REVITALIZING

Annual Report 2004

Year ended March 31, 2004

YAMATO TRANSPORT CO., LTD.

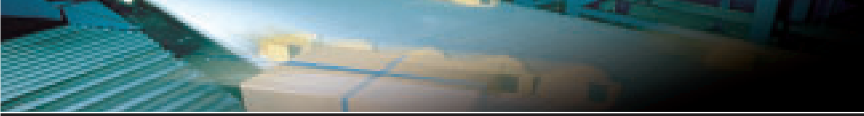
Profile

Established in 1919, Yamato Transport Co., Ltd. is today a comprehensive transportation services group with 54 subsidiaries and 4 affiliates. Major activities include Delivery, BIZ-Logistics, Home Convenience, e-Business and Financial. *Takkyubin* (door-to-door parcel delivery) service, which was launched in 1976, is the company's core business. Covering every part of Japan, this business handled about 1 billion parcels during the past fiscal year. With a steadfast focus on creating services that meet specific customer needs, Yamato Transport has introduced such innovations as *Cool Takkyubin, Kuroneko Mail, Takkyubin Time Service* and a moving service. Yamato Transport will continue to contribute to economic and social progress through the refinement of *Takkyubin* services as a social infrastructure, the provision of even more convenient services and the development of revolutionary approaches to logistics.

Contents

Forward-Looking Statements

This annual report contains forward-looking statements concerning Yamato Transport's future plans, strategies and performance. These statements represent assumptions and beliefs based on information currently available and are not historical facts. Furthermore, forward-looking statements are subject to a number of risks and uncertainties that include, but are not limited to, economic conditions, customer demand, foreign currency exchange rates, tax laws and other regulations. Yamato Transport therefore cautions readers that actual results may differ materially from these predictions.



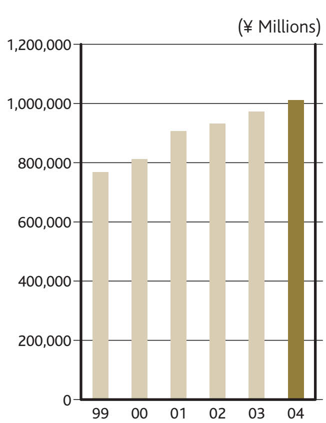
Consolidated Financial Highlights

Years Ended March 31

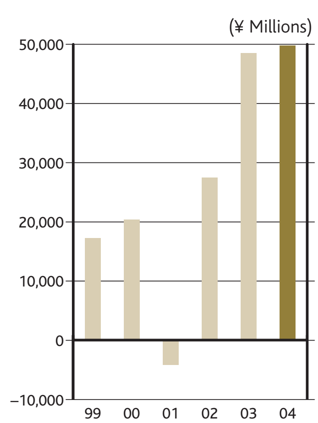
	Millions of Yen			Thousands of U.S. Dollars
	2004	2003	2002	**2004**
Operating revenues	**¥1,011,344**	¥972,135	¥932,120	**$9,568,965**
Operating costs	**945,201**	896,023	861,775	**8,943,145**
Selling, general and administrative expenses	**19,484**	19,294	17,156	**184,354**
Income before income taxes and minority interests	**87,293**	91,063	49,905	**825,933**
Income taxes	**37,515**	42,538	22,217	**354,956**
Net income	**49,783**	48,502	27,512	**471,033**
	Yen			U.S. Dollars
Per share of common stock:				
Net income	**¥ 107.51**	¥ 104.51	¥ 59.36	**$ 1.02**
Diluted net income	**105.20**	101.63	57.38	**1.00**
Cash dividends	**18.00**	15.00	14.00	**0.17**
	Millions of Yen			Thousands of U.S. Dollars
Working capital	**¥ 74,803**	¥ 77,514	¥ 84,630	**$ 707,753**
Total shareholders' equity	**443,715**	406,306	364,806	**4,198,269**
Total assets	**652,792**	655,877	678,939	**6,176,482**
Capital expenditures	**47,587**	42,591	40,379	**450,252**
Depreciation and amortization	**35,663**	31,731	31,764	**337,427**

Note: U.S. dollar amounts have been translated, for convenience only, at the rate of ¥105.69 to U.S.$1.

