

The Yamato Group: Creating Shared Value (CSV) Initiatives

Based on the concept of Creating Shared Value (CSV), which involves realizing both economic and social value as a company while addressing the needs of customers, the Yamato Group is collaborating with local governments nationwide in an effort to create a totally new business structure.

Establishment of the Next Delivery SQUARE in the Fujisawa Sustainable Smart Town

Making life more comfortable through smart, eco-friendly distribution services

In November 2016, Yamato Transport Co., Ltd. opened the Next Delivery SQUARE in the Fujisawa Sustainable Smart Town (hereinafter, Fujisawa SST).* The Next Delivery SQUARE serves as an infrastructure for comprehensive distribution for all of Fujisawa SST. By providing total support for the day-to-day needs of residents of Fujisawa SST in such ways as on-demand distribution, the Next Delivery SQUARE is contributing to more convenient, comfortable, and secure lifestyles. In doing so, the Next Delivery SQUARE is helping Fujisawa SST, which encourages sustainable lifestyles, progress its transformation into a more open, easy-to-live-in town.

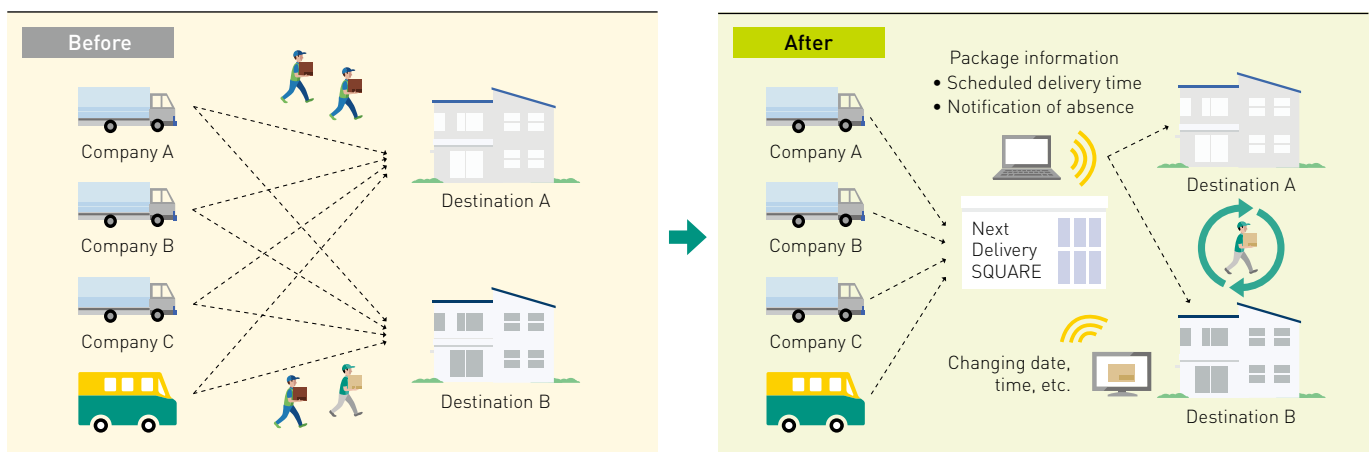
* Fujisawa SST is a "smart town" in Fujisawa City, Kanagawa Prefecture, that aims for sustainable town development over the next 100 years by encouraging sustainable lifestyles for its residents and introducing new services and technologies.

In addition, Yamato Transport employees are conducting programs for children attending kindergartens and elementary and junior high schools located near Fujisawa SST that convey knowledge on traffic safety and the importance of having a job. Through efforts such as these, Yamato Transport employees are working to establish sustainable communities within Fujisawa SST.

Going forward, we will create new ideas grounded in the concept of improving the quality of life for Fujisawa SST residents, including the introduction of systems that allow residents to confirm where a sales driver is and about how long it will take for the driver to arrive, as well as unmanned facilities that enable parcel pickup even late at night.

