



THE WILL

In February 2005, the Yamato Group announced its “New Value & Innovation Three-Year Plan.” The goals laid out in this plan are vital to winning the competition in the delivery industry, which is expected to intensify. We will make an all-out effort to reach our targets by creating new value and taking innovative measures.

Realizing an extensive delivery network

During the past three years, Yamato has been implementing the Area Center System in the Delivery business to improve service quality and increase delivery volumes. Specifically, the scheme aims to restructure the *Takkyubin* network so that it comprises smaller organizational units enabling us to access customers in 10 minutes of delivery time.

As of March 31, 2005, we increased the number of service centers by over 400 from 2,600 at fiscal 2004 year-end to exceed 3,000. Although the increase was slow in fiscal 2005, we will continue expanding to build a business framework eventually encompassing 5,000 *Takkyubin centers*.

New services from development of an extensive delivery network

By developing an extensive delivery network and reducing the travel distance between *Takkyubin centers* and custom-

ers, Yamato has improved its delivery service quality. Specifically, we have designated a sales driver (SD) to each delivery area, who communicates directly with customers using a cell phone. We will differentiate our service quality and become the delivery company of choice by enabling pick-ups and deliveries at multiple time periods during the day and fine-tuning our services to meet the individual schedule of each customer.

The key to improving services is "Driver Direct," a system started in November 2004 that enables addressees to directly contact an SD according to the specific requests of the customer. This system has enabled Yamato to pick up frozen and chilled packages, as well as packages that must be picked up within a short period of time. We hope to expand the delivery volume by offering customers much greater convenience. In addition, we have added a service that allows customers to search for SD cell phone numbers on the Internet in a bid to raise awareness of this new service. Using the Internet also gives us the advantage of sending e-mail delivery notification and other information in



THE WILL To Achieve Steady Growth

Expansion of services, the basis of growth

In the *Takkyubin* network, we are transitioning from the standard package service to a "flexible" one with a business framework that responds to *Takkyubin* market needs more quickly, accurately and efficiently so that we will continue to grow.

real time in an accurate manner. Without the hassle of communicating through call centers, we can respond immediately to customer requests by having the nearest SD contact customers directly. Through these efforts, we offer quality services, while also realizing higher delivery volume and operational efficiency.

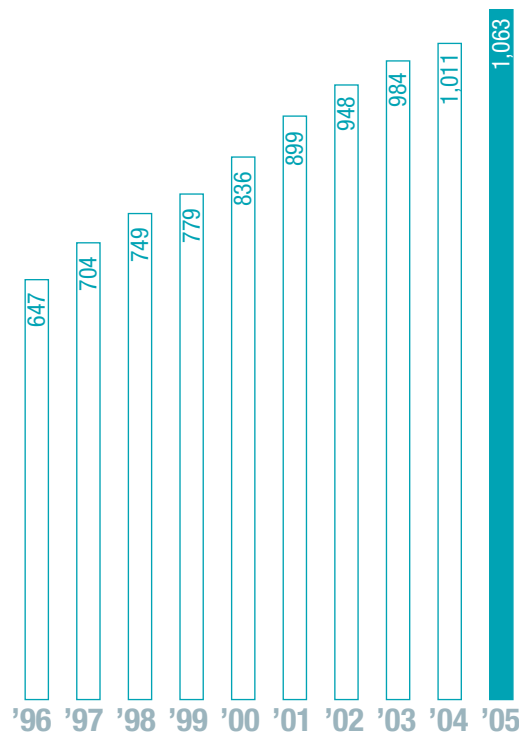
Boosting customer convenience by improving and developing merchandise

Yamato is constantly developing new merchandise and improving existing merchandise to enhance convenience. In the *Takkyubin* business, we have added *Mail Notification Service*, a new service that notifies registered customers of delivery dates and times by e-mail. We have also shortened delivery times. For example, *Air Speed Takkyubin* has reduced delivery time to the Kyushu region from two days to one by using night flights. We are also diversifying collection and settlement methods for *Takkyubin*, which currently accepts credit cards, debit cards and credit card settlements over the cell phone.

In *Kuroneko Mail*, Yamato has improved customer convenience by offering the service at all store branches of partner Seven-Eleven Japan Co., Ltd., and by launching sales of *Eco Mail*, a partial wrapping system that reduces waste. Because *Kuroneko Mail* has grown strongly since its inception and its delivery volume is expected to increase further, we established a Mail Business Development Division in May 2005 to devise measures to strengthen the business framework for future services. Finally, we have launched *Kuroneko Box Charter* for business customers. Each box has dimensions of 1.1m x 1.1m x 1.7m, an optimal size for high-quality, low-price shipping.

Takkyubin Delivery Volume

(million parcels)





Marketing our know-how

Backing our Delivery business is our superior know-how. Through handling around 1 billion delivery units annually, we have attained expertise in distribution, moving services and

packaging. We have also created a package-tracking system and boast many years of experience in settlement and collection services. During the past three years, we have restructured these businesses into four major segments to enhance our business base. Each segment will expand sales as an independent entity and help the entire Group grow.

