



**Important three-year plans
to create unique
new businesses and strengthen
the competitiveness of
the Delivery business**



Group businesses:
High growth by
providing unique
products

Delivery business:
Steady growth
leveraging Yamato's
strengths



YAMATO HOLDINGS CO., LTD.

Switching to a Holding Company Structure

The Yamato Group has reorganized itself to promote Group management and has established six business formations: Delivery, BIZ-Logistics, Home Convenience, e-Business, Financial and Group Support. We also changed our system of corporate governance and rebuilt our network.

As the final stage of this process, in November 2005 we switched to a pure holding company structure by splitting the former Yamato Transport into Yamato Holdings, which handles decision-making and supervision for the Group as a whole, and the new Yamato Transport, which executes the Delivery business. This move was made to accelerate the growth

of the Group through conducting strategic decision-making for the Group as a whole and allocating management resources in an optimal manner. Previously, the Delivery business had been involved both in decision-making and supervision as Group headquarters and in executing the Delivery business itself. With the move to the holding company structure, the aim was to make the shift from Delivery business-oriented management to management targeting expansion of non-delivery business. To this end, we have adopted an organization focused on decision-making and supervision for the Group's business formations, increasing

the speed of management processes, evaluating business activities from a more shareholder-oriented perspective, and allocating management resources appropriately. Through strengthening the Group structure in this way we will seek to further raise corporate value.

Delivery

The Delivery business is involved in small parcel delivery services for the general public and corporations centering on *Takkyubin* and *Kuroneko Mail*. *Takkyubin*, the mainstay service, celebrated its thirtieth anniversary this year. The business also offers high value-added services developed from the customer's point of view like *Cool Takkyubin* and *Collect Service*. It plans to maintain the quality of its services and pursue higher quality services going forward.

BIZ-Logistics

BIZ-Logistics handles business-to-business distribution, which includes logistics, overseas distribution, and the transport of fine art. The business is working to strengthen its service offerings by adding service parts logistics and medical logistics to its lineup. BIZ-Logistics helps its corporate clients manage their supply chains by providing innovative logistics services and reducing total costs, and presents proposals for optimized logistics systems.

Home Convenience

Home Convenience is rooted in moving services, lifestyle support services and distribution services based on a mission of developing unique, new services on a region-by-region basis to eliminate the inconveniences inherent in living in a particular area. In November 2005 *Household Takkyubin* was launched. The business is devoted to providing services that are extremely convenient for customers.

e-Business

e-Business is involved in a range of information services for corporations, including ASP services and information system development. Looking forward, the business intends to pursue new product development based on three key words: tracking, security and packages. Having developed an individual tracking service for important documents in 2006, the business will continue to conduct aggressive marketing activities for this and other services.

Financial

The Financial business offers settlement services and financial products targeting business customers and consumers. In April 2005 Yamato Transport made Fine Credit Co., Ltd., a company that purchases installment credit loans, its subsidiary. The aims of this consolidation were to promote the diversification of settlement methods, and leverage the combined strengths of the Yamato Group to offer customers enhanced financial services. The business aims to grow as a provider of comprehensive distribution-related settlement services.

Group Support

Group Support is involved in broadly defined shared services centering on vehicle maintenance, mainline transport, and staffing services. It works to support appropriate and maximal leveraging of management resources by means such as consolidating human resources and accounting—administrative processes common to all Group companies. In addition to these efforts, the business aims to achieve profitability by also marketing its services to non-Group companies in future.

Group Corporate Governance

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 policies to this end.

Switching to a Holding Company Structure

The Company changed its governance structure in conjunction with reorganizing Group businesses in order to further enhance management of the Group.

When the Group used an operating holding company structure, all our businesses were bound up in the parent company, Yamato Transport. In switching to a pure holding company structure, Yamato Holdings, which handles decision-making and supervision for the Group as a whole, was clearly separated from our operating companies, which are responsible for executing our businesses. By developing Yamato Holdings and the operating companies in an integrated manner we hope to enhance internal controls and further speed up management processes.

With this structure we are also committed to further strengthening the Group and further raising corporate value by assessing our businesses and allocating our resources from a more shareholder-oriented point of view.

The Yamato Group is dedicated to highly efficient management acutely focused on securing new growth on the basis of the “Yamato Group Revolution Plan 2007: New Value & Innovation Three-Year Plan,” which was initiated in April 2005. We now have a system in place to enable management to act quickly enough to meet the goals of the plan and secure additional growth.