Overview of the Next Delivery SQUARE

Packages in Fujisawa SST were previously delivered via different door-to-door delivery service providers. Through the Next Delivery SQUARE, Yamato Transport provides a centralized delivery service that makes it possible to deliver packages all at once without having to rely on separate service providers. In addition, the Next Delivery SQUARE integrates all package information and offers delivery notification services through smart TVs installed in all residences in Fujisawa SST. These services transmit all scheduled deliveries for the day and inform residents if a package has arrived while they were away from home. As residents are able to change delivery dates and times and designate delivery locations on the smart TV screen, they no longer need to spend time and effort contacting each individual courier company to receive packages separately. This in turn enables eco-friendly and smart home deliveries.





Change: Advance of social issues, such as Japan's decreasing birthrate and aging population

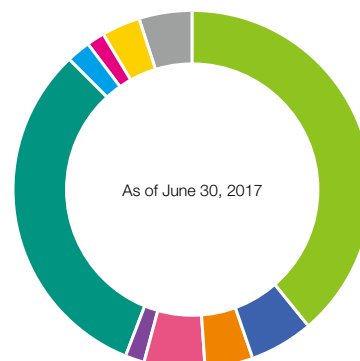
Promotion of CSV in Cooperation with Local Communities (Project G)

In aiming to become the “company most loved and trusted by society,” the Yamato Group is promoting Project G, which engages in revitalizing local communities and resolving issues in cooperation with local governments and local government agencies. Project G's solutions include expanding the sales channels for specialty products and watch-over service support for the elderly all over Japan.

Number of Project G Solutions: **1,971** (As of June 30, 2017)

Breakdown of the 368 Project Agreements with Local Governments

Watch-over support	145	Disaster relief support	117
Shopping support services	20	Hometown tax payments	8
Product support services	15	Combined passenger-cargo operations using buses	6
Tourism promotion support	20	Comprehensive support	13
Event support	6	Other	18



Concluded Agreement with the Tokyo Metropolitan Government to Support the Elderly

To realize local communities in which elderly people and their families can continue to live comfortably and with peace of mind, Yamato Transport entered into an agreement with the Tokyo Metropolitan Government to help support the elderly. Under this agreement, our sales drivers will not only watch over elderly residents, they will also provide support to elderly people suffering from dementia and their families by notifying relevant institutions in cases where they observe signs of fraud or other acts that harm consumers. In doing so, our drivers will help address local issues and invigorate local communities.

Watching Over Elderly People Living Alone

In communities where the population has aged and decreased, Yamato Transport is drawing on its *TA-Q-BIN* network in collaboration with local governments to monitor the health, safety, and other conditions of elderly people living by themselves in a convenient and low-cost manner. Yamato Transport is expanding these efforts to watch over the elderly on a nationwide basis.

We are also working with local governments to regularly deliver periodicals and other materials, and we summarize and report the results of these deliveries to local government agencies. For communities with a large number of elderly people who have difficulty shopping on their own, we offer services that provide shopping assistance to the elderly, in addition to watching over their health. In these ways, we customize our services based on the issues facing individual communities.

Expanding the Development of Combined Passenger-Cargo Operations — *TA-Q-BIN* Transportation via Bus Routes

Our combined passenger-cargo operations represent efforts to switch over a certain portion of truck transportation to transportation via bus by removing a number of seats from buses to make room for cargo. These efforts help bus operators secure new sources of revenue to help maintain bus routes. For local governments in mountainous areas where the population has aged and decreased, these efforts help maintain and improve lifestyle services for local residents through stable public transportation. These efforts also increase the amount of time our sales drivers spend in local communities, thereby allowing them to provide services that are more connected to local community needs. Furthermore, combined passenger-cargo operations help us reduce our environmental burden.

These operations, which commenced in 2015 in Iwate Prefecture, have now been expanded to cover Miyazaki, Hokkaido, Kumamoto, Hyogo, Nagano, and Wakayama prefectures. In addition, starting from January 2017, we began bus operations in Miyazaki Prefecture that allow for Cool *TA-Q-BIN* transportation using special refrigerated boxes.



Bus used in combined passenger-cargo operations (Miyazaki Prefecture)



Special refrigerated box



Safety Measures toward Achievement of Zero Accidents

The Yamato Group deems community streets and roads as the places to carry out its business activities. Based on our corporate stance of thorough safety management that keeps respect for human life as its top priority, the Group thoroughly adheres to its philosophy of placing safety first and business second to maintain respect for human life as a priority at all times.

