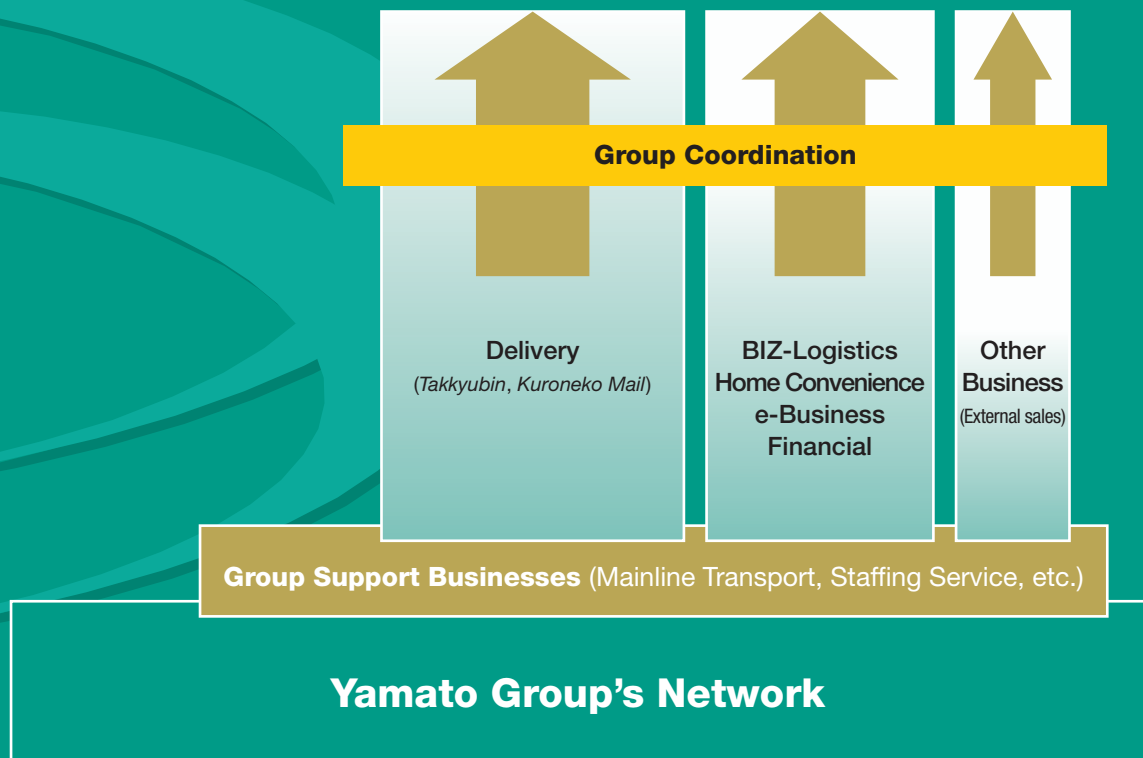


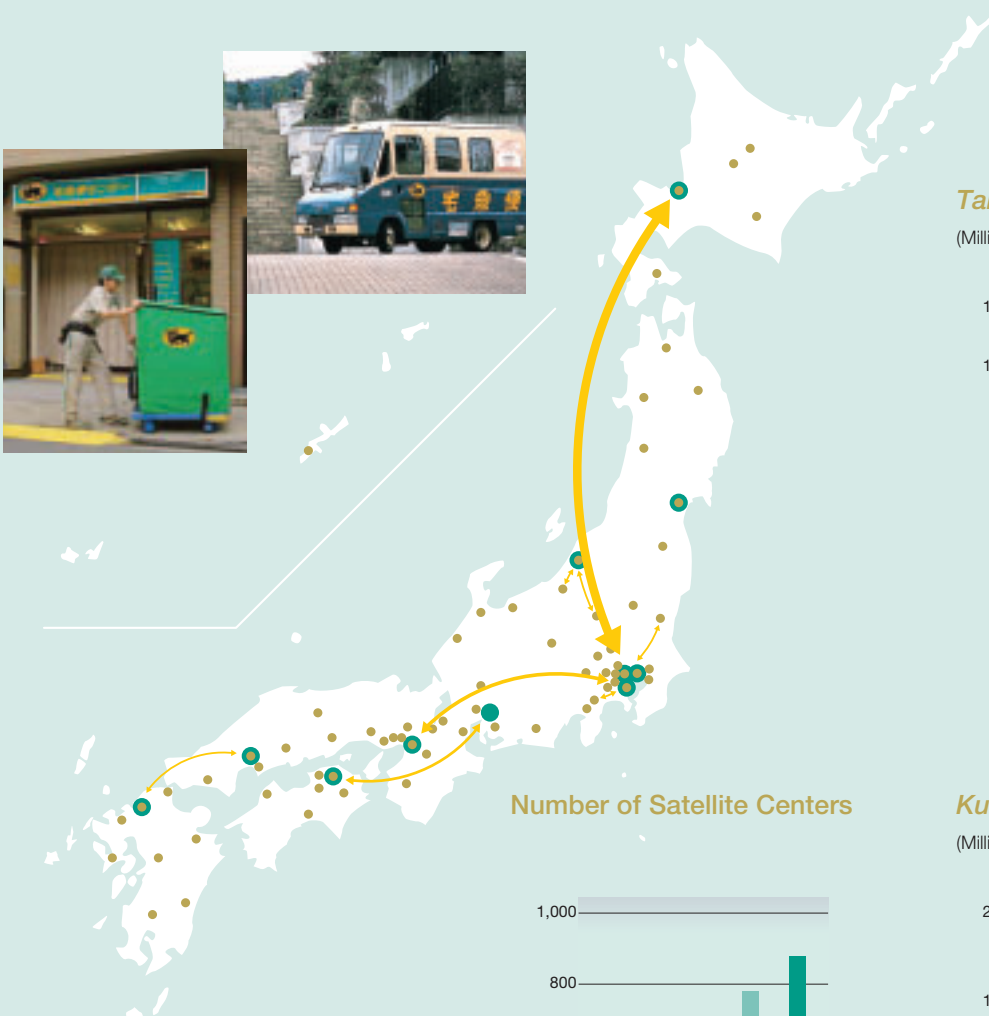
In fiscal 2007, the Group embarked on the second year of its current medium-term management plan, “Yamato Group Revolution Plan 2007: New Value & Innovation Three-Year Plan.” This business strategy is aimed at creating a Yamato Group that is capable of growing in a sustainable manner not only in fiscal 2008, but also well into the future. In the 88 years of operations since its establishment, the Yamato Group has pursued steady expansion of its Delivery business, centered on *Takkyubin* (door-to-door parcel deliveries), while initiating strategies to accelerate growth in non-delivery businesses that draw on the resources of the Group as a whole, giving it two major pillars.

## Outline of Management



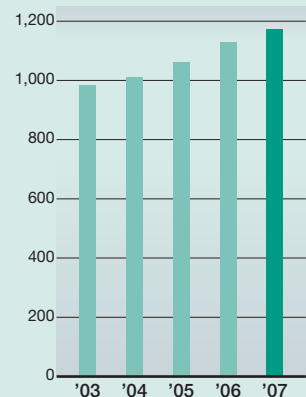
# Delivery Business

The Delivery business is involved in small parcel delivery services for the general public and corporations centering on *Takkyubin* and *Kuroneko Mail*. It also led the industry in offering high value-added services developed from the customer's point of view, such as *Cool Takkyubin* and *Takkyubin Collect*. The business boasts a nationwide network incorporating 3,600 Takkyubin centers from Hokkaido in the north to Okinawa and the remote islands in the south. This network and the 60,000 sales drivers employed by the Yamato Group ensure the continued high-quality of its services, which will be enhanced to offer even greater convenience to customers going forward.