In April 2006, the Company clearly separated the role of directors, who are responsible for decision-making and supervisory functions, from the role of executive officers, who are responsible for business execution. By delegating a substantial amount of authority from the Board of Directors to the Executive Committee, the Company will improve its internal controls and achieve more rapid management.

Business Management and Execution

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 term of office of directors has been set at one year in order to clarify management responsibilities for each fiscal year.

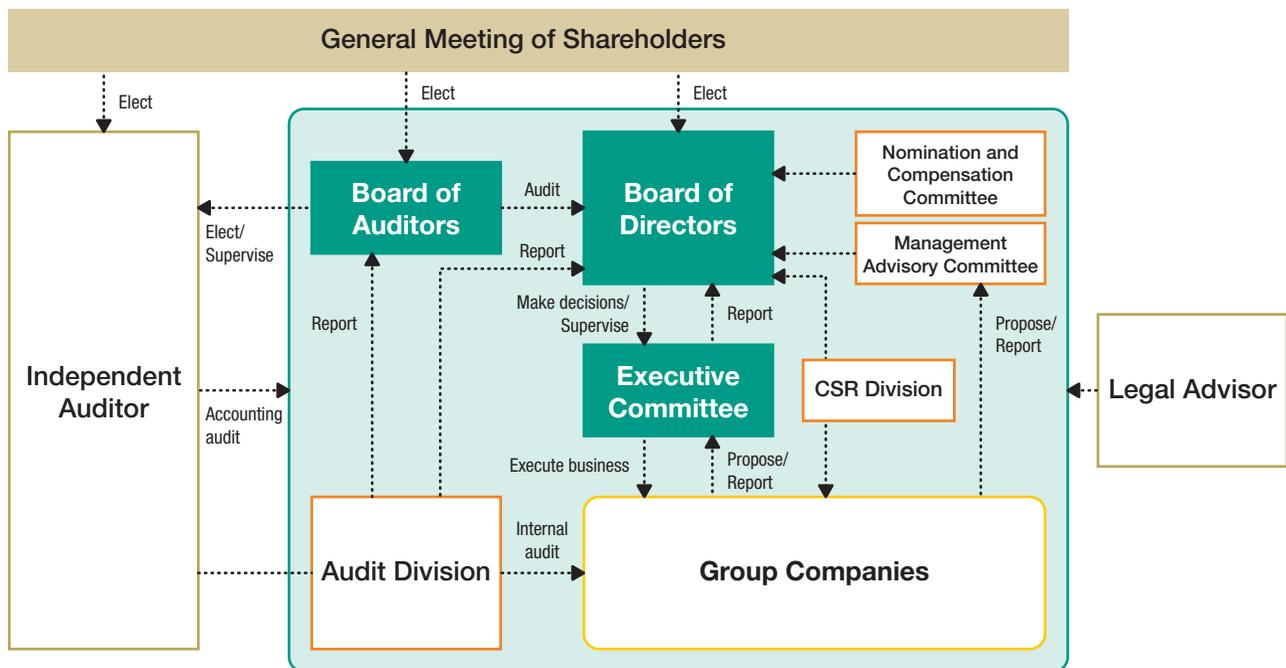
The Board of Auditors is made up of two full-time corporate auditors and two outside corporate auditors who do not have any vested interests in the Company. Corporate auditors attend meetings of the Board of Directors and other important meetings, conduct audits on the legality of business execution, and otherwise endeavor to improve the soundness of management and the trust of the public.

The Audit Division is in charge of internal auditing and conducts audits on the effectiveness of internal controls. The results are then reported to the directors and corporate auditors. A Group Auditors Meeting is also regularly convened. Discussions take place on auditing policies and methods with the full-time auditors affiliated with our principal operating companies, and efforts are made to strengthen coordination by exchanging information.

The Yamato Group strives to be a company that is trusted by shareholders through ensuring checks and balances by existing administrative organs and implementing a system of compliance management. We conduct activities aimed at ensuring compliance with the law and social norms, which are administered by the CSR Division. Going forward, we intend to enhance checks and balances largely through internal audits pivoting on Control Self-Assessment at each division, which will be subject to evaluation. In this way we plan to build

and implement additional systems to ensure internal controls function effectively. In addition, our two outside directors will spearhead a committee that will consider executive nominations and remuneration and make proposals to the Board of Directors. This will help to improve the transparency of management and further raise corporate value.

