

# Corporate Governance

As of March 31, 2011

## 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 corporate governance 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. As of June 24, 2011, the Board comprised six directors, two of whom are outside directors. The term of office of directors has been set at one year in order to clarify management responsibilities for each fiscal year.

## Status of Internal Audits, Audits by Auditors and Accounting Audits

The Board of Auditors is made up of one full-time auditor and three outside auditors. Auditors attend meetings of the Board of Directors and other important meetings to audit the execution of duties by the directors, 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. In addition, 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. When audits uncover irregularities, this information is immediately shared with internal control divisions so that improvements can be made.

Internal audits are performed by a 11-member team that operates independently from any other Group organ. Together with the 113 employees who conduct internal audits for Group companies, the Yamato Group has a total of 124 internal auditors, who check whether the business and affairs of the Group as a whole are being carried out appropriately and efficiently based on the annual auditing plan. A structure is in place under which 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 problems and proposed improvements based on auditing policies and audit results, as well as to exchange information and otherwise enhance collaboration.

As the Group's appointed accounting auditor, Deloitte Touche Tohmatsu LLC holds regular meetings with auditors and conducts effective accounting audits. Accounting audits are performed by two certified public accountants, Yoshiaki Kitamura and Kazuhide Kobori, assisted by another five certified public accountants and fourteen other staff members.

## Outside Directors and Outside Auditors

The Group has two highly independent outside directors, both of whom have no conflicts of interest with the Yamato Group. Outside directors draw on their extensive experience as managers to provide necessary advice and recommendations on management as a whole. They also provide advice regarding any internal control irregularities discovered by the accounting auditors or the Audit Division and internal issues, with the aim of improving collaboration between internal control divisions.

Similarly, the Group's three outside auditors are highly independent, and have no conflicts of interest with the Yamato Group. Each leverages his or her own individual experience in the accounting field—one through a career as a university professor, another as the financial officer at a different company, and one through work as a certified public

accountant. The outside auditors thus have ample knowledge and insight with respect to finance and accounting.

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

To enable checks on management from an objective standpoint, two of the Group's six directors are currently outside directors. This configuration allows the outside directors to adequately fulfill their appointed function. Furthermore, to enhance oversight functions pertaining to the Company's business execution, three of the four auditors are outside auditors. This configuration, too, enables the outside auditors to adequately fulfill their appointed function.

## Corporate Governance Framework