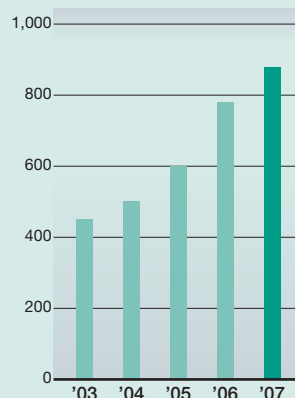


**Takkyubin Delivery Volume**

(Millions of parcels)

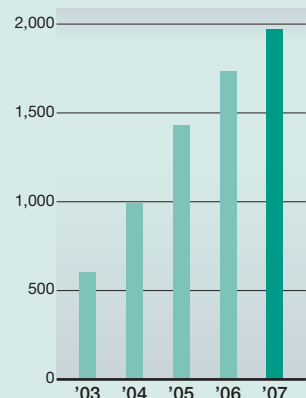


**Number of Satellite Centers**



**Kuroneko Mail Handling Volume**

(Millions of parcels)



## Overview of fiscal 2007

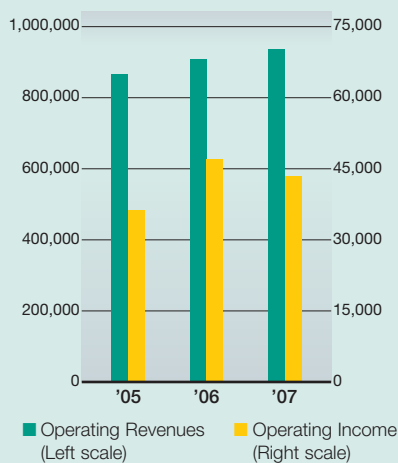
The Delivery business is mainly focused on small parcel delivery services for consumers and corporate clients and includes *Takkyubin* and *Kuroneko Mail* services.

In the *Takkyubin* business, the Group carried out proactive marketing activities for each market segment to flexibly meet diversifying customer needs, based on the Group's corporate philosophy in this business of Total Reliability.

As a result, total delivery volume in the parcel delivery business during the year under review reached 1,174 million parcels, rising 4.0% year on year, which compares favorably to the 0.4% growth in volume for the door-to-door (by truck) parcel delivery market as a whole, as measured by a Ministry of Land, Infrastructure and Transport survey.

### Operating Revenues and Operating Income

(Millions of Yen)



Meanwhile, the Group endeavored to strengthen the framework of the *Kuroneko Mail* service with the aim of improving quality and operating productivity. For example, in October 2006, we carried out a product revamp, and implemented proactive marketing activities, including the launch of the *Kuroneko Mail Express Service*. Total handling volume in the *Kuroneko Mail* service increased by 13.6% to 1,970 million units, compared with growth of 11.7% for total mail handling volume according to a Ministry of Land, Infrastructure and Transport survey. As a result, total operating revenues for the Delivery business were ¥934,607 million, an increase of 2.9%. However, operating income was ¥43,302 million, a decrease of 7.7%. This decline reflected the impact from the surge in crude oil prices and the enforcement of the revised Road Transportation Law, as well as a rise in expenses accompanying the reinforcement of the *Kuroneko Mail* delivery system.



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## Topic

### *Kuroneko Mail* Service: Product Revamp and Entry Into the Direct Marketing Business

In recent years, the mail market has been expanding along with growth in direct marketing and Internet-based retailing, resulting in the diversification of customer use scenarios. In light of these shifts, in October 2006, we revamped our *Kuroneko Mail* service from a weight-based system to a size-based system to better accommodate customer requests.

Also in April 2006, we established a joint venture—Yamato Dialog & Media—for direct marketing in Japan with DHL Global Mail (Japan), an affiliate of Deutsche Post World Net, in order to rapidly secure a competitive advantage in the direct mail market, which is expected to grow going forward. In fiscal 2007, the *Kuroneko Mail* service saw handling volume increase 13.6% from the previous fiscal year to 1,970 million units.