Safety Management Disclosure Information

With ensuring the safety of transport business operators as its goal, the Yamato Group has built up a transport safety management system, based on the Transport Safety Management System stipulated by the Ministry of Land, Infrastructure, Transport and Tourism, and remains actively involved in its implementation. Results for the fiscal year ended March 31, 2017, and part of the goals for the fiscal year ending March 31, 2018, are listed below.

Transport Safety Goals and Achievement Status (Yamato Transport Co., Ltd.)

Traffic Accidents

Item	Results for the fiscal year ended March 31, 2017	Goal for the fiscal year ending March 31, 2018
No. of serious traffic accidents	4	0
No. of serious work-related accidents	0	0

Source: Yamato Transport's publicly disclosed "Transport Safety Management" information (Japanese-language only)

Results for the Fiscal Year Ended March 31, 2017

Results for the Fiscal Year Ended March 31, 2017

1. Operating expenses for on-board See-T Navi systems ¥336.0 million
2. Long-running no accident commendation awardees amount ¥604.5 million
3. Expenses related to long-running no accident commendation ceremony..... ¥62.0 million
4. Expenses related to Nationwide Safety Meet..... ¥7.1 million
5. Introduction of Event Data Recorders..... ¥62.0 million

Budget Plan for the Fiscal Year Ending March 31, 2018

1. Operating expenses for on-board See-T Navi systems ¥312.0 million
2. Long-running no accident commendation awardees amount ¥567.0 million
3. Expenses related to long-running no accident commendation ceremony..... ¥71.5 million
4. Expenses related to Nationwide Safety Meet..... ¥8.2 million
5. Introduction of Event Data Recorders ¥383.0 million
6. Safety-related training for team leaders..... ¥6.0 million

Training of Sales Drivers Who Prioritize Safety Above All Else

To train excellent drivers who prioritize safety above all else, the Yamato Group has expanded and upgraded its training system and engages in the provision of detailed guidance on a daily basis. Yamato Transport drivers hired following a rigorous aptitude test receive training when they join the Company that includes safety training and other training for approximately one month after they have entered the Company. After earning their internal Yamato licenses, they come to the actual business of driving for the first time. Even after that, they hone their driving skills through training sessions one year after joining, regular ride along instruction and on-the-road patrols by safety experts and managers, and a driving manager aptitude examination once every three years.

Ingraining Safety Awareness into Employees

With the aim of improving the safety driving levels of its professional drivers, maintaining Companywide safety awareness, and improving driving techniques, Yamato Transport holds the Yamato Transport Nationwide Safety Meet. At the Sixth Annual Yamato Transport Nationwide Safety Meet held in October 2016, a new category for two-ton multipurpose automatic transmission vans was added to the existing category for two-ton multipurpose manual transmission vans to respond to the increase in the number of drivers who only have licenses for vehicles with automatic transmission.



Skill test for driving two-ton multipurpose vehicles

Supporting Safety by Thorough Maintenance Management

Covering the more than 4,000 pickup and delivery base locations of the Yamato Group, Yamato Autoworks is responsible for 50,000 vehicles and their maintenance inspections. Their major maintenance factories are in operation around the clock throughout the year. Aside from naturally responding quickly in the event of a breakdown, they support the mandatory periodic inspections carried out on vehicles by collective management throughout the year. Furthermore, they perform preventive maintenance to carry out maintenance before breakdowns occur by frequently checking the status of vehicles and gathering information. Of the approximately 940 mechanics, the number that hold automobile inspector qualifications, which enable them to carry out complete inspections to determine whether vehicles meet safety standards once maintenance has been completed, has climbed to 600 (as at March 31, 2017). During maintenance, the accuracy of inspections is raised by double checks by another mechanic who carries out interim and maintenance completion inspections.