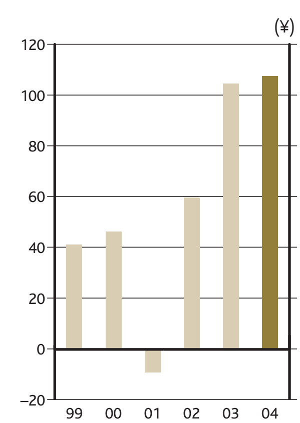
Operating Revenues

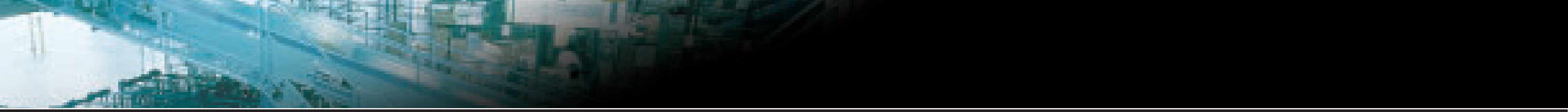


Net Income (loss)



Net Income (loss) per Share





Message From the Management

The Yamato Group is dedicated to refining its *Takkyubin* (door-to-door parcel delivery) service, developing revolutionary approaches to logistics, and providing ever-more convenient services.

Yamato Transport Co., Ltd. again faced an extremely competitive operating environment in fiscal 2004, ended March 31, 2004, as personal consumption remained weak despite signs of economic recovery in Japan, and fees in the truck transport industry showed no prospects for recovery.

Under these conditions, we refined our core delivery business under a plan to "reengineer our *Takkyubin* network" and further segment it to provide more detailed and satisfactory service to our customers. We also demarcated lines of responsibility more clearly in each of our businesses and spun off some business units to increase the speed and accuracy of management decision-making. These activities resulted in a 4.0% rise in consolidated operating revenues to ¥1,011,344 million (U.S.$9,569 million), breaking the ¥1 trillion mark for

Atsushi Yamazaki
President

Keiji Aritomi
Chairman

the first time in the Group's history. Reflecting expenses related to restructuring of *Takkyubin* operations and investment to strengthen *Kuroneko Mail*, operating income declined 17.9% to ¥46,659 million (U.S.$441 million). However, this was offset by write-backs from the reserve for retirement benefits associated with the switch to a new corporate pension system. Consequently, net income rose 2.6% to ¥49,783 million (U.S.$471 million).

Progress in Achieving Medium-Term Plan Targets

In fiscal 2004, the Yamato Group continued to refine its *Takkyubin* business and strengthen Group management as called for in its current medium-term business plan, inaugurated in April 2002. As part of this effort, we increased the number of our *Takkyubin* delivery centers to deepen the roots of our service network in local communities and to ensure that our services are always close at hand for our customers. We also shifted toward a personnel structure based on small groups to better allow our employees to demonstrate their full abilities, sought to ensure that all of our businesses are capable of operating as stand-alone units, and pursued greater administrative efficiency, all with the aim of creating a system capable of generating sustainable growth. And although costs associated with structural reforms and renewing our *Kuroneko Mail* service put pressure on earnings, we remained true to the corporate philosophy that has guided operations for three decades: "Service First." Ultimately, we chose to give priority to maintaining the quality of our services, even if that meant higher costs on the year.

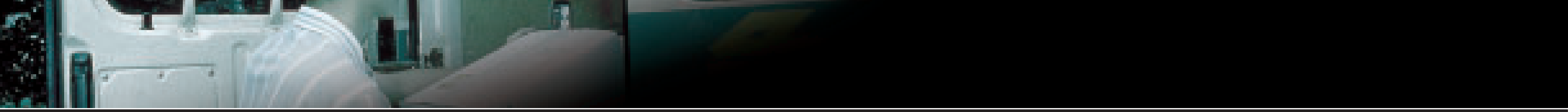
We look forward to your continued support in these endeavors.

Keiji Aritomi

Chairman

Atsushi Yamazaki

President



Discussion With the President

In fiscal 2004, the second year of our current three-year-plan, we executed various plans aimed at reengineering our *Takkyubin* network, rejuvenating *Kuroneko Mail*, and refining Group operations. The term also marked several milestones in the Group's history, including the handling of more than 1 billion packages in a single year and the achievement of consolidated operating revenues in excess of ¥1 trillion.

Question

What is your assessment of the operating environment and the Group's business results for fiscal 2004?