Press conference

### Delivery Business Strategy:

#### Respond to customers' requirement promptly and readily

In the *Takkyubin* service, we focused on enhancing customer convenience on the delivery side. For example, we worked to popularize our *Mail Notification Service*, which keeps customers notified by e-mail from the time a delivery is scheduled to when it is completed, including occasions when delivery was attempted but the addressee was absent, as well as our *Takkyubin Store Pickup service*, which allows customers to have local convenience stores receive parcels on their behalf when they are not present. Customers are then free to pick up parcels at their convenience 24 hours a day 365 days a year.

The number of customers completing the required Web registration to use the *Mail Notification Service* has grown steadily compared to when the service was first initiated, underscoring the fact that this convenient service is taking firm hold.

Our *Takkyubin Store Pickup service* was available through three convenience store chains when the service was launched. As of July 2007, however, participation by a fourth chain has expanded the number of stores to approximately 20,000 nationwide, as we construct an environment that makes the service even easier to use.



Not only have we made it more convenient for our customers to receive packages, we have integrated Group functions, including settlement and tracking functions. In parallel with this, we have pursued business growth based on the key words security and reliability, and the guiding concept of prompt deliveries as often as customers require. The foundations of our efforts here are our 60,000 sales drivers and our own network of 3,600 business locations throughout Japan (as of March 31, 2007).

Our fiscal 2008 operating revenues target for the Delivery business as a whole is ¥977,000 million.

## Topic

### Forthcoming Privatization of Japan Post

Japan Post is scheduled to be privatized in October 2007. The Yamato Group seeks competition in a free and fair market with private business operators.

For this reason, in September 2006, the Yamato Group petitioned the Fair Trade Commission for application of the Anti-Monopoly Law to the business activities of Japan Post. At this time, the case is before the Court of Second Instance in the Tokyo High Court.

As the leading company in Japan's delivery industry, we are committed to continual quality improvement from the perspective of customers and to developing unique services that enhance customer convenience.