A Thoroughly Ecological Approach to Transportation to Achieve Cost Reduction

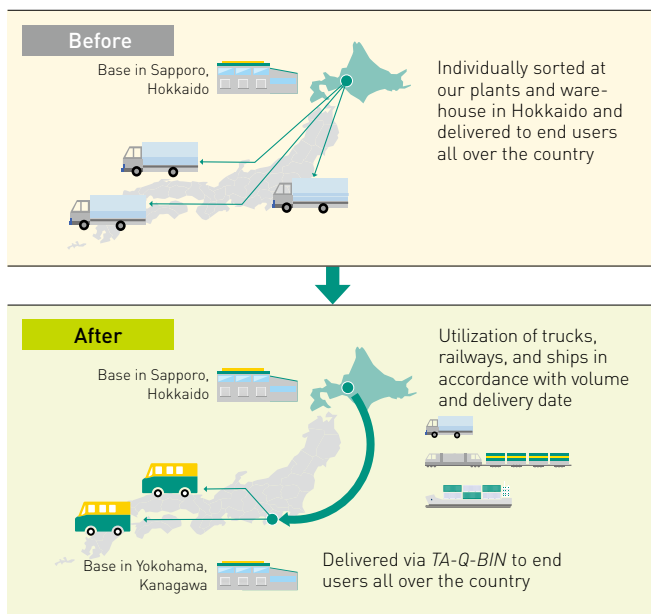
By considering that efforts form part of a corporation's responsibility to society, the Yamato Group refers to its environmental conservation initiatives as "Necology." The Group establishes environment-friendly logistics by thoroughly ensuring the environmental friendliness of all aspects, especially for packaging, transportation, and delivery.

Companywide Promotion of Modal Shift

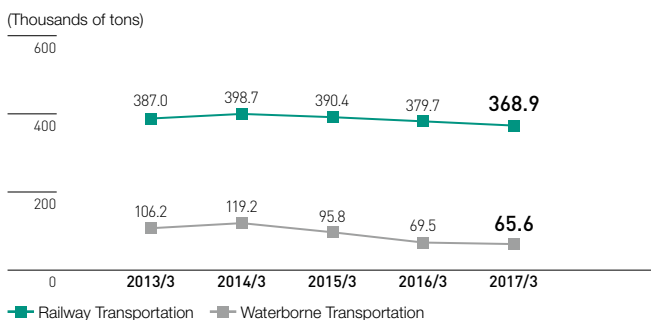
As an initiative designed to reduce CO₂ emissions, the Yamato Group is encouraging all its companies to perform a modal shift to utilize railways as their trunk-route transport. The Group's efforts to bring about an increasing shift away from trucks, by switching to railways or ships when shipping freight from Hokkaido to Kanagawa Prefecture, helped realize a decrease in CO₂ emissions of about 285 tons.

Following an assessment of this initiative, Yamato received the Modal Shift Excellent Business Entity Award (New Development Division) at the 14th Annual Awards Ceremony for Excellent Business Entities Working on Modal Shift that has the Japan Association for Logistics and Transport as its main sponsor.

Utilizing Railways and Ships for Long-Distance Transportation



Modal Shift Volume Trends (Yamato Transport Co., Ltd.)



Introduction of Semi-trailers and Full Trailers with New Standards

Through collaboration with automobile and other manufacturers, Yamato Transport has developed and introduced newly standardized connected trailers, the first of their kind in Japan, which have a greater overall length compared with conventional models. These trailers will help us improve the efficiency of high-frequency, trunk-route transportation between *Atsugi Gateway*, *Chubu Gateway*, and *Kansai Gateway*. At the same time, the trailers will help us reduce our CO₂ emissions.

Introduced Vehicle

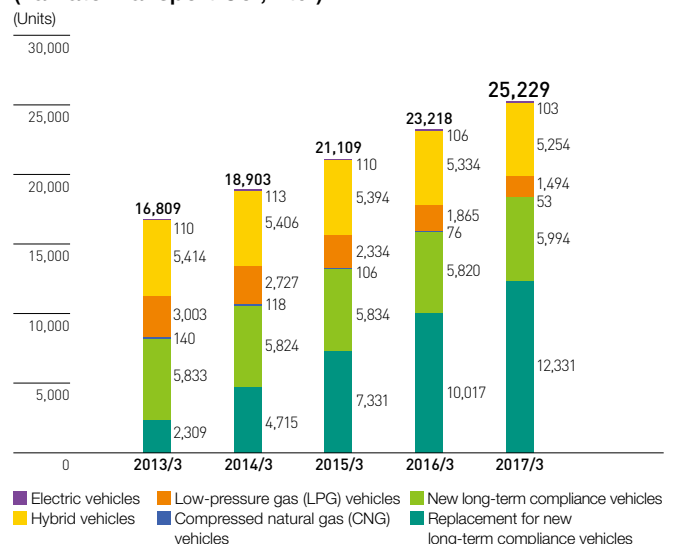
Vehicles introduced in November 2016

- Van-type semi-trailer 8% higher loading capacity than conventional models
- Van-type full trailer 23% higher loading capacity than conventional models

