

Corporate Governance

Based on the “Yamato Group Revolution Plan 2007: New Value & Innovation Three-Year Plan,” since April 2005, the Yamato Group has implemented top-to-bottom reforms to secure new growth potential and realize even more efficient management. Measures included restructuring Group businesses to bolster Group management. In particular, on April 1, 2005, the Group instituted provisional entities in preparation for the actual business activities that would be conducted as a pure holding company. Plans call for the final move to a pure holding company to be established on November 1, 2005.

Basic Position on Corporate Governance

The Yamato Group is working to enhance its compliance management, in addition to conducting business activities that adhere to its Corporate Philosophy and observe laws and social norms. As one of its most important tasks on the effective use of management resources and maximizing corporate value. The Group strives to strengthen its management framework and put into practice measures to enhance corporate governance.

The Corporate Governance System

The Yamato Group has invested decision-making, executive, and oversight authority in the Board of Directors and the Management Advisory committee. In addition to making decisions on vital matters in a timely and accurate manner, these bodies delegate responsibilities to each branch and business unit for flexible, responsive management. The appointment term for directors is set at one year so that management responsibilities for each fiscal year are clarified.

Moreover, the Company has established the Board of Auditors, comprising two corporate auditors, one full-time

and one part-time, and two outside corporate auditors. In addition to attending critical management meetings, these auditors monitor the appropriateness of the business and affairs of the Company and otherwise work to safeguard the Company’s financial health and enhance its public trust. The Audit Division, in charge of internal auditing, assesses the viability of internal controls and reports its audit results to the directors and auditors.

After the Ordinary General Meeting of Shareholders held on June 29, 2004, a resolution was passed to introduce an Executive Officer System, which is aimed at clearly delineating corporate decision-making, oversight, and executive functions. Once it is in place, this system will clarify roles and responsibilities in each of these three areas to boost management efficiency and flexibility. In addition, the Company terminated retirement benefits for executives in favor of annual compensation, the amount of which is determined by business results and individual performance.

Yamato also believes that compliance is crucial to the Company’s business management being trusted by all shareholders. In line with this thinking, Yamato ensures that its system of checks and balances at the management level is fully functional, and has established a compliance management system. Central to this framework is the CSR Promotion Office, which regularly holds Compliance Committee meetings and other activities designed to promote observance of laws, regulations, and corporate ethics.

Finally, Yamato has been making organizational reforms to bolster the Group’s strength. To this end, we will appoint new outside directors and create a committee to consult and report to the Board of Directors on remuneration for executives. By doing so, we hope to increase management transparency and further boost corporate value.