

## Status of Corporate Governance

### 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 work to bolster management systems and implement policies to this end.

### Status of Corporate Governance

The Board of Directors, Management Advisory Committee and Executive Committee serve as administrative organs involved in decision-making, supervision and execution for the Yamato Group. This management structure enables decisions to be made rapidly and precisely on important matters. The number of Board members cannot exceed 12 as stipulated in the Company's articles of incorporation, and the term of office of directors has been set at one year in order to clarify management responsibilities for each fiscal year.

Of the Company's five Board members, two are outside directors. Outside directors provide necessary comments and advice on overall management as appropriate from the perspective of managers with rich experience.

The Board of Auditors is made up of two full-time auditors and two outside auditors. Auditors attend meetings of the Board of Directors and other important meetings to assist them in conducting audits on the legality of business execution, and otherwise endeavor to improve the soundness of management and the trust of the public. A full-time staff member has been appointed to assist the auditors to put in place a framework that enables the auditors to smoothly carry out their functions. Also, Group Auditors' Liaison Meetings are held periodically for the full-time auditors of the major operating companies to confer on

auditing policies and procedures, exchange information and otherwise enhance collaboration. Meetings with internal auditors are also held periodically to exchange information.

Outside auditors attend Board of Auditors meetings as well as periodic meetings to exchange opinions with the president and auditors and to present necessary views from their standpoint as auditors. These meetings also serve to confirm the status of the execution of the duties of directors, including questions regarding management policy.

Internal audits are performed by a five-member team that operates independently from any other Group organ. These internal auditors check whether business and affairs of the Group as a whole are being carried out appropriately and efficiently based on the annual auditing plan. The results are reported to the Board of Directors and the Board of Auditors. Also, the Group Internal Auditing Committee meets regularly for the internal auditors of the operating companies to confer on auditing policies and audit results, exchange information, and to otherwise enhance collaboration.

As the Group's appointed accounting auditor, Deloitte Touche Tohmatsu holds regular meetings with auditors and conducts effective accounting audits.

## Construction of Internal Control System

### Basic Position

As an organization with a highly public-service character, the Yamato Group recognizes fair business practices as a major premise for its sustainable growth. Consequently, we have established internal control system policies aimed at preventing improper business activities and mistakes. Management believes that it is crucial for these mechanisms to be built into every level and area of the business and to ensure that they are in continual operation.

### Establishment of Compliance and Risk Management Systems

The Yamato Group has established a Compliance Charter to go along with its Group Corporate Philosophy to serve as the basis for the conduct of business by the Group's directors and employees.

To ensure rigorous attention to this Charter, one director is appointed to preside over the compliance framework for the Group as a whole. Additionally, we have established a Compliance and Risk Committee, which is chaired by the aforementioned director. Thus, we have created a compliance and risk management framework for the entire Group. To monitor the degree of observance of this framework, the Division of Internal Audit conducts monitoring and information is gathered through an internal reporting system. These measures allow early detection, quick resolution, and implementation of measures to prevent reoccurrence in the event any problems arise.

### New Measures Aimed at Enhancing the Group's Corporate Governance

Yamato Holdings, which was created in November 2005, handles management and oversight for its subsidiaries and

affiliates. As of March 31, 2007, the Yamato Group was made up of 52 companies, including 46 subsidiaries and five affiliates.

With regard to the establishment of a compliance and risk management framework, the department in charge of CSR for Yamato Holdings is leading efforts to put in place departments and personnel to handle compliance and risk management in each Group company. The ultimate aim is to create a framework to assess risk status in all Group companies on a timely basis and manage the risks identified.

Meanwhile, as part of efforts to enhance internal oversight activities, the Yamato Group has improved its framework for conducting internal audits of all domestic business offices and focused greater attention on the training and guidance of its internal auditors.

Furthermore, as one of our measures to establish a compliance and risk management framework, in August 2007 we held a compliance seminar using knowledgeable individuals, mainly directors in charge of the compliance framework and the presidents of domestic Group companies.

Going forward, the Yamato Group will work to conduct its business in a fair and transparent manner and to ensure the highest possible levels of corporate governance.

### Corporate Governance Framework