The establishment of Japan Post on April 1, 2003, further intensified competition within the parcel delivery industry, resulting in the continuation of a harsh operating environment. Still, our determined efforts to expand business translated into higher handling volume and operating revenues. We attribute this success largely to revenue growth associated with the modification of *Kuroneko Mail* into a more user-friendly service in April 2003.

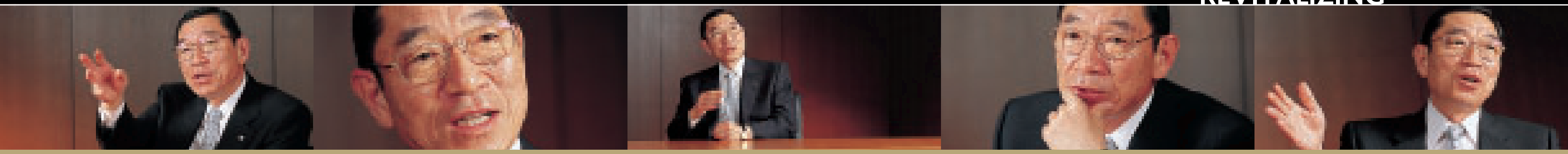
The decline in operating income, despite higher revenues, was a reflection of investment to reengineer our *Takkyubin* network. To prevent deterioration in service quality, the migration to the new system required the deployment of personnel and other corporate resources to support both the old and new systems, and this caused expenses to be higher than we had expected. This reengineering is the first major overhaul of our *Takkyubin* system since its inception and is aimed at securing future growth. Basically, we are building necessary infrastructure. We think many will find it laudable that we are totally revamping our organization, personnel structure, and *Takkyubin* network without any decline in service quality based on a long-term strategy of rolling out higher-quality, services. We decided to place priority on these efforts out of confidence that, when our new network is completed, customer satisfaction with a service lineup and level of quality previously unachievable will be reflected in earnings. We believe that this emphasis on quality while retooling operations was instrumental in preventing service from deteriorating during the year-end gift-giving season in December, resulting in delivery volume exceeding the level in the previous year.

We view the decline in operating income in fiscal 2004 as the result of growth-oriented "creative destruction." In other words, this decline in operating income is in no way an indication of diminished earnings power. Actually, we are in a period where earnings are growing and we have reserve capacity as a company, meaning that this decrease reflects nothing more than proactive structural enhancements and investment aimed at future expansion.

Question

How much progress has been made toward reengineering the *Takkyubin* network?

The factors that prompted us to reengineer the Company's *Takkyubin* network were slowing year-on-year growth in handling volume and the ongoing decline in average unit delivery fees. Although our handling volume has exhibited stable growth to now, the parcel delivery business as a whole is maturing, prompting us to reengineer our network, tap latent markets, and help rejuvenate the overall sector to head off a decline phase. We also recognized that we needed to become more competitive. We therefore decided



to transform our administrative procedures and the nature of our services in conjunction with an overhaul of our business structure, all with the goal of providing our customers with higher value-added solutions.

Moreover, we recognized the potential for Japan Post to be privatized and not merely become a public corporation as a threat to our market dominance. We therefore embarked on a plan to reengineer our organization, personnel structure, and logistics network to bring us closer to our customers and make Yamato the clear best choice for consumers in parcel delivery. Starting in April 2003, we shifted to an organizational structure based on small groups, that is, "*Takkyubin* area centers". We have made progress in reforms in other areas as well, including the introduction of a new personnel system in May 2002.

In fiscal 2004, we did not allow rising costs to slow down our reengineering efforts. Because incremental modifications strain local operations, we think it is preferable to carry out changes all at once on a nationwide basis. Also, we think it is crucial to construct our new infrastructure at a pace that is faster than the speed of change in the operating environment. Furthermore, given indications that the economy is improving, we believe it is important to focus on profit growth amid currently favorable conditions, including rising handling volume for *Kuroneko Mail*. Although we could achieve earnings in line with our plan by ignoring the pace of reform and focusing exclusively on profitability, more critical in our view is to take care not to fall behind the curve in terms of improvement in the operating environment. As such, we have expedited the concentration of corporate resources to hasten the timing of the next business upswing.

We aim to have 5,000 delivery centers when our reengineering activities are completed at the end of March 2008. After that we plan to continue expanding our network at a pace of 600 locations per year for the subsequent four years.

