

Established on August 20, 2015

Amended on April 20, 2023

Yamato Holdings Corporate Governance Guidelines

Chapter 1 General Provisions

1. Objective

Yamato Holdings (“the Company”) and the Yamato Group have established Corporate Governance Guidelines (“these Guidelines”) for the purpose of increasing the overall corporate value and ensuring the survival and growth of the Group’s businesses by working to enhance effective corporate governance aimed at securing sound management and achieving prompt and accurate decision-making and business execution.

2. Basic Philosophy Concerning These Guidelines

The Company Precepts form the origin of the corporate spirit of both the Company and the Yamato Group. Our Management Philosophy based on the Company Precepts represents what we aim to be, and we shall strive to continually strengthen and enhance these Guidelines from the standpoint that the pursuit of corporate governance that contributes to the satisfaction of customers, shareholders, society and employees is the top priority.

Company Precepts

1. We all represent the company.
2. We connect our customers’ hearts with every delivery.
3. We conduct ourselves both professionally and ethically.

Management Philosophy

Yamato helps enrich our society
by enhancing our social infrastructure,
creating more convenient services
for evolving lifestyles and industries,
and developing innovative logistics and distribution systems.

3. Establishment, Amendment and Abolishment

These Guidelines shall be established, amended or abolished following a resolution by the Board of Directors.

Chapter 2 Relationships with Stakeholders

1. Ensuring Shareholders' Rights and Equality

We shall strive to effectively ensure that all shareholders are treated equally through dialogue and information disclosure. We shall proactively disclose information and provide sufficient explanations about matters that may impact shareholders' interests, thereby creating an environment that protects the rights of shareholders and allows shareholders to appropriately exercise rights.

(1) Protecting Rights at General Meeting of Shareholders

The General Meeting of Shareholders is the Company's topmost decision-making body and comprises shareholders with voting rights, as well as being an important opportunity to engage in constructive dialogue with shareholders. Based on the recognition stated above, the Company shall set the date, time and location of the General Meeting of Shareholders so that as many shareholders as possible are able to attend the meeting. We shall establish an environment where shareholders unable to attend are able to exercise their voting rights by mail or via the Internet.

1) Provision of Information

To allow shareholders to sufficiently study agenda items of the General Meeting of Shareholders and exercise their voting rights properly, we shall include information thought to be necessary in the Notice of the General Meeting of Shareholders as well as post such information on TDnet and the Company's website in an appropriate manner.

2) Clarification of Procedures for Exercising Rights

By explicitly stating the procedures for exercising shareholder rights in the "Regulations for the Handling of Shares," we shall prevent arbitrary management by the Company and fully make sure that shareholders are not hindered from exercising their rights. With respect to the rights recognized for minority shareholders, we shall establish a detailed method for exercising rights so that these rights may be exercised appropriately. These regulations shall be available on the Company's website for shareholders to view at any time.

3) Creating an Environment for the Smooth Exercise of Voting Rights

- The Company shall avoid holding the General Meeting of Shareholders on a date that many other companies are also holding their general shareholders' meetings, so that as many shareholders as possible are able to exercise their voting rights appropriately.

- The Company shall select a location with good access by public transportation for the site of the General Meeting of Shareholders, so that as many shareholders as possible are able to attend.
- The Company shall aim to mail out the Notice of the General Meeting of Shareholders three weeks before the date of the meeting. The content of the Notice of the General Meeting of Shareholders shall be posted on the Company's website, the Tokyo Stock Exchange's website and other sites prior to being sent out by mail.
- Based on the percentage of shares owned by institutional investors and overseas investors, the Company shall participate in the electronic voting rights exercise platform and post an English translation of the Notice of the General Meeting of Shareholders at the same time as the Japanese language version is posted on the Company's website as well as the Tokyo Stock Exchange's website.
- If institutional investors and other investors who own shares in the name of a trust bank or other similar institution make a request in advance to attend the General Meeting of Shareholders and exercise voting rights, the Company shall discuss the matter with the trust bank or other institution and respond with appropriate procedures.

4) Analysis of Opposition Votes at General Meeting of Shareholders

With respect to Company-proposed agenda items which receive a significant number of opposition votes at the General Meeting of Shareholders, the Company shall analyze shareholders' intentions and the background behind their voting behavior, and shall use the analysis for dialogue with shareholders. The analyses shall be shared at the Board of Directors Meeting, where discussions of the analyses are held.

