

## Efforts to Strengthen Group Governance

Strengthening governance is one of the most important issues for the Yamato Group. In light of the inappropriate billing for moving-related services to employees of corporate clients at Yamato Home Convenience (hereinafter, “YHC Inappropriate Billing Incident”), which we discovered in 2018, we established the Group Governance Project in order to improve the soundness of the Group’s management. Centered on this project, we are working to dramatically and comprehensively rebuild the governance of the Group.

### Major Issues Prioritized by the Group

The Group takes the proposals of the “in-house investigative committee consisting of independent experts from outside the Company” very seriously. Based on these proposals, we have clarified the major issues to be prioritized and are working to strengthen our governance on a Groupwide basis.

#### ■ Products and Services

In regard to the newly developed products and services of each Group company, as well as the products and services currently being offered by these companies, the Group is working to establish a shared management process that involves implementing appropriate inspections, including compliance checks.

#### ■ Whistle-Blower System

To promptly discover and appropriately respond to law and/or internal regulation violations, the Group is revamping and working to entrench specific Groupwide response procedures, handling methods, and risk assessment criteria for responding to whistle-blower

#### ■ Ethics Education

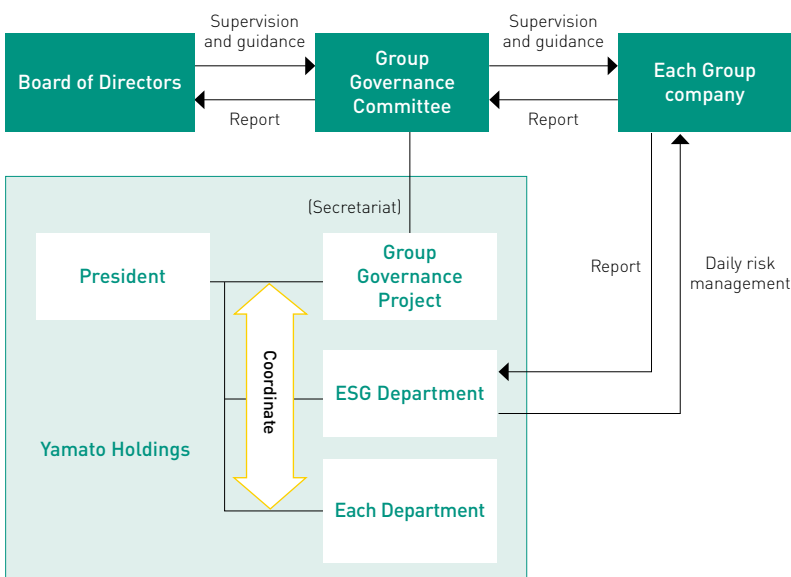
The Group is implementing ethics and compliance education across the Group with the aim of fostering a corporate culture with a high level of ethics.

## Promotion of Group Governance Reforms

The Yamato Group believes that strengthening governance forms the foundation to take decisive action toward the working style reforms and three major structural reforms adopted under the medium-term management plan “KAIKAKU 2019 for NEXT100.” To that end, the Group Governance Project is working to prevent the reoccurrence of scandals in light of the YHC Inappropriate Billing Incident. In addition, the project is promoting efforts to strengthen governance across the Group, including establishing frameworks and structures for executing the appropriate management of risks facing the Group.

■ **Our Vision** By establishing frameworks and structures for executing appropriate risk management at each Group company, we will become a corporate group that always meets the needs and expectations of its stakeholders.

### ■ Promotion Structure



### ▶ Role of the Group Governance Project

The mission of the Group Governance Project is to comprehensively inspect the functions and systems of each Group company and formulate and implement measures for reform. The project’s mission also involves rebuilding monitoring and analysis frameworks. Based on this mission, the project is responsible for conducting the following measures.

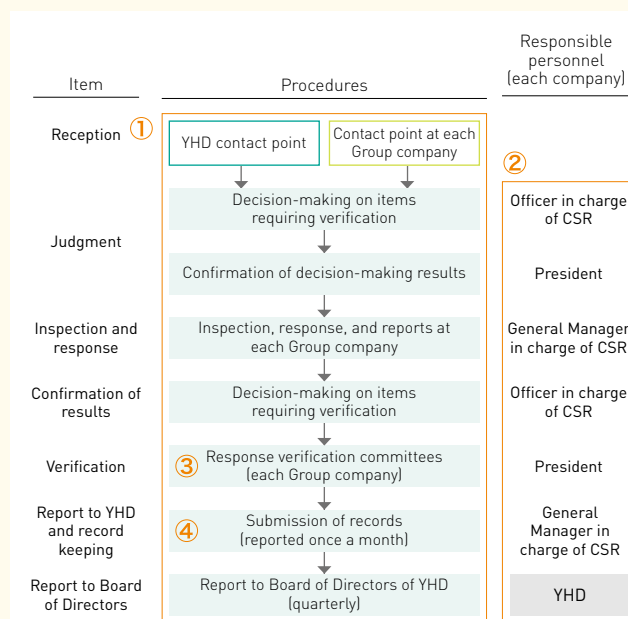
- Comprehensively inspect the functions and systems of each Group company
- Plan and promote strategies for Groupwide governance reform
- Rebuild monitoring and analysis frameworks for monitoring the implementation of the above strategies
- Carry out other tasks related to the promotion of Group governance