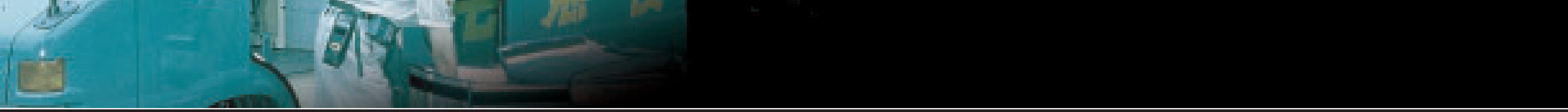
Question

How will the service lineup be different following construction of the new system?

The reengineering of our *Takkyubin* network involves the expansion of delivery centers and the consolidation of indirect operations. Simultaneously, we aim to grow earnings by increasing handling volume and improve margins by heightening operating efficiency.

Our goal in expanding the number of delivery centers was to design our new network so that the average access time from the delivery center to the customer is 10 minutes. Underpinning this concept is a shift toward a larger network comprising a greater number of smaller hubs. We are confident that a high density service network will enhance service quality and translate into higher market share over the longer term. As for new services, we have extended the operating hours of our service departments to provide more detailed customer support and satisfy immediate household needs. We believe that this will enable us to better address demand for quick transport, whether it be business-to-business or business-to-individual. We see one untapped market as the delivery of in-house articles that companies currently transport on their own. By tailoring solutions according to the type of article and required pickup times, we think it is possible to convince companies to outsource the inter-office delivery of documents and other such items.

We view increasing the density of our network coverage and broadening our service menu as an integral part of our strategy of controlling the market for downstream logistics (i.e., delivery to the final recipient) and securing an even more solid industry position.



Question

How much progress has been made in achieving the targets laid out in the Company's current three-year business plan?

Our current three-year-plan represents the first medium-term plan for the Yamato Group as a whole. It calls for a review of the Company's corporate resources and accumulated know-how, the construction of a new business model that skillfully combines these factors in fields where the Group excels, and an increased focus on Group management. Under the plan, which is aimed at wholesale realignment of our operations, we have refined the roles of the various Group companies that operate our nationwide network and logistics infrastructure. We have also segmented our business domains for better management within the Group.

We have five profit units: the Delivery business, the BIZ-Logistics business, the Home Convenience business, e-Business, and the Financial business. The operations that support these profit centers are broadly categorized as Group support businesses. These businesses not only perform in-house functions, such as servicing rolling stock and conducting training programs, they also operate as independent business units and do business with external customers. Our objective is to convert these cost centers to profit centers and thereby benefit society by creating new corporate value. Another component to this strategy is to maximize Group synergies. To accomplish this, in fiscal 2004, we pursued reorganization and integration as part of a move to establish each operation as an independent business and took steps to ensure that each business is capable of surviving on a stand-alone basis. Within this context, we gave more authority to divisional managers and set up a new management system that facilitates speedier and more accurate decision-making.

In the BIZ-Logistics business, we upgraded our systems for responding to diverse customer needs, including export/import services encompassing the order stage through inventory management. The thrust of our efforts here involved leveraging our warehouse operations, which we have fine tuned over many years by responding to the needs of corporate cargo owners, and utilizing our nationwide network to offer improved business-to-business logistics solutions. In the home convenience business, we worked to provide various services, tailored to regional needs, that make life more convenient for individuals and families, with the goal of being viewed by customers as a close partner in eliminating everyday hassles around the home.

In our e-Business, we used systems built on the know-how of Yamato System Development Co., Ltd., which single-handedly designs, develops, and operates the Company's transportation-related IT systems, as a platform to develop various outsourcing and business software and to market software packages. Our financial business encompasses a wide variety of services, ranging from collection to funding. In fiscal 2004, we leveraged our accumulated strengths in lending to make further inroads into the settlement and collection agency businesses.

At this point, we see no obstacles to the reengineering of our *Takkyubin* network as our delivery business moves forward as planned. As such, not only do we expect the increase in the number of Yamato *Takkyubin* delivery centers to generate certain synergies, we aim to roll out new services in our non-delivery businesses.

Question

In fiscal 2004, what did Yamato do to fulfill its obligations in terms of environmental issues, corporate governance, and corporate social responsibility?

