

Systems for Ensuring the Properness of Business Activities (Internal Control System)

Description	Applicable laws/regulations
<p>1 Matters related to Directors and employees to assist with the duties of the Audit & Supervisory Committee</p> <p>(1) NYK's Internal Audit Department(hereinafter referred as "NYK IAD"), which is outsourced by the Company, shall supports the execution of the duties by the Audit & Supervisory Committee Members.</p> <p>(2) Employees of the Support Office for Board of Directors shall assist with administration of the Audit & Supervisory Committee.</p>	<p>Companies Act Article 399-13, Paragraph (1), Item(1)(b) Regulation for Enforcement of the Companies Act Article 110-4, Paragraph (1), Item (1)</p>
<p>2 Matters related to the independence of the employees of the preceding item from the other directors and ensuring the effectiveness of the instructions given by the Audit & Supervisory Committee to the said employees</p> <p>(1) The opinion of the Audit & Supervisory Committee will be given consideration regarding personnel transfer and personnel evaluation to ensure the independence of the employees in the preceding paragraph.</p> <p>(2) An Audit & Supervisory Committee Member may directly give instructions to the employees in the preceding paragraph regarding the execution of those duties and the administrative work of the Audit & Supervisory Committee.</p> <p>(3) The Audit & Supervisory Committee has the right to request the Board of Directors to maintain or improve said matters regarding the independence of NYK IAD and employees of the Support Office for Board of Directors who assist the Audit & Supervisory Committee Members.</p>	<p>Companies Act Article 399-13, Paragraph (1), Item (1)(b) Regulation for Enforcement of the Companies Act Article 110-4, Paragraph (1), Item (1) to (3)</p>
<p>3 System for the Directors (Excluding Directors who are Audit & Supervisory Committee Members) and employees, etc. to report to the Audit & Supervisory Committee</p> <p>(1) Directors, Executive Officers and employees shall report the status of execution of duties in the divisions or departments for which they are responsible, as appropriate, to the Audit & Supervisory Committee.</p> <p>(2) If Directors, Executive Officers or employees discover any fact that could have a material effect on the Group, including violation of laws and regulations, they shall immediately report this fact to the Audit & Supervisory Committee. Also the Directors, Executive Officers and employees shall make reports as required by the Audit & Supervisory Committee.</p> <p>(3) The Chief Compliance Officer (CCO) shall regularly report to the Audit & Supervisory Committee regarding business activities of the Internal Reporting System and the content of the reports, based on YLK Compliance Help Line Rules.</p>	<p>Companies Act Article 399-13, Paragraph (1), Item (1)(b) Regulation for Enforcement of the Companies Act Article 110-4, Paragraph (1), Item (4)(a)</p>
<p>4 System for the directors of YLK subsidiaries and all other persons equivalent to these, and employees to report to the Audit & Supervisory Committee</p> <p>(1) Directors, Auditors, Executive Officers and employees of the YLK Group companies shall provide timely reports on matters for which reporting is requested by the Audit & Supervisory Committee Members of YLK, in addition to the matters specified in the laws and regulations, and the Management Rules for Domestic and Overseas affiliates..</p> <p>(2) Directors, Auditors, Executive Officers and employees of the YLK Group companies shall provide reports as requested by the Audit & Supervisory Committee, in addition to providing information to the Audit & Supervisory Committee in accordance with the operating procedures specified in Article 13 of this document.</p>	<p>Companies Act Article 399-13, Paragraph (1), Item (1)(b) Regulation for Enforcement of the Companies Act Article 110-4, Paragraph (1), Item (4)(b)</p>
<p>5 System for ensuring that persons who make a report under the preceding items are not treated disadvantageously due to making said report</p> <p>YLK shall not treat any whistleblower in a disadvantageous manner, who have made their report properly and without malicious intent accordingly to the Yusen Logistics Group Code of Conduct and Compliance Help Line Rule.</p>	<p>Companies Act Article 399-13, Paragraph (1), Item (1) (b) Ordinance for Enforcement of the Companies Act Article 110-4, Paragraph (1), Item (5)</p>