(2) Capital Policy

1) Policy

The Company is a pure holding company, and engages in business with the objective of raising the corporate value of the entire Group. With respect to shareholder returns, the Company shall distribute profits to shareholders while maintaining a sound financial position. With respect to dividends, the Company shall target a payout ratio of 30%, based on the profit attributable to owners of parent. In addition, in order to increase shareholder value, the Company shall purchase treasury shares and otherwise maintain a flexible capital policy.

2) Capital Increases, etc.

If a capital increase is necessary, the Company shall strive to adequately explain the situation to shareholders.

(3) Policy on Cross-Shareholdings

1) Policy

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 possibility of creating 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 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.

2) Exercising the Voting Rights of Shares Held

In exercising the voting rights of shares held, decisions on supporting or opposing shareholders' meeting agenda items shall be made on a case-by-case basis, 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.

(4) Anti-Takeover Measures

1) Policy on Anti-Takeover Measures

The Company shall strive to achieve continuous growth and increase corporate value, and it shall not employ a scheme which would act as a defense against a takeover.

2) If the Company is the Object of a Tender Offer

Due to the fact that there is a possibility of a significant change in the Company's shareholder structure and that this could impact the interests of existing shareholders, the Board of Directors shall quickly announce its intentions. Also, the Company shall not establish measures to unjustly obstruct the right of shareholders to release their shares in response to the tender offer.

(5) Business Transactions among Related Parties

In accordance with the Board of Directors Regulations and other regulations, the Board of Directors shall make decisions with respect to matters such as officers with interests in competing businesses and conflict-of-interest transactions. Also, if the Company or a Group company engages in business transactions with key shareholders or other related parties, then in accordance with internal regulations, the persons giving approval shall make sure that the interests of shareholders and the Company are not harmed, taking into consideration the importance and nature of the business transaction in question.

2. 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 shall work to enhance IR activities by developing systems centered on the officer responsible for Investor Relations Strategy, and promote 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.

(1) IR Framework

The Company shall appoint an officer responsible for Investor Relations and promote investor relations activities centered on activities such as dialogue by the President and other members of senior management. The Investor Relations department shall assist the dialogue by the President and the officer responsible for Investor Relations and promote daily coordination with other internal departments related to IR activities, including the Management Strategy department, the Finance and Accounting department, the Legal Affairs Strategy department, the ESG Strategy department and the Corporate Communications Strategy department, thereby holding dialogue with shareholders and investors.

(2) Ascertaining Shareholder Composition

In addition to ascertaining the Company's shareholder composition through the shareholder registry at the end of March and the end of September each year, the Company shall use a specialized organization which conducts investigations to regularly ascertain the situation regarding which overseas and domestic investors actually own the Company's shares. The Company shall utilize the information revealed through the investigations in IR activities for holding constructive dialogue with shareholders and investors.

(3) Opportunities for Dialogue

The Company shall be aware that securing sufficient opportunities for dialogue with shareholders in order to have shareholders understand the Company's management strategy and businesses is important, and therefore the Company's senior management members shall play the lead role in IR activities. IR activities shall be carried out in a planned manner, with the basic activities each year being as follows.

- 1) Financial results briefings by senior management: Four times a year
- 2) Small meetings with the President: Twice a year
- 3) Facility tours, etc.: At least twice a year
- 4) Visits by the President to investors in the U.S., Europe and Asia: At least once a year to each region
- 5) Other reasonable activities as requested by shareholders

After engaging in such dialogue, the opinions of shareholders and investors shall be provided as feedback at the Board of Directors Meeting as necessary, thereby allowing the Company to have a shared understanding of the issues from an objective standpoint.

Furthermore, the Investor Relations department shall proactively accept requests for individual meetings, including those via the phone, from shareholders and other investors on a daily basis, and assist the relevant officers to enable smooth dialogue.

(4) Disclosure of Information Targeting Constructive Dialogue

We shall fulfill our accountability to shareholders and investors through appropriate and timely explanations and disclosure of information about management including progress being made towards achieving management policies and plans, quantitative financial information, as well as non-financial information such as information about our initiatives for corporate governance, environment and society. We recognize 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.

1) Formulation of Management Strategies and Management Plans

The Company shall have a policy that the Board of Directors and senior management members shall recognize the medium-term management plan as one of the commitments to shareholders and make their best effort to achieve the plan.

One of the important indicators the Company tries to achieve as a target shall be ROE, as a management indicator in order to raise the level of shareholder satisfaction.