Due to our societal role as a transport company, Yamato maintains a large fleet of delivery vehicles, and we have always been proactive in reducing their environmental impact. In recent years, we have been shifting our fleet to low-environmental-impact hybrid vehicles. In fiscal 2005, we plan to introduce another 516 of these vehicles. On the employee side, we have introduced a company-wide driver-training program called "Eco-Drive." Aimed at boosting fuel efficiency and increasing vehicle operating safety, this program features activities to improve driving techniques and stresses the importance of maintaining constant operating speeds, utilizing low gears before stopping, and turning off engines when vehicles are not moving (i.e., eliminating idling).

In the area of corporate governance, the Company has invested decision-making, executive, and oversight authority in the Board of Directors, Executive Board, and Group Joint Management Council. In addition to making decisions on vital matters, these bodies delegate responsibilities to each branch and business unit for flexible, responsive management. Also, the Company has an auditing system comprising two full-time in-house auditors and two outside auditors. In addition to attending critical management meetings, these auditors monitor the appropriateness of the business and affairs of the Company and otherwise work to safeguard the Company's financial health and enhance its public trust. In conjunction with reengineering of the Company's *Takkyubin* network and in line with management forms, several key resolutions were passed at the June 2004 General Meeting of Shareholders. One such resolution was the introduction of an Executive Officer System, which is aimed at clearly delineating corporate decision-making, oversight, and executive functions. Others included a reduction in the number of Board members, the abolition of the system for recognition of past service, and the standardization of a system whereby annual compensation is based on the Company's earnings and individual employee performance. We are confident that these measures will enable the Company to act more speedily and effectively with regard to shifts in the operating environment as well as increase the transparency of management and the financial health of the Group as a whole.

We also believe that compliance is crucial to the Company's business management being trusted by all stakeholders. In January 2003, we established at the Head Office a Compliance Committee chaired by the president. In January 2004, we conducted activities at all offices, business headquarters, and affiliated companies to reinforce the importance of compliance with all laws and regulations in sustaining the Yamato brand.

The Yamato Group's business activities center on the provision of social infrastructure in the form of a comprehensive logistics network. On a more personal level, the Company offers services that help people lead more convenient and abundant lives. As such, we believe that our business, by its very nature, contributes to society in a very significant way. We, at the Yamato Group, are steadfastly committed to contributing to making the world a more convenient and better place to live for everyone.

August 2004

Atsushi Yamazaki

President

REVITALIZING For Our Network

Increasing the Number of Delivery Centers

In April 2003, Yamato Transport embarked on a plan to segment its *Takkyubin* service areas and service centers. The related organizational reforms include a shift to smaller operating units, centered on our service departments, to sustain a high level of employee motivation. Another component of this plan is the solidification of our business base by increasing the number of delivery centers. Going forward, we plan to grant more autonomy within this segmented organization and expand the number of delivery centers from 2,600 to 5,000 by fiscal 2008 (ending March 2008). Simultaneously we are revamping the internal structures that support our delivery business to gain greater efficiencies. Previously, each delivery center had its own administrative, sorting, delivery, and sales functions. Under the new system, however, administrative and sorting operations will be carried out separately from delivery centers, which will focus exclusively on customer service and thus be converted into strategic business bases. To increase efficiency, administrative and sorting operations will be consolidated and shifted to our top 71 logistics terminals around Japan. As of March 31, 2004, we had completed selection of the top 71 terminals and had 2,675 delivery centers, an increase of 363 such centers on the year. Our plan is to have 3,300 delivery centers by the end of March 2005 and expand the number by approximately 600 or more locations each year through fiscal 2008.