# Non-Delivery Business

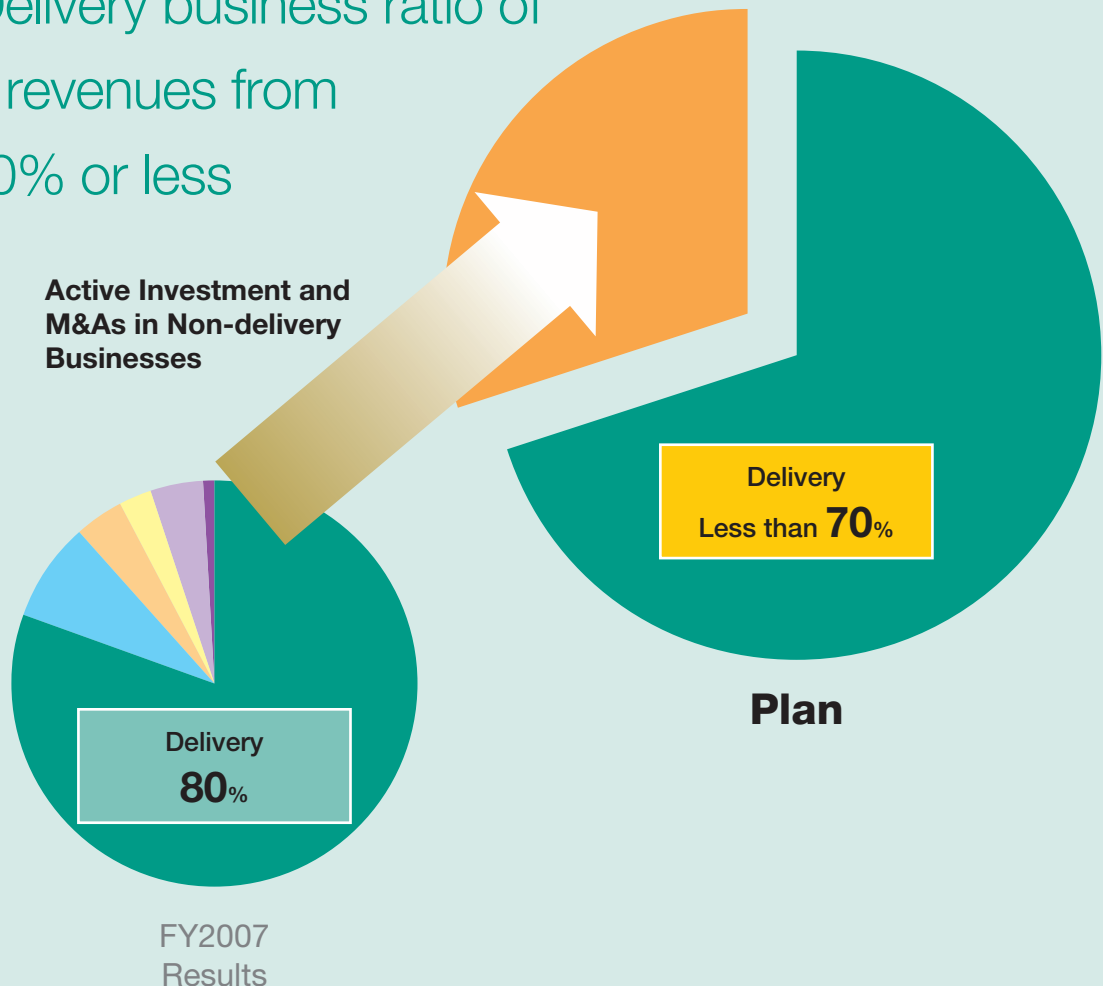
Innovation

In the non-delivery businesses, we are working to implement business innovation to accelerate growth centered on services for corporate client business and our overseas strategy.

In November 2005, with a view toward organizational optimization, we established Yamato Holdings, which is responsible for decision-making and business oversight for the Group as a whole. Under the holding company are six business formations, giving us a framework that is well-suited for the pursuit of continual business innovation. Specifically, we are working to achieve further fusion of the existing six business formations with respect to logistics technology (LT), information technology (IT) and financial technology (FT). By leveraging the comprehensive capabilities of the Group, we intend to develop unique services that further enhance customer convenience.

## Expand Non-Delivery Business

Reduce Delivery business ratio of operating revenues from 80% to 70% or less



## Overview of Fiscal 2007

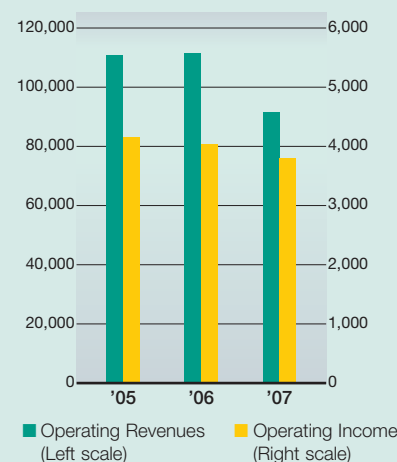
BIZ-Logistics provides inter-company logistics services aimed at the B2B SCM market.

To bolster its overseas strategy, the Yamato Group agreed to a strategic tie-up with NIPPON YUSEN KABUSHIKI KAISHA (NYK LINE) Group in May 2006, and implemented business and capital alliances. The aim of this alliance is to provide high-quality global logistics services by taking an organic and efficient approach to making the best possible use of the two groups' overseas and domestic management resources.

Based on its strategic business alliance with the NYK Group, in October 2006, BIZ-Logistics began co-loading of air freight with Yusen Air & Sea Service Co., Ltd. for flights originating from Narita International Airport. Similar operations were launched at Central Japan International

### Operating Revenues and Operating Income

(Millions of Yen)



Airport and Kansai International Airport in December 2006. Although the portion of total volume accounted for by this coloaded



cargo is not particularly large, growth is strong, especially for shipments to the United States and Asia.

However, in fiscal 2007, owing to the impact of sluggish air-freight transportation demand and intensifying price competition, the air-freight forwarding and logistics operations both continued to face challenging conditions.