<p>6 Matters related to policies concerning the procedure for advance payment or reimbursement of expenses that arise with regard to execution of the duties of the Audit & Supervisory Committee Members or any other processing of expenses or obligations that arise with regard to execution</p> <p>YLK shall pay expenses arising from the execution of duties of the Audit & Supervisory Committee Members, concerning the performance of duties of the Committee including the audits expenses budget based on the resolution of the Committee for each fiscal year. Committee's budget shall be secured based on an application for expenses deemed necessary by the Committee. Timely payment will be made in accordance with the Audit & Supervisory Committee Rules when there is a request for other expenses from the Committee.</p>	<p>Companies Act Article 399-13, Paragraph (1), Item (1)(b) Regulation for Enforcement of the Companies Act Article 110-4, Paragraph (1), Item (5)</p>
<p>7 Other systems to ensure that audits by the Audit & Supervisory Committee are performed effectively</p> <p>(1) YLK shall ensure a system where the Audit & Supervisory Committee, Accounting Auditors, the NYK IAD and the Core Management Board establish sufficient communication and cooperation.</p> <p>(2) YLK shall build a cooperative system that Audit & Supervisory Committee, the board of directors of the Company(including, representative director or those who have been delegated the authority of representative director), the NYK IAD, and the relevant departments shall work together for information collection and investigation of audited departments of the Company(including subsidiaries) in order to ensure the effectiveness of the audit by the Audit & Supervisory Committee Members.</p>	<p>Companies Act Article 399-13, Paragraph (1), Item (1)(b) Regulation for Enforcement of the Companies Act Article 110-4, Paragraph (1), Item (7)</p>
<p>8 System to ensure that the execution of the duties of a director complies with the law and the Articles of Incorporation</p> <p>(1) YLK shall establish the Yusen Logistics Group Code of Conduct, Compliance Promotion Rules and other regulations.</p> <p>(2) YLK shall continue to provide trainings related to compliance, customs clearance system and any other subject deemed necessary, to ensure thorough knowledge acquisition and awareness of compliance to rules and regulations.</p> <p>(3) YLK shall conduct appropriate Board of Directors operations making use of an assistant of Support Office.</p> <p>(4) YLK shall establish a cross-functional organization according to actual situations.</p> <p>(5) YLK shall establish an Internal Control Committee and strive to improve and ensure its effectiveness.</p> <p>(6) The Compliance Committee shall establish a compliance program for each fiscal year and confirm the execution status at its regularly held meeting.</p> <p>(7) YLK shall properly develop and operate a Compliance Helpline System, and establish a system that enables early detection of illegal activities.</p> <p>(8) YLK will work with NYK IAD to build an internal audit system in which NYK IAD conducts regular internal audits based on its annual plan and extraordinary audits(including extraordinary audits conducted independently by NYK) in consultation with the Board of Directors of the Company(including representative director or those who have been delegated the authority of representative director) and the Audit & Supervisory Committee and report its result to the Board of Directors of the Company and the Audit & Supervisory Committee.</p>	<p>Companies Act Article 399-13, Paragraph (1), Item (1)(c) Regulation for Enforcement of the Companies Act Article 110-4, Paragraph (2), Item (4)</p>

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<p>9 System related to the retention and management of information pertaining to the execution of the duties of a director</p> <p>YLK establishes the Document Management Rules and Information Security Rules that serves as the company's document management standards, and shall properly record, preserve and manage information related to the execution of duties of directors.</p>	<p>Companies Act Article 399-13, Paragraph (1), Item (1)(c) Regulation for Enforcement of the Companies Act Article 110-4, Paragraph (2), Item (1)</p>
<p>10 Rules and other system related to management of the risk of loss</p> <p>(1) YLK establishes a system that each division or department to undersatnd various risks surrounding the company and escalate to the Compliance Committee. The Compliance Committee shall evaluate the operational status of risk management in each department and also provide guidance on critical risks as well.</p> <p>(2) Investment Study Meeting shall validate the risk and impact of investments, and evaluate the effectiveness of investment as well.</p> <p>(3) YLK establishes basic policies of Business Continuity Plan (BCP) against risks such as loss or damage of company assets caused by large-scale disasters or accidents, loss of business opportunities,etc. in order to construct an effective cricis management system to deal with such critical incidents. The BCP shall be reviewed from time to time, and improvements will be made after annual verifying its effectiveness.</p>	<p>Companies Act Article 399-13, Paragraph (1), Item (1)(c) Regulation for Enforcement of the Companies Act Article 110-4, Paragraph (2), Item (2)</p>