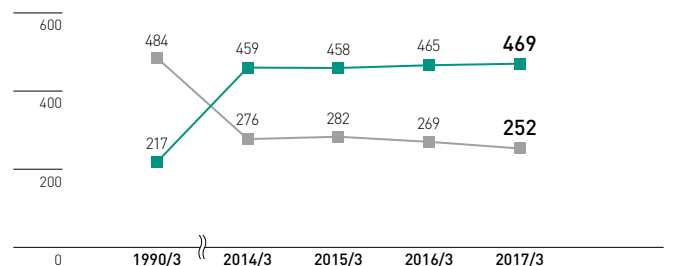
Vehicles introduced in September 2017

- Super-full trailer 25 (25 meter-long connected trailer) 46% higher loading capacity than conventional models

Low-Emission Vehicle Introduction Patterns (Yamato Transport Co., Ltd.)



CO₂ Emissions from Vehicles (Yamato Transport Co., Ltd.)



Notes: *1. Figures are calculated in accordance with the Ministerial Ordinance on Calculation of Greenhouse Gas Emissions Arising from Business Activities of Specified Emitters.
*2. CO₂ emissions per basic unit = Total CO₂ emissions / Number of parcels delivered via TA-Q-BIN service

Corporate Governance

For the year ended March 31, 2017

Basic Position on Corporate Governance

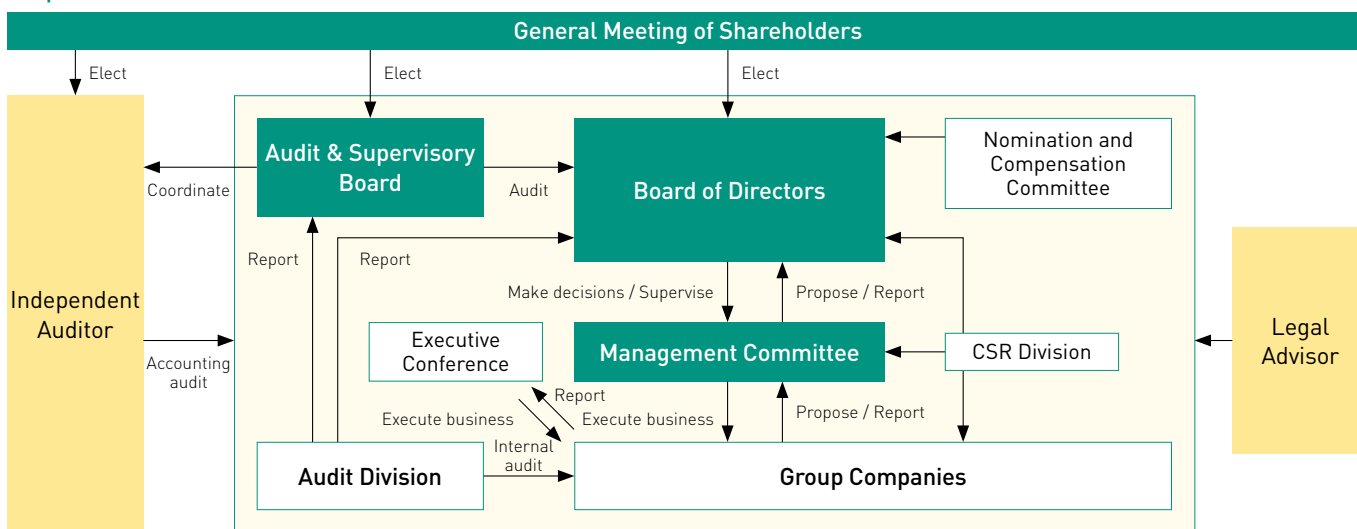
Based on its corporate philosophy, the Yamato Group carries out business activities in accordance with the law and social norms and actively promotes compliance management. Striving to maximize corporate value by effectively utilizing the management resources of the Group is one of the top priorities of management, and we have implemented measures and bolstered management systems as part of our corporate governance initiative.