The Company shall disclose and explain the specific measures aimed at achieving the plan at financial results briefings and other events.

2) Information Dissemination

Besides timely disclosure to the Tokyo Stock Exchange, the Company shall post necessary information on the Company's website proactively and in a timely manner. Such information shall include the monthly performance of key services, quarterly financial results, historical financial data, the status of corporate governance and sustainable management along with other information. Also, in order to disseminate information to overseas investors, the Company shall post key information in English as well as in Japanese.

(5) Management of Insider Information

The Company shall establish “Regulations to Prevent Insider Trading” and manage insider information in accordance with these regulations. The Company also shall thoroughly educate employees and keep them aware of the management of insider information by having employees sign a confidentiality oath when they join the Company, as well as through periodic internal training utilizing e-learning and classroom learning, thereby preventing leaks caused by human factors.

In handling important facts that are to be disclosed to the public, the Company shall use a roster to manage which individuals have knowledge of the information, and shall handle the information carefully until such disclosure. In addition, when resolutions are passed at the Board of Directors Meeting, the Company shall disclose such facts appropriately to the Tokyo Stock Exchange.

3. Collaboration with Stakeholders Other than Shareholders

Based on the Management Philosophy, the Company and the Yamato Group shall respect a variety of stakeholders, including employees, customers and local communities, and shall strive to build positive and smooth relationships and to work together appropriately with the aim of increasing corporate value over the medium to long term.

(1) Sustainable Management

Based on the Management Philosophy and Environmental Policy, the Company shall protect the global environment with various stakeholders as sustainable social infrastructure, and work to realize a prosperous society.

- 1) Environmental and social issues are recognized as management issues that are linked to decreasing the Company’s risk and creating opportunities. The Company has set “Connect. Deliver the Future via Green Logistics” and “Through Co-Creation and Fair Business Activities, Help Create a Society That Leaves No One Behind,” which are set forth in the transformation plan “YAMATO NEXT100,” as its vision, and shall execute “Sustainable Medium-Term Plan 2023,” which set specific measures and targets for each significant management issue (materiality), such as climate and human rights, to achieve long-term targets, including carbon neutrality in fiscal 2050. *Scope 1 & 2 (in-house emissions)
- 2) The President and other members of senior management are responsible for implementing sustainable management, which is supervised by the Board of Directors. Through these efforts, the Company shall work to appropriately address environmental and social issues and increase corporate value.

(2) Promoting Diversity

In order to respect employees' diversity and enable each and every employee to display their abilities to the fullest extent, the Company promotes diversity throughout the Group based on the approach of "Inclusive Management," which is the DNA of the Yamato Group, by creating a working environment where diverse human resources can play an active role and training diverse human resources.

Aiming to create an organization in which a diverse range of people are able to showcase their talent regardless of gender, nationality, age, or other factors, the Company shall create a department in charge of diversity promotion which takes the central role in promoting diversity-related initiatives.

(3) Whistle-blower System

In regard to compliance violations by the Company, employees, Directors, etc., the Company shall ensure an appropriate framework related to whistle-blowing by establishing 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 the whistle-blower regulations. The reception status of whistle-blowing and the details of responses are periodically reported to the Compliance and Risk Committee and the Board of Directors.

(4) Role as the Asset Owner for the Corporate Pension Plan

The Yamato Group Employees Welfare Center 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.

Chapter 3 Information Disclosure

1. Basic Stance on Information Disclosure

In order to build long-term relationships of trust with various stakeholders, the Company shall have a policy of disseminating information that we believe to be necessary for stakeholders, as well as legally required disclosures, in a speedy, accurate, fair and just manner. With respect to information that serves as a base for constructive dialogue with shareholders, we shall disclose information, including non-financial information, appropriately and in a timely manner through a variety of tools, such as the Company's website and integrated reports.

2. Proactive Information Disclosure

The Company shall proactively disclose information in order to ensure the transparency and fairness of the decision-making process, as well as to realize effective corporate governance.

3. Increasing the Usefulness of Information Disclosure

The Company shall strive to make information to be disclosed useful for users when it comes to engaging in dialogue with the Company.

(1) Detailed Information Disclosure

The Company shall strive to provide information in as much detail as possible, and to use expressions that make it easy for users to understand the information.

(2) Information Disclosure in English

The Company shall have an English language website, prepare English language versions of various IR materials, including the Notice of the General Meeting of Shareholders and financial results explanatory materials, and disclose such information appropriately and in a timely manner.