BIZ-Logistics

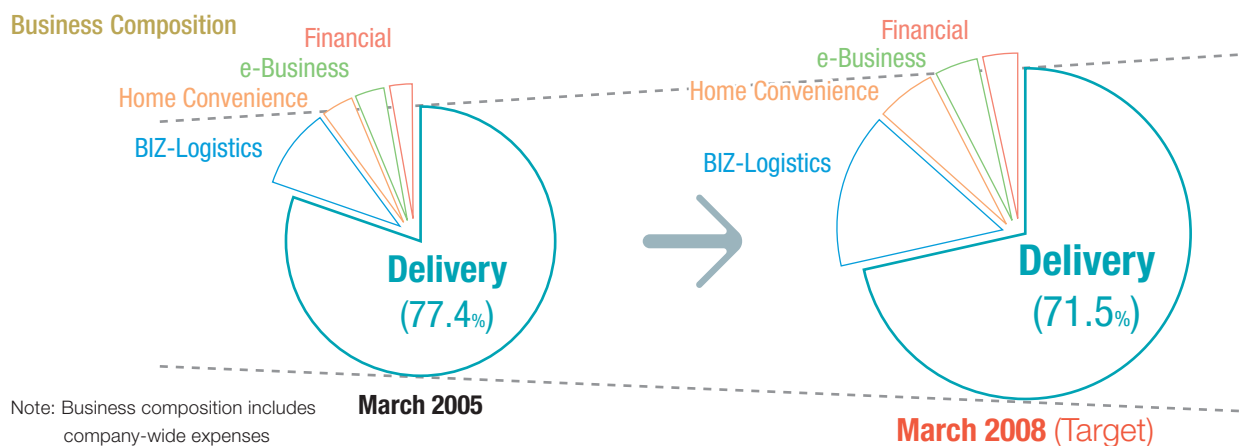
In the BIZ-Logistics, which provides inter-company logistics services, in fiscal 2005 Yamato merged Yamato Logistics Co., Ltd., Yamato Global Freight Co., Ltd. and Yamato Parcel Service Co., Ltd. This merger enables Yamato to provide services encompassing all phases, from packaging to delivery, domestic or

THE WILL To Achieve Steady Growth

Diversification of services

Combining new value with long years of expertise in the *Takkyubin* business, Yamato Transport offers new services, which are the driving force for the Group's growth. A high growth rate will be achieved by developing new business areas and offering new convenient services to corporate and individual customers.





overseas. We are also building a solutions model by drawing on the resources of overseas subsidiaries, and hope to expand our capabilities in offering better solutions to customers.

Going forward, we will expand our business in company-to-company, or B2B, transport by exploiting our strengths in providing a coherent service ranging from identifying customer needs to consulting and actual operation. Specifically, we will increase order volumes by developing one-stop services for contract processing in Japan and overseas, as well as businesses at distribution centers including management of inventories and maintenance tools. These are areas in which the Group's strong knowledge and experience in package tracking and imports and exports will attract a higher number of orders.

Home Convenience

The Home Convenience will make a transition from its previous focus on moving services and merchandise marketing to lifestyle support services, such as home services more intimately connected with the needs of local markets. Because of the declining birthrate and a growing proportion of senior citizens, single elderly people and single-person households are on the rise. We believe this trend will create a higher demand for our Home Convenience services. Therefore, we will strive to grow by increasing our lineup of merchandise and services to provide better lifestyle support, in addition to existing services such as delivery of heavy food products and everyday goods, and pick-up services for furniture and other items.

e-Business

The e-Business changed its on-premise business format to solution-oriented services and now offers new services

including information security consulting. Accordingly, Yamato restructured this segment's sales framework by the business type and industry of its customers. In developing systems for distribution, settlement and collection and security, we boast strong know-how accumulated through building our delivery business from scratch. We will offer solutions that address the needs of many corporate customers by drawing on this expertise and knowledge in developing e-conference support services (information solutions), POS systems for restaurants and support systems for gift businesses.

The enforcement of the Personal Information Protection Law in April 2005 has also sparked interest in stronger security systems, creating a new business opportunity. We have already moved quickly to offer services and solutions that respond to this demand, including the launch of information consulting services.

Financial

Alongside its mainstay settlement and collection services, the Financial will diversify its services, strive to develop the capability to offer comprehensive settlement and collection services for distribution businesses, and provide a variety of financial services to customers. To offer collection and settlement agent business, credit services and other new financial services to small and medium-sized enterprises, in April 2005 Yamato made Fine Credit Co., Ltd., a company that purchases installment credit loans, its subsidiary. We will provide new collection and settlement services by integrating Fine Credit's credit application screening and credit management capabilities with Yamato's distribution functions. In addition, we will actively develop leasing businesses that exploit the Yamato Group's customer base.

THE WILL To Ensure Highly Efficient Management



Promoting efficient management

We will strive to realize efficient management through bold measures to reform our business processes, thereby reducing fixed expenses per delivery unit. We will improve profitability through heightened productivity and efficiency made possible by our extensive delivery network.