Corporate Governance Framework

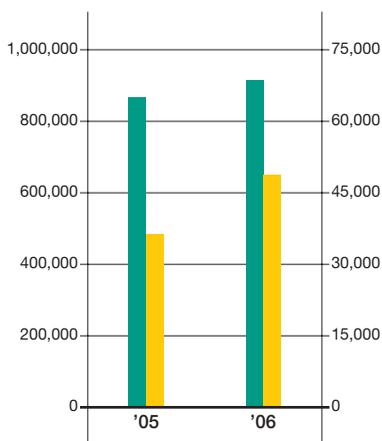


Business Activities

DELIVERY

Operating Revenues/ Operating Income

(¥ Millions)



■ Operating Revenues (Left scale) ■ Operating Income (Right scale)



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

The Yamato Group witnessed steady growth in the *Takkyubin* service during the year under review, with total delivery volume up 6.2% year on year to 1,129 million parcels, and revenue of ¥737,399 million. The key reason for this growth was a proactive sales approach tailored to each market sector. This approach, underpinned by the Group's corporate philosophy in this business of Total Reliability, was taken in order to respond flexibly to diversifying customer needs. November 2005, meanwhile, saw the launch of two services: *Mail Notification Service* and *Delivery Locker Pickup Service*. The former 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. The second enables customers to send *Takkyubin* parcels using the same lockers that are installed for receiving deliveries in most condominiums in Japan. Another example of services that cater to diverse customer needs and enhance convenience is the *Takkyubin Store Pickup Service*. Launched in February 2006, this service allows customers to have local convenience stores and others 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.

The *Kuroneko Mail* service saw handling volume increase 21.1% from the previous fiscal year to 1,735 million units, alongside revenue of ¥120,549 million. The chief factor spurring growth was the push to build stronger operations, including increased handling services for corporate customers and expansion of service counters.

As market competition intensifies, honing the cost competitiveness of operations across the *Takkyubin* network has become an issue of paramount importance for the Delivery business. Since April 2003, this concern has prompted the Yamato Group to introduce an Area Center System for *Takkyubin* distribution, and to subdivide its service centers into the approximately 5,900 *Takkyubin* centers currently in operation to provide a more attentive level of service. Another move taken to raise cost competitiveness in the Delivery business is the consolidation at major offices of functions once handled separately by each service center, such as phone-based customer service, accounting and personnel.

As a result, total operating revenues for the Delivery business were ¥915,952 million, an increase of 5.7% compared to the previous fiscal year.

BIZ-LOGISTICS

BIZ-Logistics provides inter-company logistics services, including international logistics and logistical transport of works of art, aimed at the B2B supply chain management market.

In fiscal 2006, operating revenues edged up 0.7% year on year, to ¥111,488 million. This modest growth was the result of continued adversity surrounding forwarding and logistics operations, characterized by lackluster demand for air-freight forwarding and increasingly severe price-based competition.

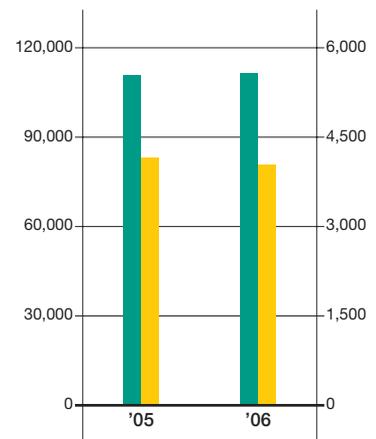
In this climate, the Yamato Group advanced a proposal-driven sales approach, offering a comprehensive range of logistics services by integrating sales activities for its domestic and international logistics services. One such service was service parts logistics, a system for the emergency transport of replacement parts and components 24 hours a day, 365 days a year. This service

is targeted at maintenance operations, where urgency is the norm. Other efforts to strengthen the BIZ-Logistics service structure include medical logistics. Through this service, the Group takes advantage of its procurement, logistics processes, storage, and delivery infrastructure to handle every aspect of logistics for medical products, from the initial production site to final delivery to medical institutions.