Also, a change in the method of booking air freight revenues from fiscal 2007 had an impact of ¥18,533 million. As a result, overall operating revenues in the BIZ-Logistics segment fell 18.0% to ¥91,392 million, while operating income declined 6.0%, to ¥3,795 million. Amid expectations of escalating competition with international freight integrators, which are expanding globally, we are working not only to reinforce our high-profit framework but also to upgrade our customer-centric sales system and to provide services created by bundling the Group's management resources.

For fiscal 2008, the BIZ-Logistics business targets total operating revenues of ¥102,000 million.

## Topic

### Strategic Tie-up With NYK Group

To bolster its overseas strategy, the Yamato Group agreed to a strategic tie-up with NIPPON YUSEN KABUSHIKI KAISHA (NYK LINE) Group in May 2006, and implemented business and capital alliances.

In October 2006, we initiated co-loading of cargo with Yusen Air & Sea Service, for shipments bound for destinations in the United States, Asia, and Europe. This was followed by the upgrade of our uniform information management system for air freight being imported into Japan from overseas. The aim of this alliance is to provide high-quality global logistics services by taking an organic and efficient approach to making the best possible use of the two groups' overseas and domestic management resources.



Press conference

## Overview of Fiscal 2007

Home Convenience services encompass three businesses intimately connected with supporting the lifestyle needs of local markets: moving services, lifestyle support services, and merchandise marketing.

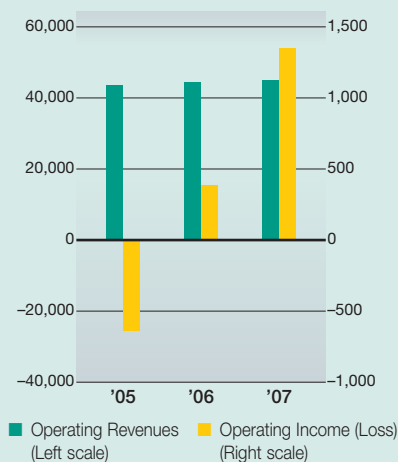
In Home Convenience services, although the segment continued to face a tough market environment due to intensified competition, especially in the moving business, *Household Takkyubin*, which targets customers buying/selling consumer electronics and household furniture through Internet auctions and customers that are moving with few items, posted steady growth chiefly by acquiring corporate

clients, with the number of handled items exceeding 500,000.

As a result, operating revenues increased 1.1% to ¥44,983 million, while operating income soared 253.2% to ¥1,347 million, as the Home Convenience business made efforts to reduce operating expenses.

### Operating Revenues and Operating Income (Loss)

(Millions of Yen)



In May 2007, Yamato Holdings concluded a basic agreement on a business and capital tie-up with MARUI. In *Household Takkyubin*, which is expected to demonstrate increasing growth going forward, the Home Convenience business, with its network for transporting household electronics and furniture, etc., and MOVING, a subsidiary of MARUI, with its know-how in transporting large items, combined their corporate and individual customer bases, contributing to greater customer convenience through the realization of logistics innovation for household electronics and furniture by providing nationwide coverage of transport services that include setting technologies.

The Home Convenience business targets operating revenues of ¥56,500 million in fiscal 2008.

## Topic

### Basic Agreement on Business and Capital Alliance with MARUI

In May 2007, the Yamato Group concluded a basic agreement on a business and capital tie-up with MARUI, with the aim of enhancing the corporate value of both companies by improving convenience for customers.

The agreement allows the Yamato Group's business domain of small- and large-lot package delivery and logistics to be married with MARUI's business domain of retailing and logistics. In this way, the two companies are making optimum use of their combined management resources to proactively construct and offer new products, services and systems tailored to customer needs.