Improving productivity

The Yamato Group has over 140,000 employees. Hence, we can substantially improve overall productivity and efficiency if we boost the productivity of each employee. We believe that this is possible by providing a business framework that facilitates efficient operations, raising company loyalty among employees and increasing operational efficiency.

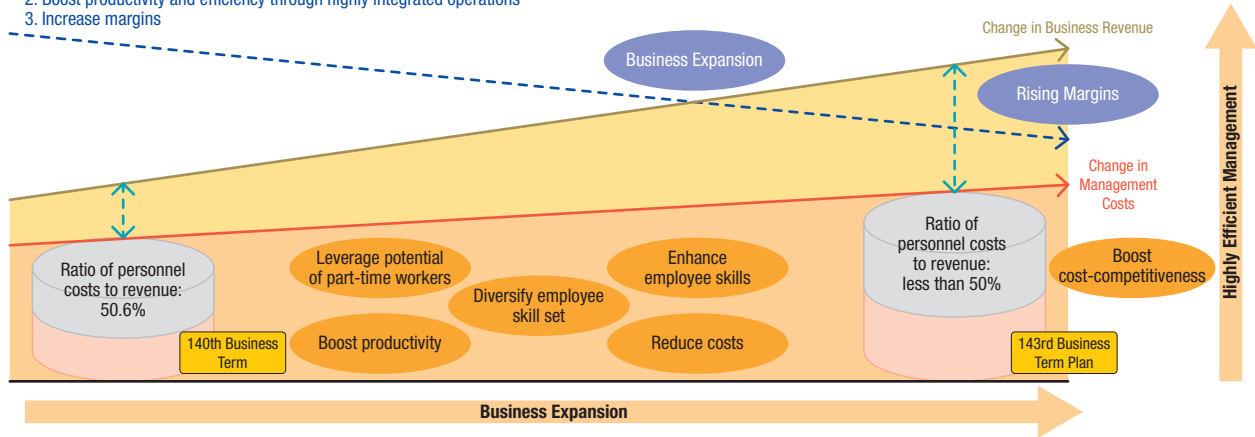
In restructuring the Delivery business, we isolated sorting and administrative functions from the delivery process and consolidated them so that delivery centers can focus on delivery functions. By expanding our service network, we have shortened the access time from delivery centers to customers, making more time for sales



Actively Promote Efficient Management

Overall expense for volume handled is declining

1. Reduce fixed cost burden per unit handled through business expansion
2. Boost productivity and efficiency through highly integrated operations
3. Increase margins



activities and communication with customers. Moreover, by adopting the Area Center System for the *Takkyubin* service, we have segmentalized its organizational structure. These smaller units will clarify the division of labor and strengthen company loyalty among employees.

Moreover, by adopting advanced information technology (IT), drivers can now complete many tasks on site that were previously done once they returned to the service center, enabling an efficient use of work time and substantially increasing productivity. Currently, approximately 25% of information in the Delivery business is digitalized and we plan to increase this ratio in the future.

Development and introduction of next-generation information systems

Yamato will introduce next-generation information systems as a new strategic tool in bolstering our *Takkyubin* service network, which continues to be restructured. We will further improve our delivery services and maximize synergies among the functions and values of Group companies.

Since the late 1960s, Yamato has led the industry by promoting the use of computers in our operations, posting nationwide network information online, offering online inquiry and account services and monitoring of delivery progress. In June 2005, we introduced a next-generation information system that accommodates the expanded service network in line with Yamato's service center expansion strategy and the proliferation of mobile communications.

The new system allows SDs to carry a four-in-one system comprising a portable POS (PP), a printer, a mobile phone and a Pin PAD for collection and settlement, im-

proving service quality. The data read by PP will be sent through the wireless network of the cell phone and will be posted in real time on the Web, realizing more accurate information on the Delivery Inquiry System. In addition, the use of the Pin PAD will enable collection and settlement by credit cards and debit cards, offering greater convenience to customers when they receive packages.

Cutting costs

Cost management is vital to improving profitability. Considering the difficult operating environment, Yamato believes that there is still more room for cost reductions in both procurement and indirect costs. In procurement, we will step up our efforts to slash costs by taking creative measures to consider how we will provide uniforms and delivery vehicles for over 3,000 service locations. This number alone indicates the large volume of equipment and fixtures that must be procured in bulk, hence the potential to lower costs even further.

In terms of indirect costs, we will concentrate administrative functions of the Group in specialized Group companies to improve efficiency. For example, administrative and personnel functions for 57 Group companies will be handled by Yamato Management Service Co., Ltd., while the responsibility of vehicle maintenance and repairs will be undertaken by Yamato Autoworks Co., Ltd. These measures will cut costs, improve operational quality and boost the efficiency of all Group companies. We will also take measures to cut personnel expenses in the Delivery business and other businesses vulnerable to seasonal changes by actively recruiting part-time employees.