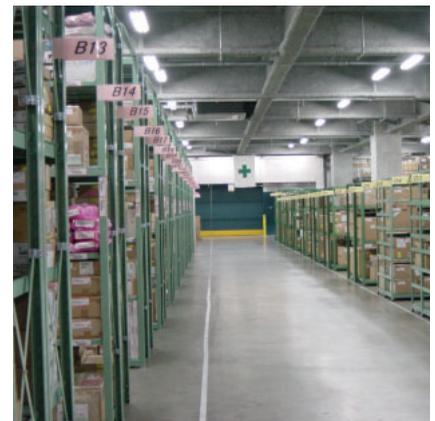
Through medical logistics, the Group also offers support for traceability management, a requirement stipulated by Japan's amended Pharmaceutical Affairs Law. The Tokyo BIZ-Logistics Center (Ota Ward, Tokyo) of Yamato Logistics Co., Ltd., for example, has obtained approval from Japan's medical device manufacturing industry to oversee and offer services pertaining to the packaging, labeling and storage aspects of the manufacturing process.

Operating Revenues/ Operating Income

(¥ Millions)



■ Operating Revenues (Left scale) ■ Operating Income (Right scale)

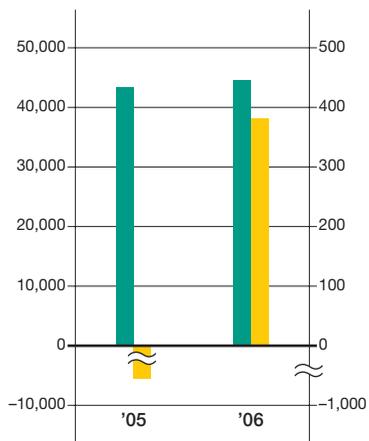


Tokyo Biz-Logistics Center

HOME CONVENIENCE

Operating Revenues/ Operating Income (Loss)

(¥ Millions)



■ Operating Revenues (Left scale) ■ Operating Income (Right scale)

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

During the year under review, operating revenues increased 2.6% to ¥44,498 million. Although moving services continued to face a tough market environment due to intensified competition with rival companies, merchandise marketing grew steadily atop sales of “*Tokusen Ichiba*” (Special Select Market) brand products.

In November 2005, the Home Convenience business began offering the *Household Takkyubin* service. This service targets customers who buy or sell furnishings and home appliances through Internet auctions, as well as those with light moving needs. Previously, the most

common sales route for large pieces of furniture or appliances was from manufacturers to volume retailers, which then sold these products to individual customers. However, the widespread use of net auctions today has fueled an increase in transactions involving large furniture pieces and appliances between individuals. The growth in online shopping demand, particularly the direct purchase of products from manufacturers, is also circumventing the traditional sales route. Seizing on these opportunities, a service was developed in this business that even covers the setup and installation of heavy items, yet enables customers to use *Takkyubin* in the same convenient way as they would for small parcels. Going forward, attention will focus on offering other highly convenient services to customers.



e-BUSINESS

The e-Business segment encompasses information services targeting business customers, including ASP services and the development of information systems. During the year under review, operating revenues were ¥27,279 million, representing a year-on-year increase of 11.7%.

Firm sales of information management services for the credit and consumer finance industry were a major driver of growth in this business. Another was the establishment of a marketing framework tailored to specific industry sectors and steps taken to change the on-premise business format of this business over to solution-oriented services. The Group also pursued a proactive marketing approach that included proposals comprised of tracing, security and other elements.

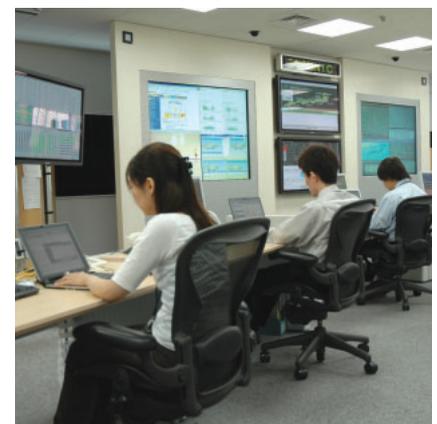
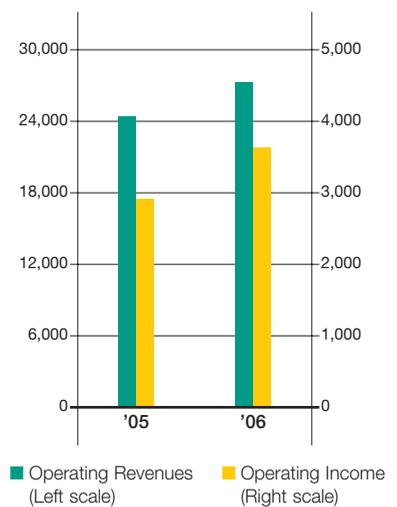
Looking ahead, the Group will work to develop new businesses founded on three key words: tracking, security and packages. These businesses will emerge from several areas, including the segment's

highly trusted information management services reflecting a track record in terms of processing capabilities of ¥10 billion in transactions annually. Another is business support, backed by 24 hour-a-day, year-round and stable operations, as well as a backup system infrastructure anchored in Tokyo and Osaka.