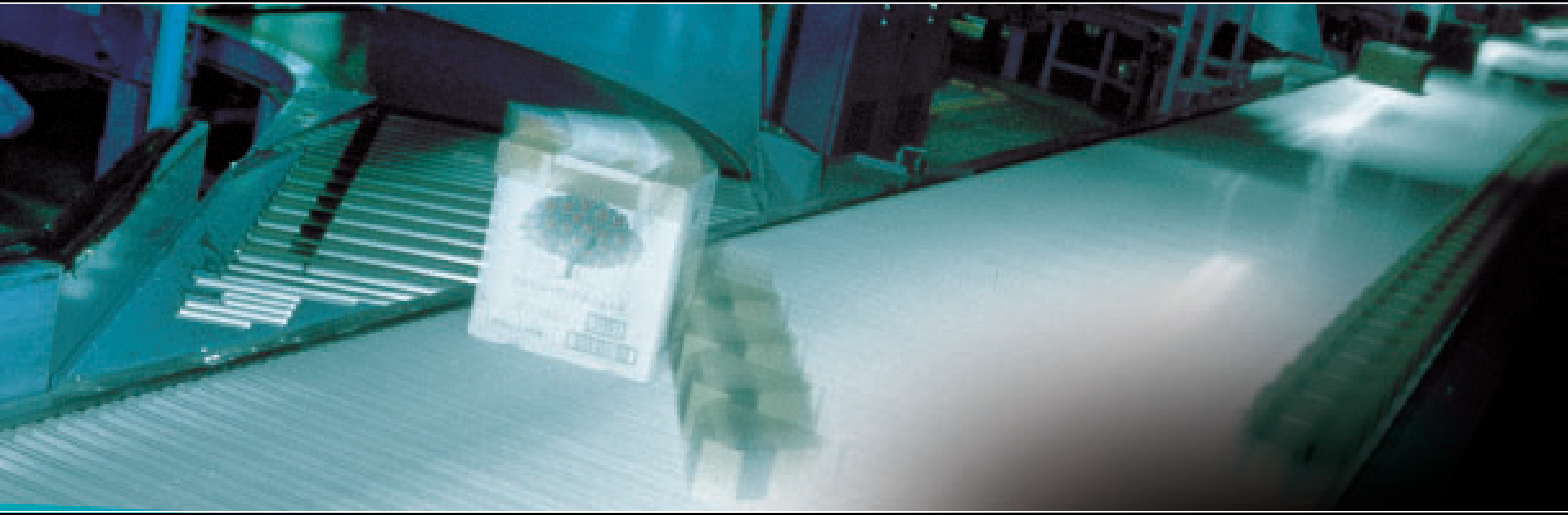
Investment Plan

Under the new system, each organizational segment will be comprised of smaller delivery centers ranging in size from

one-half to one-third the scale of existing locations, with a supervisor assigned to each business area. As fiscal 2004 marked the beginning of our transition to the new system, not only did we incur costs associated with the opening of new delivery centers, we invested considerable amounts in IT and call centers necessary to consolidate administrative operations. Although the build-out of our network to 5,000 delivery centers will require additional investment costs, centered on expenditures related to the ongoing opening of delivery centers, we expect overall investment to stabilize as factors causing sharp cost increases drop out of the picture.

Increasing Administrative Efficiency

We are shifting administrative and sorting functions to our top logistics terminals to consolidate indirect operations. As an interim measure, we are staffing both business centers and logistics terminals while conducting a complete review of internal operations. This situation has resulted in variations in proficiency among staff members. Moreover, we have made reinforcements in light of the risk that service quality might suffer under a new system that is untested by the heavy shipment volumes of the summer/winter gift-giving seasons. Consequently, operating expenses, mainly personnel costs, have risen. However, we conducted a review of the system at the end of fiscal 2004 and as a result reduced the number of full-time administrative supervisors. We expect to take another step toward a new growth phase in fiscal 2005, when we expect administrative efficiencies to start emerging.



REVITALIZING For Our Service

Overview of *Kuroneko Mail* Service and Development of New Demand

In March 2003, the Ministry of Public Management, Home Affairs, Posts and Telecommunications updated its policy regarding the treatment of certain materials as correspondence, ruling that direct mail distributed in unspecified numbers does not fall under the category of correspondence, clearing the way for private firms to handle this type of mail. Yamato seized this opportunity to renew its *Kuroneko Mail* service, revising it to make customer convenience the top priority. For example, in the market for the delivery of magazines and catalogs to mailboxes, we began offering delivery for ¥80 per A4-size item, next-day delivery (excluding some regions), and delivery notification. The service received high marks from the market for its convenience, such as its more refined volume and price bands and elimination of the need to insert contents into fixed-size envelops if address labels are affixed. As a result, handling volume has increased dramatically.

The elimination of the need for a receipt stamp, traditionally required for matter delivered by *Takkyubin*, satisfied market needs for company-to-household delivery of direct mail. As the number of people in Japan that receive direct mail is one-seventh of that in the United States and one-half of that in Europe, we fully expect the domestic direct mail market to expand going forward. We think the potential market for *Kuroneko Mail* is very substantial, taking into account latent corporate demand and the prospects for acquiring existing demand. Following service modifications, *Kuroneko Mail* handling volume showed remarkable growth in fiscal 2004, rising 64.0% from the previous fiscal year.

