Millions of Yen)		Headcount of eligible directors and Audit & Supervisory Board members
		Basic compensation		
Directors (excluding outside directors)	218	218		5
Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members)	20	20		1
Outside directors and Audit & Supervisory Board members	35	35		6

To ensure the objectivity and transparency of policies 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. The compensation of Audit & Supervisory Board members and outside directors is fixed in keeping with the nature of their work.

Compensation of Accounting Auditor

Details of Compensation for Certified Public Accountants and Staff of the Accounting Auditor

Category	Fiscal year ended March 31, 2013		Fiscal year ended March 31, 2014	
	Compensation paid for audit certification activities (Millions of Yen)	Compensation paid for non-audit activities (Millions of Yen)	Compensation paid for audit certification activities (Millions of Yen)	Compensation paid for non-audit activities (Millions of Yen)
Yamato Holdings Co., Ltd.	42	1	45	29
Consolidated subsidiaries	133	4	134	4
Total	175	5	179	33

Other Important Compensation Details

Fiscal year ended March 31, 2013

The compensation that 12 overseas subsidiaries, including consolidated subsidiary Yamato Transport U.S.A., Inc., paid to Deloitte Touche Tohmatsu Limited, which is part of the same network as the accounting firm that audits Yamato Holdings, was as follows.

Compensation paid for audit certification and related activities: ¥98 million

Fiscal year ended March 31, 2014

The compensation that 12 overseas subsidiaries, including consolidated subsidiary Yamato Transport U.S.A., Inc., paid to Deloitte Touche Tohmatsu Limited, which is part of the same network as the accounting firm that audits Yamato Holdings, was as follows.

Compensation paid for audit certification and related activities: ¥129 million

Details of Non-Audit Activities of Certified Public Accountants and Staff of the Accounting Auditor

Fiscal year ended March 31, 2013

Non-audit activities for which Yamato Holdings paid the certified public accountants and staff of the accounting auditors entailed advice and guidance relating to the introduction of International Financial Reporting Standards.

Fiscal year ended March 31, 2014

Non-audit activities for which Yamato Holdings paid the certified public accountants and staff of the accounting auditors entailed advice and guidance on the accounting of reorganizations within the Group.

Policy for Determining Accounting Auditor Compensation

We determine audit compensation for the certified public accountants and staff of the accounting auditor based on the number of days required for audits, the Company's size, and the nature of its operations.