Press conference

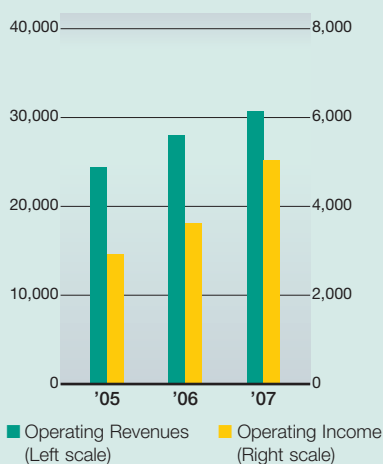
**Overview of Fiscal 2007**

The e-Business segment encompasses information services targeting business customers, including ASP services and the development of information systems. Based on the three key-words “tracking,” “security,” and “packages,” the e-Business strives to provide unique services making the most of the Group’s management resources.

In addition, it conducted proactive marketing activities, such as the launch of the *Critical Information Tracking ASP Service* in August 2006. This service provides effective management of the processing and location of important documents, including member applications

**Operating Revenues and Operating Income**

(Millions of Yen)



and survey post-cards that contain personal information. Also, information processing services related to the credit and consumer credit industries performed favorably,



Server Room

providing services to credit card companies. These services leverage the Yamato Group’s neutral stance as a firm that is unaffiliated with any financial group. The segment’s performance in managing information for the installation of credit inquiry terminals for affiliates is especially well regarded. The department responsible for managing information for these affiliates is steadily growing its market share, centered on the recovery and recycling of credit terminals.

As a result, operating revenues grew 9.8% to ¥30,714 million, while operating income rose 39.3% to ¥5,029 million.

For fiscal 2008, the e-Business segment targets total operating revenues of ¥34,500 million.

**Topic**

**Three Key Words: “Tracking,” “Security,” and “Packages”**

The starting point for this business is the construction and implementation of inquiry systems for *Takkyubin* parcels handled by the Delivery business. Currently the combined total of tracked items for the *Takkyubin* and *Kuroneko Mail* is 10 billion annually.

We are improving our sales framework, where the key word is “packages,” by leveraging our tracking expertise based on this system and our data backup systems in Tokyo and Osaka to safeguard information against earthquakes, disasters, and security breaches 24 hours a day 365 days a year.

As part of this strategy, we are shifting to a solutions-driven business from a contract-oriented business that develops systems upon request. We will continue to endeavor to provide unique services leveraging the Group’s management resources.





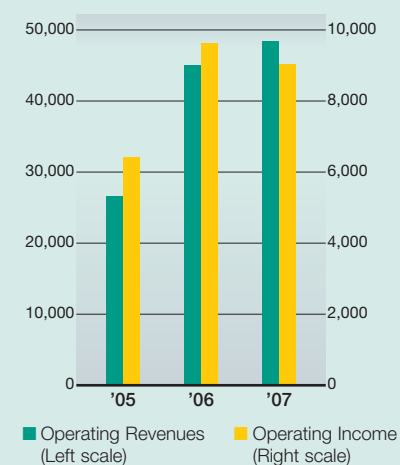
## Overview of Fiscal 2007

The Financial business includes settlement and other financial services targeted at consumers and business customers, beginning with mail order firms.

The business currently has five types of settlement methods, including payment on delivery and payment by credit card or debit card. Along with the increasing popularity of Internet shopping in recent years, we have constructed an environment that enables customers to conduct transactions with complete peace of mind.

### Operating Revenues and Operating Income

(Millions of Yen)



In July 2007, we launched a *payment slip issuance service* for online shopping, which enables mail order firms to issue necessary payment slips when the recipient and person making the order are different, such as in the case of goods ordered as a gift.

Money flow increased along with the surge in the flow of goods domestically and internationally. At the forefront of the ever-changing flow of goods is not only greater needs for more efficient methods of shipping but also for improvements in cash flow, reductions in inventories, and rationalization on the financial side, starting with settlement. In the Financial business, the Yamato Group is constructing services that are capable of addressing both the logistics and financial needs of customers through services that combine the Group's LT, IT and FT.

Consequently, operating revenues for this segment increased 7.5% to ¥48,430 million. However, owing partly to an increase in interest payments and leased asset disposal expenses, operating income decreased 5.9% to ¥9,049 million.