<p>11 System to ensure that the execution of ensuring the duties of a director is performed efficiently</p> <p>(1) YLK shall ensure systems to achieve effective and timely managerial decision-making, including delegation of authority and flexible business execution in the Board of Directors Rules, Audit & Supervisory Committee Rules, Core Management Board Rules and Job Authorization Rules.</p> <p>(2) YLK establish the "Support Office for the Board of Directors" and support the execution of duties by the Directors.</p> <p>(3) YLK will evaluate the effectiveness of the Board activities once annually in order to improve it's function and efficiency.</p>	<p>Companies Act Article 399-13, Paragraph (1), Item (1)(c) Regulation for Enforcement of the Companies Act Article 110-4, Paragraph (2), Item (3)</p>
<p>12 System to ensure that the execution of the duties of employees complies with laws and regulations and the Articles of Incorporation</p> <p>(1) YLK shall establish the Yusen Logistics Group Code of Conduct and Compliance Promotion Rules and other regulations.</p> <p>(2) YLK shall continue to provide training related to compliance, customs clearance system and other necessary training to ensure thorough knowledge acquisition and awareness of compliance to rules and regulations.</p> <p>(3) YLK shall build a system for early stage discovery of violations of laws and regulations making use of the Compliance Help Line (Internal Reporting System).</p> <p>(4) The Compliance Committee shall establish a compliance program for each fiscal year and confirm the execution status at its regularly held meeting.</p> <p>(5) NYK IAD shall conducts regular internal audits based on its anuual audit plans and results shall be regularly reported to the Board of Directors and the Audit & Supervisory Committee.</p> <p>(6) YLK shall establish a legal consultation window in the Legal Group in order to ensure legal compliance of business execution in each department is secured.</p>	<p>Companies Act Article 399-13, Paragraph (1), Item (1)(c) Regulation for Enforcement of the Companies Act Article 110-4, Paragraph (2), Item (4)</p>
<p>13 System to ensure the properness of business activities in the YLK group</p> <p>(1) The organization of the business execution system of YLK and the Group consists of Global Headquarters(GHQ),Regional Headquarters(RHQ) and Opeartion Company. GHQ establishes "Business Unit""Busines Development" and "Business Partner as a global headquarters of the Group, and support and manages RHQ and Opeartion Company.</p> <p>(2) YLK's global business will be divided into five regions: Japan, the Americas, Europe, East Asia and South Asia and Oceania,establish RHO as Regiona Headquarters to each region. RHO is responsible for formulating and executing regional growth strategies based on the global growth sstrategies formulated by GQH, and supports and supervises Operation Company's Businesss Unit, Business Development and Business Partner.</p> <p>(3) Chief Regional Officer(CRO), appointed by a resolution of the Board of Directors of YLK, supervises and manages Opeartion Company in each responsible region, which has jurisdiction over important matters concerning the business execution of RHQ in accordance with the Management Rules of domestic and overseas affiliated companies.</p> <p>(4) YLK establishes an Internal Control Committee for the purpose of enhancing efficiency of it's internal control system..Additionally as part of the internal control of the Company and the Group, the Legal Group of GHQ, which is the support office for the Compliance Committee, will lead the development of the compliance system of the Group. The Group's Operation Company appoints a person in charge of compliance and reports any non-Compliance to the COO of the Company via each CRO.</p> <p>(5) NYK IAD will systematically conduct internal audits on YLK Group companies according to anuual audit plans, and pointing out, proper advisory and suggestive solutions will be made as neccessary.</p>	<p>Companies Act Article 399-13, Paragraph (1), Item (1)(c) Regulation for Enforcement of the Companies Act Article 110-4, Paragraph (2), Item (5)</p>

Remark: This is a free translation of an original Japanese document of Internal Control System. In the event of any discrepancy between this translation and the original Japanese document, the original Japanese document shall prevail.