Evolution of Delivery Services

Historically, makers stocked inventories of manufactured goods based on projected demand, with retailers displaying the goods until sold, forcing them to also hold inventories. The emergence of revolutionary *Takkyubin* services paved the way for mail order sales that required neither stores nor inventories, which substantially boosted corporate operating efficiency.

Today, although next-day *Takkyubin* delivery is taken for granted, the Yamato Group is pushing forward with the next revolution in delivery services to make them even faster and more convenient. As part of this effort, we instituted the industry's first late-night flight between Hokkaido and Tokyo to launch an ultra-fast *Takkyubin* service covering Tokyo and seven other prefectures in the Kanto region. By ferrying parcels on planes traveling at 700km/hour, we are able to offer next-day service to Hokkaido.

We have also designed our new network so that the average access time from delivery center to customer is 10 minutes. Shorter access times mean shorter drive times, and with this saved time, drivers can provide more value-added services. We believe that this, combined with the enhancement of our core transport system into a high-density network, will generate demand from individuals who would have ordinarily transported articles themselves, and we think the potential in this end of the market is fairly substantial. As with conventional *Takkyubin* services, we think that infrastructure upgrades will provide previously unimagined methods of utilization and the opportunity to create high-growth markets.

REVITALIZING For Your Satisfaction

Enhancing Corporate Strength Through Business Formation

The Yamato Group is cultivating business opportunities in its five core business domains and offering innovative services that combine its corporate resources with its accumulated expertise. The aim is to achieve further earnings growth by managing the overall Group in a way that generates even greater synergies. By using these businesses as a platform to offer new services centered on our capabilities in logistics, information, and settlement, we intend to more fully leverage our competitive advantages as a Group. Yamato Transport possesses a logistics infrastructure that dates back 85 years and has accumulated specialized know-how in settlement and information systems that support rapid and accurate transport. Today, more than 1 billion items pass through our logistics mechanisms, from our parcel tracking system to our customer management system, requiring advanced information technologies. As a result, we have very sophisticated system development/operation capabilities. By normalizing this know-how, that is, strong technical and competitive capabilities, within the Group and combining them in novel ways, we aim to add more value to the solutions we provide to outside customers and thereby strengthen the Company as a whole.

Developing Diversified Services

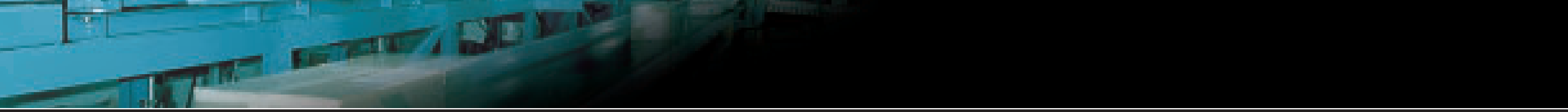
The Yamato Group started realigning its corporate resources in April 2003 based on a spin-off format in its five core business domains. In the process, we clearly delineated operating areas for Yamato Logistics Corporation (business-to-business transport), Yamato Global Freight Co., Ltd. (overseas cargo transport), the companies that make up the home convenience business (highly region-specific lifestyle support solutions, including moving and housework

Group Business Formation

outsourcing services), and Yamato System Development Co., Ltd. (IT system construction).

Now unfettered by the existing *Takkyubin* business, these companies have the flexibility to develop products and services in new areas. For example, in the BIZ-Logistics business, which addresses needs in the area of company-to-company transport, more than just supporting logistics, we provide solutions that meet customers' needs for efficiency and low-cost operations. By outsourcing inventory management of promotional merchandise to Yamato Logistics, one manufacturer reduced its inventory levels and reduced stock-out rates. Moreover, by having orders for promotional merchandise delivered to the nearest Yamato Group logistics center, the manufacturer improved the productivity of its sales force. This case illustrates how the BIZ-Logistics business was able to leverage the assets of the Yamato Group as a whole to provide its customers with winning solutions.

Every Group company is working to expand its business domain and develop innovative services like those highlighted above. Just as the concept of transporting items that people often take with them on trips gave rise to ski *Takkyubin* and golf *Takkyubin* services, we are confident that the increased density of our logistics network will provide opportunities to uncover and meet demand at the community level. The Yamato Group has already launched a delivery service for heavy and bulky consumer goods to encourage the outsourcing of household work. Still, we plan to introduce even more diversified services going forward, including personal shopper services, the delivery of nursing care-related supplies, and dry cleaning pickup and delivery.