Chapter 4 Corporate Governance Framework

1. Organizational Design

The Company is a company with an Audit & Supervisory Board. In addition to the Board of Directors supervising important management decision-making and business execution, 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. In addition, to complement the oversight function of the Board of Directors, the Company shall establish a Nomination and Compensation Committee, the majority of whose members are independent Outside Directors. Furthermore, the Company adopts the executive officer system in order to separate the supervision and execution of management, and to ensure swift decision-making related to business execution.

2. Directors, Board of Directors

Aware of the fiduciary responsibility for management entrusted to them by shareholders, as well as recognizing that they are responsible to various other stakeholders besides shareholders, Directors shall aim to continuously increase corporate value.

(1) Board of Directors Composition

The Board of Directors 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.

(2) Role and Duties of Board of Directors

The Board of Directors shall deliberate on and decide the basic policies aimed at increasing the Company's corporate value over the medium to long term, and supervise the execution of business.

- 1) The Board of Directors shall make important decisions concerning the Company's business and supervise the execution of duties by Executive Directors and executive officers.

- 2) The Board of Directors shall recognize the medium-term management plan as one of the commitments to shareholders, and shall supervise the effectiveness of strategies, such as the business portfolio and the optimal allocation of management resources, to achieve the goals of the plan. In addition, 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.
- 3) 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.
- 4) 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.

(3) Board of Directors Management

The Board of Directors Meetings shall be managed taking into account the following, in order to ensure that the meetings involve constructive debates and exchange of opinions, including the independent Outside Directors.

- 1) 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.
- 2) The annual schedule of Board of Directors Meetings as well as anticipated agenda items shall be decided in advance, and Directors as well as Audit & Supervisory Board Members shall be notified.
- 3) 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.
- 4) As needed, meetings for the purpose of exchanging ideas shall be held comprising Board of Directors Meeting attendees, thereby encouraging lively debate.

(4) Evaluation of Board of Directors

In order to verify the effectiveness of the Board of Directors, the Company shall confirm the opinions of all Directors and all Audit & Supervisory Board Members relating to the composition and management conditions of the Board of Directors, and, based on the result of said confirmation, the Company shall deliberate regarding the effectiveness of the Board of Directors' management conditions, deliberation conditions, etc.

(5) Election and Removal of Directors and Audit & Supervisory Board Members

- 1) Items for electing and removing Directors and Audit & Supervisory Board Members are deliberated on by the Nomination and Compensation Committee, and then decided on by the Board of Directors. Furthermore, items for electing Audit & Supervisory Board Members require the approval of the Audit & Supervisory Board.
- 2) In appointing Directors and Audit & Supervisory Board Members, information such as the candidate's personal history and the reason for appointment is included in the Notice of the General Meeting of Shareholders and thereby disclosed to the public.
- 3) Skills, etc. that the Board of Directors should have are identified based on the management environment, business characteristics, etc., and the list of each Director's and Audit & Supervisory Board Member's expertise and experience is included in the Notice of the General Meeting of Shareholders and other documents and thereby disclosed to the public.

(6) Director Compensation

The compensation of Directors and executive officers comprises a basic compensation (fixed compensation) taking outside levels of compensation, etc. into consideration, compensation linked to short-term operating performance (variable compensation), as well as performance-linked and share-based remuneration (variable compensation). A certain part of the compensation is used to acquire shares of the Company through the Officers and Executives' Shareholding Association. The compensation of Outside Directors comprises a basic compensation (fixed compensation) only.

(7) Internal Control

- 1) The Board of Directors shall appropriately construct and manage a system for disclosing information in a timely and accurate manner as well as internal control and a risk management framework.

- 2) In accordance with the Companies Act, the Company shall establish a basic policy for building an internal control system, and shall also reinforce internal controls at all of the Yamato Group companies.
- 3) To respond to the internal control report system pursuant to the Financial Instruments and Exchange Act, the Company shall review business rules and standardize operations, perform checks of whether or not business is being effectively conducted in accordance with the rules, and establish a framework to make immediate improvements if there are any deviations.

3. Audit & Supervisory Board Members, Audit & Supervisory Board

Audit & Supervisory Board Members shall recognize their fiduciary responsibility for auditing the execution of duties by Directors which is entrusted to them by shareholders, and be also aware that they are responsible to various other stakeholders besides shareholders. As an independent body, they shall audit the execution of duties by Directors.

