

Corporate Governance

In conducting our business activities, we recognize that fair practices in compliance with laws and corporate ethics are our corporate social responsibility, and we recognize corporate governance as an important management priority. Based on this understanding, we endeavor to raise our level of soundness, enhance corporate value, boost transparency and reinforce our corporate governance structure.

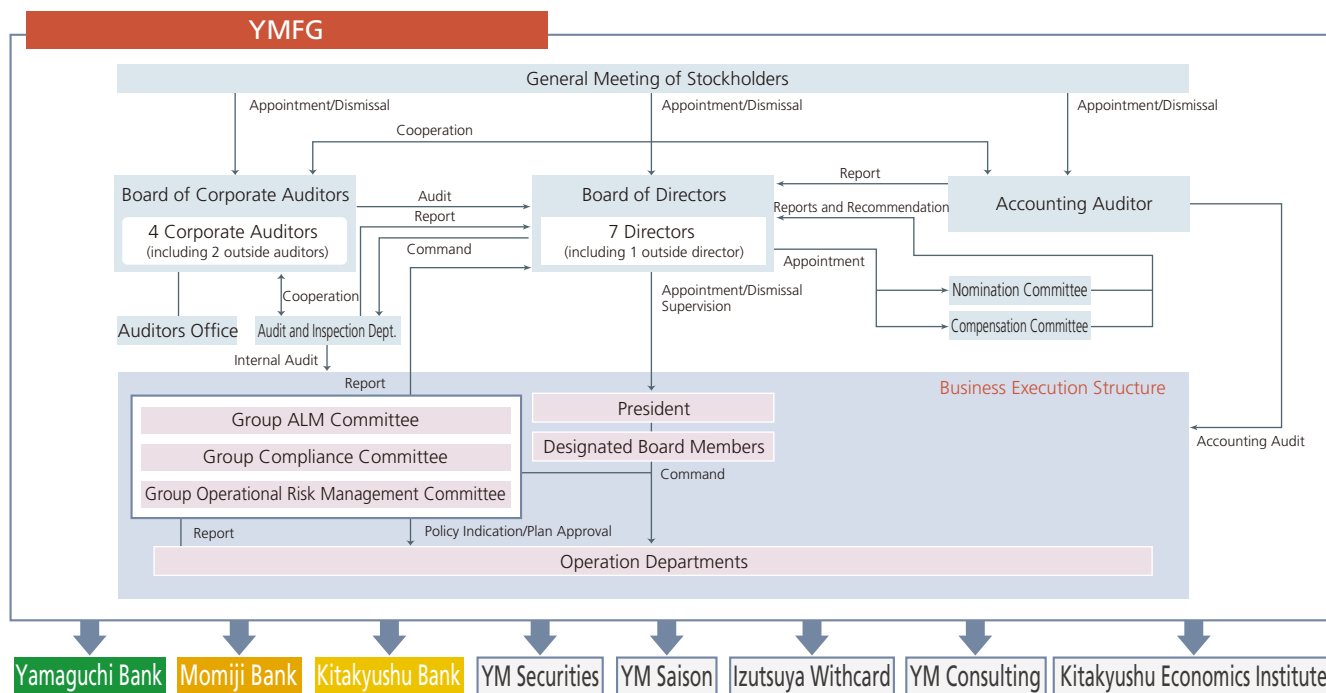
The Board of Directors, consisting of seven directors (including one outside director), makes decisions about important matters related to the Group's management and supervises the directors. The Board of Directors meeting is held once a month in principle and is presided over by the president. Materials for discussion are sent to the outside director beforehand so the director can gain a comprehensive understanding of the subjects up for discussion and can state his/her opinions from a neutral standpoint.

The Nomination Committee discusses matters related to the appointment and dismissal of directors, and the Compensation Committee discusses matters related to the compensation of the directors. Both guarantee the objectivity and transparency of decision-making processes.

The Board of Corporate Auditors, consisting of four auditors (including two external auditors), holds a meeting once a month in principle. It receives reports about important matters related to auditing and makes relevant decisions based on these. The auditors check the directors' performance of their duties by attending Board of Directors and other important meetings and by inspecting the Company's operations and assets.

The Group Asset and Liability Management Committee, the Group Compliance Committee and Group Operational Risk Management Committee discuss important management issues.

YMFG Corporate Governance Structure



Internal Audits

Principles of Internal Audits

We define an internal audit as a series of processes for objective verification of the appropriateness and effectiveness of internal controls (including risk management) and as making suggestions for necessary improvements.

YMFG has devised standard internal audit rules for the whole Group. On the basis of these rules, the internal audit departments of each Group company verify the appropriateness and effectiveness of internal controls and make suggestions for necessary improvements.

Further, YMFG creates the Group's medium- to long-term internal audit plan on the basis of its management policy and conditions. Internal audits by the auditing bodies of each Group company are conducted on the basis of this plan to ensure their effectiveness and efficiency.

Implementation of Internal Audits

YMFG's Audit and Inspection Dept. plans audit processes for the whole Group, implements audits and supervises each Group company's internal audits.

The YMFG Audit and Inspection Dept. devises the rules and medium- to long-term plans for the Group's internal audits, implements audits of the Group companies' compliance/risk management departments and checks the accuracy of the financial statements of the Group companies. The department monitors and gives guidance and advice to the Group companies' audit and inspection departments. On the basis of their audit reports, the department reports on the internal audits of the Group to the Board of Directors.

The banks' audit and inspection departments implement internal audits of branches in Japan and overseas, and reports to YMFG and to the Board of Directors. In particular, internal audits of front-line sales outlets are performed to verify the status of compliance and risk management functions and ensure their mutual effectiveness.