The Financial business targets operating revenues of ¥53,000 million for fiscal 2008.

## Topic

### Financial Business Strategy Keyword: One Stop Services

Underpinned by the logistics network of the Yamato Group, the Financial business contributes to enhanced customer convenience by enabling a smooth flow of funds for such purposes as settlement and collection through services that combine LT, IT, and FT.

For example, when a components maker ships goods to an overseas factory, under the current logistics structure, various intermediaries, such as packagers and forwarders, become involved, requiring contracts to be concluded with each company, which greatly increases costs.

To eliminate the aforementioned inconveniences for customers, the Yamato Group has combined LT, IT, and FT to offer services that provide a single window for a series of operations, from transport to settlement and funds procurement.

In addition to eliminating the cumbersome workflow, these services have various other merits for customers, including improved cash flow and reduced balance sheets.

The provision of these services is made possible primarily by the lending and liability management functions of Fine Credit, which became a subsidiary of the Yamato Group in April 2005.



**Overview of Fiscal 2007**

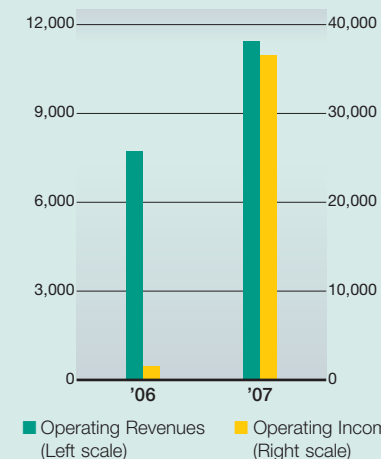
The Other business segment carries out vehicle maintenance primarily by Yamato Autoworks, and is chiefly responsible for the *JITBOX Charter*, mainly operated by Box Charter. In this business, the Group has typically pursued support services that best allocate and optimally utilize management resources by consolidating operations common to all Group companies, such as human resources and accounting.

The focus now is on generating profit from these services by providing them to customers outside the Group, using expertise acquired over the years and the creation of new businesses as benchmarks for success.

The vehicle maintenance business is one example of this business direction. Utilizing expertise forged in maintaining Group

**Operating Revenues and Operating Income**

(Millions of Yen)



Note: Earnings for this business include dividends and business management fees received from subsidiaries and affiliates.

assets, in this case 50,000 vehicles, and related administrative operations, the business aims to become the partner of choice for delivery compa-



nies. Currently, this business helps delivery companies maintain stable operations through various services, including expert maintenance, vehicle inspections conducted overnight and insurance sales. In particular, because overnight vehicle inspections are conducted when trucks are not operating, and the fact that there is no need to secure replacement vehicles due to the inspections, the overnight vehicle inspection business has seen yearly increases in the number of contracted vehicles.

Meanwhile, in the *JITBOX Charter*, launched in April 2006, we established a sales system based on a group of 15 companies starting in August of the same year, and we aggressively promoted sales in an effort to establish a new *de facto* standard for B2B logistics. As a result, handling volume exceeded 220,000 units in fiscal 2007, and current volume has grown nearly fivefold compared with that at launch.

Going forward, we intend to develop unique services and accelerate the rollout of this business.

**Topic**

**Sales of *JITBOX Charter* Using the Industry's First 15-Member Company Group**

*JITBOX Charter* was launched in April 2006 following a business alliance with Seino Holdings Co., Ltd. the preceding February. The service was originally started as *Kuroneko Box Charter* in May 2004.

This business aims to establish the *de facto* standard for inter-company logistics by targeting the distribution of goods produced by makers with SCM needs and goods produced by component and raw materials makers, which are seeking just-in-time delivery. The business has constructed the industry's first franchise-format sales framework consisting of 15 firms. In the first fiscal year of sales, handling volume totaled 220,000 units, and is showing strong monthly growth.

**Track Record of *JITBOX Charter***

(Units)