(1) Audit & Supervisory Board Composition

At least half of the Audit & Supervisory Board Members shall be Outside Audit & Supervisory Board Members. At least one member of the Audit & Supervisory Board shall be a full-time member.

In accordance with the Company's Articles of Incorporation, the number of Audit & Supervisory Board Members shall be five or less, and individuals with appropriate experience and ability as well as the necessary knowledge of finance, accounting, and legal affairs, shall be elected. In particular, at least one member of the Audit & Supervisory Board shall have adequate knowledge of finance and accounting.

(2) Role and Duties of Audit & Supervisory Board

In fulfilling their role and duties, including auditing the execution of duties by Directors, appointing and removing the Accounting Auditor and exercising authority with respect to audit compensation, the Audit & Supervisory Board and its members shall make appropriate decisions from an independent, objective position, based on their fiduciary responsibility to shareholders.

- 1) In order to adequately fulfill its role and duties, including the function of auditing the Company's business and accounting, the Audit & Supervisory Board and its members shall exercise their authority actively and proactively, and appropriately state their opinions at Board of Directors Meetings as well as to members of senior management.

- 2) 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.
- 3) 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.

4. Nomination and Compensation Committee

The Nomination and Compensation Committee 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.

(1) Nomination and Compensation Committee Composition

The Nomination and Compensation Committee shall comprise a majority of independent Outside Directors and internal Directors.

(2) Role and Duties of Nomination and Compensation Committee

- 1) 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.
- 2) The Nomination and Compensation Committee shall deliberate on 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.
- 3) Election of the successor to a Representative Director shall be proposed to the Board of Directors, after deliberation by the Nomination and Compensation Committee 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.

5. Outside Directors, Outside Audit & Supervisory Board Members

In order to obtain advice on overall management from an independent position, the Company shall appoint Outside Audit & Supervisory Board Members as well as Outside Directors who are highly independent and have no vested interests with the Company. Through fair and transparent management, the Company shall put in place a highly-effective management oversight framework.

(1) Role and Duties of Outside Directors

By ensuring, in principle, that at least half of Directors are independent Outside Directors, the Company shall strive to increase corporate value over the medium to long term as the Outside Directors fulfill the following role and duties.

- 1) Outside Directors shall utilize their abundance of experience and breadth of knowledge to offer necessary comments and advice about all aspects of management, and work together with the accounting audit and internal audit divisions to provide advice in order to increase corporate value.
- 2) Secure the management oversight function by reflecting opinions in the process of making important decisions at the Board of Directors Meeting, as well as deliberating on and verifying the validity of matters related to appointments of director candidates and compensation received by Directors at Nomination and Compensation Committee meetings.
- 3) Supervise conflicts of interest between the Company and management, controlling shareholders, etc., from an independent standpoint, and appropriately introduce stakeholders' opinions into Board of Directors Meetings.
- 4) Proactively exchange opinions with the core people responsible for business activities and other members of senior management and share an understanding of the Company's position so as to be able to proactively offer advice about all aspects of management from an independent perspective.

(2) Role and Duties of Outside Audit & Supervisory Board Members

Outside Audit & Supervisory Board members shall utilize their individual professional knowledge and abundant experience to make necessary comments from an independent standpoint at Board of Director Meetings, thereby ensuring the soundness of the Company.

(3) 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.

- 1) A party whose major business partner^(Note 1) is 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;
- 2) A major business partner^(Note 2) of the Company, or otherwise if such party is a corporation or other such entity, a person who executes business thereof;
- 3) A consultant, accounting professional or legal professional who receives substantial monetary consideration and/or other economic benefits^(Note 3) from the Company besides officer remuneration;
- 4) A consultant, accounting professional, legal professional or other such professional who is a member of a corporation or other such entity in the professional service industry whose major business partner^(Note 4) is the Company;
- 5) A major shareholder^(Note 5) of the Company, or otherwise if such major shareholder is a corporation or other such entity, a person who executes business thereof;
- 6) A recipient of donations^(Note 6) from the Company or a person who executes business thereof;
- 7) A person who falls under any of the aforementioned items in the past 3 years;
- 8) A person who has served in the past 3 years as a certified public accountant or a member of an audit corporation that acts as the Company’s accounting auditor;
- 9) A person who has served in the past 10 years as a Director (excluding Outside Director), Audit & Supervisory Board Member (excluding Outside Audit & Supervisory Board Member), Executive Officer, or employee of either the Company;
- 10) A close relative^(Note 8) of a person who falls under any of the aforementioned items (limited to significant persons^(Note 7)).