Characteristics of Corporate Governance System

(As of July 1, 2017)

System	Company with auditors
Number of directors	8
Outside directors	3
Number of Audit & Supervisory Board members	4
Outside auditors	2
Term of directors	1
Executive officer system in place	Yes
Independent auditor	Deloitte Touche Tohmatsu LLC

Corporate Governance Framework



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

	Name	Independent officer	Concurrent posts	Main activities	Attendance at meetings of the Board of Directors and/or Audit & Supervisory Board during the fiscal year ended March 31, 2017
Outside Directors	Toshitaka Hagiwara	YES	<ul style="list-style-type: none"> Adviser of Komatsu Ltd. Outside Director of Zensho Holdings Co., Ltd. Outside Director of Hino Motors, Ltd. Outside Director of Takamatsu Construction Group Co., Ltd. 	Toshitaka Hagiwara has ample experience and extensive knowledge as a businessperson, and he comments and advises as needed on all aspects of business management. Furthermore, his collaboration with the independent auditor and the Audit Division enhances governance.	Board of Directors: 16 of 17 meetings
	Masakatsu Mori	YES	<ul style="list-style-type: none"> Vice Chairman of the International University of Japan Board of Director of SKY Perfect JSAT Holdings Inc. Board of Director of Stanley Electric Co., Ltd. Outside Audit & Supervisory Board Member of Kirin Holdings Company, Limited 	Masakatsu Mori has ample experience and extensive knowledge as a businessperson, and he comments and advises as needed on all aspects of business management. Furthermore, his collaboration with the independent auditor and the Audit Division enhances governance.	Board of Directors: 17 of 17 meetings
	Mariko Tokuno	YES	<ul style="list-style-type: none"> Outside Director of Happinet Corporation Outside Director of Mitsubishi Materials Corporation 	(Appointed in June 2017)	—
Outside Audit & Supervisory Board members	Hiroyuki Kanae	YES	<ul style="list-style-type: none"> Partner, Anderson Mori and Tomotsune LPC 	Hiroyuki Kanae has ample experience in finance and accounting through his professional experience as a lawyer. Furthermore, he attends regular meetings to exchange opinions with the representative director and president, outside directors, and Audit and Supervisory Board members, monitoring directors' execution of duties primarily by asking questions related to overseas business risk.	Board of Directors: 16 of 17 meetings Audit & Supervisory Board: 17 of 18 meetings
	Takashi Yamashita	YES	<ul style="list-style-type: none"> Representative of Takashi Yamashita CPA Office Outside Director of Shin Nippon Biomedical Laboratories, Ltd. 	(Appointed in June 2017)	—

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.

Board of Directors

■ Roles and duties

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

■ Management

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

Audit & Supervisory Board

■ Roles and duties

- The Audit & Supervisory Board and its members shall exercise their authority actively and proactively, and they shall appropriately state their opinions at Board of Directors meetings as well as to members of senior management.
- The full-time Audit & Supervisory Board members shall attend Board of Directors meetings and other important meetings related to the execution of business, express reasonable opinions, hold effective Audit & Supervisory Board meetings, and ensure that information is shared and that members work together in a coordinated manner.
- The Audit & Supervisory Board shall regularly hold information exchange meetings for the purpose of sharing information with

outside directors, thereby ensuring more robust gathering of information and encouraging teamwork.

Nomination and Compensation Committee

- The Nomination and Compensation Committee shall comprise outside directors and the same number or fewer internal directors with an outside director serving as the committee chair.
- The committee shall deliberate on matters related to the appointment or removal of senior management members based on business performance and multifaceted observations and evaluation, thereby verifying the validity of such decisions, and decide policies on compensation and other matters related to senior management members.
- The committee shall propose candidates as successors to the representative director to the Board of Directors, following deliberation based on multifaceted observations and evaluations of candidates' track records, human nature, and other factors, thereby increasing management transparency.

