

Message from the Management

REVENUES CONTINUE TO GROW DESPITE HARSH OPERATING ENVIRONMENT

Yamato Transport Co., Ltd., again faced extreme adversity in the *Takuhaibin* (door-to-door parcel delivery services) market in fiscal 2003, ended March 31, 2003, as the severity of the employment and wage environments increased amid the prolonged economic slump in Japan. Under these conditions, we increased the quality of our existing services, rebuilt our information systems, and continued to open more small delivery centers, resulting in both higher revenues and earnings. Consolidated operating revenues rose 4.3% to ¥972,135 million (US\$8,087.6 million). Cost cutting programs and other measures pushed operating income up 6.8% to ¥56,818 million (US\$472.7 million), while net income jumped 76.3% to ¥48,502 million (US\$403.5 million).

NEW THREE-YEAR PLAN

We instituted a new three-year plan in April 2002 to meet the challenges of an operating environment continually characterized by stiff competition and shifts in distribution modes. The plan calls for further refinements in the Company's service network to create new value for society. Rather than positioning our transportation capabilities as a solitary function, the plan revolves around our comprehensive resources and expertise in distribution, information, and settlement services. The plan also calls for reassessment of our business practices and policies to create a framework that better facilitates profit growth. To ensure that these efforts translate into greater operational efficiency, we will create a more focused portfolio with clearly defined business domains. By doing so, we aim to construct a system for creating businesses that are capable of operating as stand-alone units in every area of our operations, with the ultimate goal of enhancing the value of the Group as a whole.

BETTER THAN EXPECTED PROGRESS

The new plan covers the three-year period ending in March 2005. The first priority is approximately doubling within 10 years the number of our delivery centers, the backbone of our service infrastructure. Through realignments and divisions of existing centers into smaller ones, we plan to increase the number of centers from 2,600 to 5,000. This will better position us in the ongoing battle for market share in the door-to-door parcel delivery market, where volume has peaked at around three billion packages annually. Still, Yamato



Left Keiji Aritomi
Chairman

Right Atsushi Yamazaki
President

Transport has much experience in maintaining close links with consumers as the pioneer of Japan's parcel delivery industry. We aim to further expand our nationwide logistics network to provide even denser service coverage and to further differentiate our services from the competition. We expect to achieve ahead of schedule the target of increasing the number of parcel delivery centers as part of a plan to upgrade our infrastructure. Moreover, we established a unit called the Mail Delivery Center specifically to handle the *Kuroneko* mail business and turned the BIZ-Logistics business, which specializes in transporting items between companies, into an independent unit to cultivate new customers. We also launched new services for small and midsize companies. Aimed at contributing to revenues, these services include the provision of settlement and financing functions at our business locations.

We are confident that the framework and systems constructed in the first year of the new plan will contribute to earnings in its second year, the fiscal year ending March 31, 2004.

In an external development, Japan Post was inaugurated in April 2003. Although this organization has a massive infrastructure and scale of operations, we welcome its arrival as a competitor that will provide renewed vitality to our markets.

We would like to thank our shareholders and ask for their continued support in taking up the challenges ahead.

Keiji Aritomi

Keiji Aritomi
Chairman

Atsushi Yamazaki

Atsushi Yamazaki
President