## Progress of Efforts toward Major Issues and Initiatives Going Forward

| Products and Services  | Whistle-Blower System   | Ethics Education  |
|--|---|---|
| Efforts in the Fiscal Year Ended March 31, 2019  |   |   |
| <ul style="list-style-type: none"> <li>Ensured compliance with laws and regulations, prepared the necessary paperwork, and implemented comprehensive inspections of risk related to incorrect billing, etc., in regard to the products and services offered by each Group company (tentative efforts)</li> <li>Implemented improvement activities based on the results of the above risk inspections and formulated risk-response plans for the fiscal year ending March 31, 2020</li> </ul>                                 | <ul style="list-style-type: none"> <li>Revamped specific Groupwide response procedures, handling methods, and risk assessment criteria to promptly discover and appropriately respond to law and/or internal regulation violations</li> <li>Implemented training for handling reports received through the whistle-blower system targeting the approximately 80 employees responsible for the system at each domestic Group company</li> </ul>  | <ul style="list-style-type: none"> <li>Revised our Declaration of Compliance, Corporate Stance, and Employee Code of Conduct</li> <li>Commenced ethics education for all Yamato Group employees and held lectures for approximately 600 managerial personnel</li> </ul> |
| Impacts and Issues   |   |   |
| <ul style="list-style-type: none"> <li>As a result of the comprehensive inspections of products and services, no major defaults were detected that could impact the continuation of sales.</li> <li>For the individual issues brought to light through the inspections, improvement activities have been implemented by each Group company with follow-up support by the Group Governance Project. In addition, the Compliance and Risk Committee has been monitoring the status of these improvement activities.</li> </ul> | <ul style="list-style-type: none"> <li>As a result of stepping up efforts to improve the management of whistle-blower systems and raise awareness of these systems, the number of reports received increased significantly from April 2019 (reports from April to September 2019 were up 82% compared with the same period in the previous fiscal year).</li> <li>We have been implementing internal audits and other monitoring activities to ensure improvements to the operation of whistle-blower systems at each Group company.</li> </ul> | <ul style="list-style-type: none"> <li>We expect improvements in awareness of ethics and compliance thanks to the implementation of ethics education (we plan to verify results via a survey of all employees during the fiscal year ending March 31, 2020).</li> </ul> |
| Efforts in the Fiscal Year Ending March 31, 2020   |   |   |
| <ul style="list-style-type: none"> <li>Systematic establishment of a PDCA cycle for the inspection of new and existing products and services, including the preparation of product management standards to be shared Groupwide</li> </ul>  | <ul style="list-style-type: none"> <li>Enhanced understanding of risk-related information through the implementation of compliance surveys of partner companies and all Group employees and the analysis of survey results</li> </ul>   | <ul style="list-style-type: none"> <li>Implementation of ethics training (ongoing) targeting all domestic Group employees (approx. 220,000)</li> </ul>  |
| <p style="text-align: center; border: 1px solid black; padding: 2px;">Anticipated Impacts</p> <ul style="list-style-type: none"> <li>Prevention of unfavorable circumstances for customers due to the provision of services that contradict our Articles of Incorporation and contracts with customers</li> <li>Improvement in evaluation of our products and services by customers</li> </ul>   | <p style="text-align: center; border: 1px solid black; padding: 2px;">Anticipated Impacts</p> <ul style="list-style-type: none"> <li>Prompt assessment of unexpected risk-related information, such as law/regulation violations</li> </ul>   | <p style="text-align: center; border: 1px solid black; padding: 2px;">Anticipated Impacts</p> <ul style="list-style-type: none"> <li>Stronger sense of ethics among employees</li> </ul>  |

### Main Points Regarding Revisions to the Whistle-Blower System

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|--|--|--|--|
| <p>① <b>Before</b> Discrepancies in responses between contact points</p> <p><b>After</b> Adoption of consistent management process for all reports, helping prevent the overlooking of major risks</p> | <p>② <b>Before</b> Lack of clarity regarding the personnel responsible for decision-making and standards for dealing with major risks</p> <p><b>After</b> Clarification of personnel responsible for decision-making and improvements in the level of risk awareness due to consistency in standards</p> | <p>③ <b>Before</b> Inconsistency in inspection rules within the Group</p> <p><b>After</b> Establishment of rule requiring the holding of inspection committee meetings at each Group company and holding company in order to carry out appropriate inspections and verify response, thereby preventing the reoccurrence of incidents</p> | <p>④ <b>Before</b> Individual management of response information by each company</p> <p><b>After</b> Improvement in information management in such ways as gaining understanding of Groupwide trends and sharing examples across the Group through comprehensive management of report-related information on a Groupwide level</p> |
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\* YHD = Yamato Holdings Co., Ltd.