Support Framework for Directors and Audit & Supervisory Board Members

- The Company shall establish a support framework that enables it to provide necessary and adequate information at the necessary time to allow directors to effectively fulfill their roles and duties.
- By participating in key business strategy meetings for the overall Group, such as the "Business Summit," "Business Conference," and "Management Plan Unveiling," as well as by observing key Group business sites, including those overseas, participants are able to better understand the business strategies and provide opportunities to see how these strategies are being advanced.
- As a system to help Audit & Supervisory Board members smoothly perform their duties, employees in the internal audit division shall be appointed to assist Audit & Supervisory Board members.
- Audit & Supervisory Board members shall exercise their authority to perform investigations in accordance with the Companies Act. In addition, if a director or employee discovers a fact that could potentially inflict marked damage on the Company, he/she shall immediately report this fact to an Audit & Supervisory Board member, even if there is no request to do so from an Audit & Supervisory Board member.
- If a director or Audit & Supervisory Board member believes it to be necessary, he/she shall obtain advice from an outside expert at the Company's expense.
- The internal audit division shall regularly hold meetings with the full-time Audit & Supervisory Board members, and provide audit reports in a planned manner to the Board of Directors and the Audit & Supervisory Board, thereby enhancing the provision of information to as well as bolstering coordination with outside directors and outside Audit & Supervisory Board members.

Compensation of Directors and Audit & Supervisory Board Members

Directors and Audit & Supervisory Board members	Total compensation and other remuneration (Millions of yen)	Total by compensation and remuneration category (Millions of yen)	Headcount of eligible directors and Audit & Supervisory Board members
		Basic compensation	
Directors (excluding outside directors)	284	284	4
Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members)	46	46	2
Outside directors and Audit & Supervisory Board members	46	46	4

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

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.

In addition, for executives at or above the level of executive officer, a certain percentage of their compensation is allocated to purchase shares of Company through the Officers and Executives' Shareholding Association.

Policy on cross-shareholdings

The Company shall maintain a policy of owning stocks that are deemed meaningful, based on a comprehensive consideration of the relationship with the Group's businesses and the profitability of the company, among other factors. With respect to the key stocks that the Company owns, a decision shall be made every year at the Board of Directors meeting concerning whether to continue holding the stocks, based on careful consideration of various factors including the effect of holding the stock on strengthening the alliance, the business track record with the company, and the market price of the shares.

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.

Compliance

■ Strengthening internal control for the Group overall

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

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

Internal control over the financial reporting of the Yamato Group as of March 31, 2017, was considered valid, and a report was submitted to the Kanto Local Finance Bureau.

■ Reinforcing the Whistle-Blower System

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

which employees who report on such violations are protected under whistle-blower regulations. Violations and responses to violations shall be regularly reported to the Compliance and Risk Committee, as well as reported to the Board of Directors if deemed necessary by the responsible officer.

Business Continuity Plan (BCP)

■ Revisions and maintenance to prepare for unexpected, large-scale natural disasters and power outages, based on our experience in the Great East Japan Earthquake

The Yamato Group offers the *TA-Q-BIN* service as social infrastructure, and it is expected to keep offering the steady service even under unforeseeable circumstances. Therefore, we formulated a business continuity plan (BCP) to prepare for these circumstances.

Based on this BCP, formulated according to response guidelines focusing on maximum priority on human life and on continuation of the *TA-Q-BIN* business, we addressed the problems caused by the Great East Japan Earthquake that occurred in 2011 and the 2016 earthquakes with epicenters in Kumamoto and Oita. Our aim is to prepare for an earthquake occurring directly beneath the Tokyo metropolitan area and an earthquake along the Nankai Trough, which are likely to occur in the future and are expected to cause large-scale damage.

Accountability

The Yamato Group considers the explanation of corporate and management data to shareholders, investors, and other stakeholders to be an important corporate governance issue and is committed to the speedy, accurate, and fair disclosure of information. Furthermore, the Group has established the Disclosure Policy in order to disclose and manage information in a more appropriate manner and enhance the reliability of that information.

The main investor relations activities are listed below.

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