Guided by the keyword "security," in 2006, the Group developed a tracking management service targeting individual critical documents. The *Critical Information Tracking ASP Service* targets companies that handle business for financial institutions and membership applications, with sales growing to companies seeking to achieve stricter management of personal information. Going forward, the Group plans to actively provide tracking services to firms outside of the Yamato Group. To that end, it will incorporate the expertise in individual tracking management gained from its *Takkyubin* parcel tracking system into a service package.

Operating Revenues/ Operating Income

(¥ Millions)



Server Room

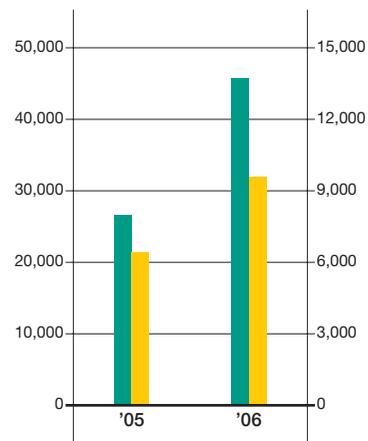


Head Office, Yamato System Development Co., Ltd. at Toyocho Office

FINANCIAL

Operating Revenues/ Operating Income

(¥ Millions)



■ Operating Revenues (Left scale) ■ Operating Income (Right scale)



The Financial business includes settlement and other financial services targeted at business customers and consumers.

In this business, the Group is looking to enhance customer convenience and diversify settlement methods by offering new retail settlement services. Primarily targeting small- and medium-sized enterprises, these services will focus on handling uncollected and installment payments. This objective led to the consolidation in April 2005 of Fine Credit, a firm with credit and receivables management functions that the Group will utilize to provide these services.

As a result, operating revenues, which included the consolidation of Fine Credit, were ¥45,744 million, an increase of 71.7% from the previous fiscal year.

In July 2005, the Group began offering *Collect Service*, a comprehensive

settlement service targeting mail-order businesses. The Group is aggressively marketing this service and its diverse line of settlement methods that include cash on delivery, payment by credit card upon delivery or order, payment at convenience stores and post offices, or payment via PC or mobile phone.

November 2005 saw the launch of *Collect Service infoBOX*, a service that allows the customers of mail-order businesses using *Collect Service* to confirm payment and invoices for mail-order items. In recent years, the expansion of sales channels beyond traditional face-to-face sales and purchasing has increased the circulation of merchandise. Recognizing this change, the Group is working to provide a full lineup of financial services to mail-order businesses and other customers.



GROUP SUPPORT

The Group Support business is involved in the provision of shared services in the broadest sense, particularly vehicle maintenance, mainline transport, and staffing services.

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.

Yamato Autoworks Co., Ltd. is one example of this business direction. Utilizing expertise forged in maintaining Group assets, in this case 40,000 vehicles, and

related administrative operations, Yamato Autoworks is striving to become the partner of choice for delivery companies. By offering integrated services covering the purchase, maintenance, management, and body remodeling of new and used vehicles, vehicle administration, and insurance and logistics facility maintenance, Yamato Autoworks is helping delivery companies to manage themselves more efficiently.

In April 2006, the Group completed construction of its third outlet for this business in the Tokyo region. Called "Superworks," the aim of this conceptually innovative service plant is to enhance convenience for commercial-use truck companies, as well as attain further reductions in cost. This new service plant joins two earlier plants established in

Sapporo (Hokkaido, Japan) and Mie Prefecture, Japan.

In February 2006, the Group entered a business alliance with Seino Holdings that saw commencement the following April of *JITBOX Charter*, a service to help customers construct supply chain management systems. Targeting traditional *Kuroneko Box Charter* service customers seeking to reduce their distribution stock and in-process inventory, this new service offers just-in-time delivery of medium-lot cargo over medium- to long-distance delivery routes. In May, the Group forged a business tie-up with Nippon Express Co., Ltd., followed in June by a partnership with 12 trucking firms with the aim of establishing the new de facto standard for inter-company logistics.