Note 1: This refers to a business partner whose transaction amount in the most recent fiscal year exceeds 2% of the annual consolidated operating revenue of such group.

Note 2: This refers to a business partner whose transaction amount in the most recent fiscal year exceeds 2% of the Company’s annual consolidated operating revenue, or a financial institution whose financing to the Company in the most recent fiscal year exceeds 2% of the Company’s consolidated total assets.

Note 3: This refers to monetary consideration and/or other economic benefits that exceed ¥10 million per annum in the most recent fiscal year.

Note 4: This refers to a corporation or other such entity that has received payments from the Company that make up 2% or more of the consolidated operating revenue of the said corporation or other such entity on average in the past

three fiscal years.

Note 5: This refers to a person or corporation who directly or indirectly holds voting rights that constitute 10% or more of all voting rights of the Company.

Note 6: In the event that the donation exceeds ¥10 million in one fiscal year or if the party receiving the donation is a corporation, this refers to donations that exceed 2% of the annual operating revenue of the said party in the most recent fiscal year.

Note 7: "Significant person" refers to Directors (excluding Outside Directors), executive officers (*Shikkoyaku*), executive officers (*Shikkoyakuin*), and other persons who execute business in positions of general manager or above; certified public accountants belonging to audit corporations or accounting offices; attorneys at law belonging to legal professional corporations or law firms; and other persons objectively and reasonably deemed to be in positions of similar importance.

Note 8: A spouse or a relative within the second-degree of kinship.

(4) Disclosure of Concurrent Positions

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

6. Accounting Auditor

The Audit & Supervisory Board shall team with the Finance and Accounting department and hold discussions in advance about the annual audit plan for the Accounting Auditor, and the Accounting Auditor shall perform appropriate audits based on this audit plan.

(1) Evaluation and Confirmation by Audit & Supervisory Board

In accordance with the “Policy on Dismissal or Non-Reappointment of Accounting Auditor,” the Audit & Supervisory Board shall decide whether or not to re-appoint the Accounting Auditor based on an evaluation. In addition, the Audit & Supervisory Board shall check the independence and expertise of the Accounting Auditor.

(2) Ensuring Appropriate Audits

To ensure that audits are properly performed, the Accounting Auditor shall hold sufficient discussions in advance with the finance and accounting division regarding the audit plan schedule, the estimated auditing time, and other matters, while the Audit & Supervisory Board shall approve the validity of the audit plan. The Accounting Auditor shall meet and talk with Directors, the officer responsible for finance and accounting, as well as senior management members including each executive officer on a planned basis, as well as when necessary.

(3) Coordination with Audit & Supervisory Board Members and Internal Auditors

The Accounting Auditor and the Audit & Supervisory Board Members shall work together through preparing the accounting audit report, the report on quarterly review results, and on other initiatives. In addition, three-way meetings between the Audit & Supervisory Board Members, the Accounting Auditor and internal auditors shall be held regularly, thereby allowing all parties involved to share information and build stronger coordination.

(4) Handling Misbehavior, Improprieties and Problems

- 1) If the Accounting Auditor discovers any misbehavior and makes a request for appropriate handling of the matter, or if the Accounting Auditor points out any improprieties or problems, based on instructions from the Representative Director, members of senior management including each business executive officer shall take the central role in performing a speedy investigation and taking corrective measures.
- 2) The Audit & Supervisory Board shall receive a report on the investigation and the results of corrective measures, etc. Full-time Audit & Supervisory Board Members shall take the lead role in working with the internal audit division and other related divisions to check the appropriateness of the investigation, as well as make a request to the Representative Director for corrective measures if necessary.

7. Support Framework, Training Policy

The Company shall have a support framework to continually provide Directors and Audit & Supervisory Board Members with necessary information to help them fulfill their roles and duties effectively.

(1) Support Framework

- 1) 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 role and duties.
- 2) By participating in key business strategy meetings for the overall Group, such as the “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 how these strategies are being advanced, as well as given opportunities to proactively get involved in business activities.
- 3) 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.
- 4) 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.
- 5) 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.
- 6) 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.

(2) Training Policy

So that the Directors and Audit & Supervisory Board Members are able to fulfill their various roles and duties, the Company shall ensure 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 shall ensure 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.

END