At a Glance

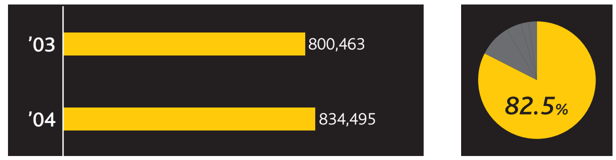
Segment	Business Description
 **Delivery**	The Delivery business covers a diverse array of services, among them *Takkyubin*, *Cool Takkyubin*, *Collect Service*, and *Kuroneko Mail*. With the exception of certain regions, *Takkyubin* next-day parcel delivery service is available throughout Japan. Yamato Transport also operates a secure parcel tracking system, allowing the Company to manage parcel shipping status and realize high-quality service. During the year under review, overall delivery volume climbed to 1,011 million units.
 **BIZ-Logistics**	The BIZ-Logistics business encompasses an infrastructure that enables Yamato Transport to offer logistics services fully linking Japan and locations overseas. These services include international marine forwarding, customs clearance services, the transportation of works of art, and international moving operations. Through the BIZ-Logistics business, Yamato Transport can provide customers with the optimized logistics systems they demand.
 **Home Convenience**	The Home Convenience business combines moving services and merchandise marketing, aligning these services to meet diversifying customer needs. Moving services are aimed at families and individuals, and cover a range of related customer services, like the rearranging of furniture. Merchandise marketing, meanwhile, involves online sales and other services.
 **e-Business**	Leveraging know-how accumulated over the course of Yamato Transport's operations, the e-Business segment is involved in outsourced information processing, as well as the operation and management of computer systems.
 **Financial**	The Financial segment includes financial services targeted at business customers and consumers, such as settlement and collection.

Performance

Sales and Sales Composition

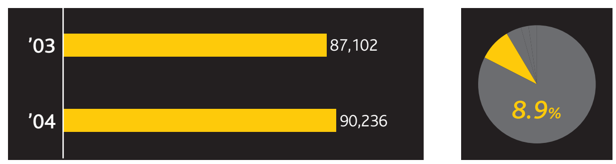
Amid strong *Takkyubin* performance during the year, *Cool Takkyubin* volume was a brisk 122 million units. This, in conjunction with a sharp increase in *Kuroneko Mail* volume following revisions made to this service, led to favorable results in the Delivery business. Total operating revenue, including rail-freight forwarding, domestic air freight and others, was ¥834,495 million, a year-on-year increase of 4.3%.

Sales (¥ millions)



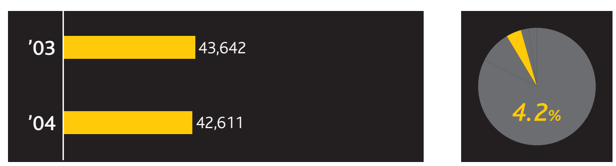
On April 1, 2003, part of the Logistics Business was spun off to Yamato Logistics Corporation, while marine forwarding, customs clearance, transportation of works of art and international moving operations were transferred to Yamato Global Freight Co., Ltd. As a result of this aggressive reorganization of services, operating revenue rose 3.6% to ¥90,236 million.

Sales (¥ millions)



In this business segment, moving service operations at each of the Company's bases were separated and merged by region with Yamato Home Service Co., Ltd., a home service subsidiary, which was renamed Yamato Home Convenience Co., Ltd. and started actively marketing these services. Despite this, operating revenues declined 2.4% to ¥42,611 million.

Sales (¥ millions)

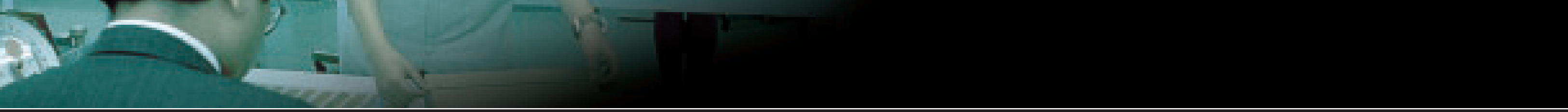


A new data center, designed to provide safe, reliable and competitively priced services, was completed in Koto-ku, Tokyo in April 2003, helping Yamato Transport to actively promote e-Business. As a result, operating revenues increased 6.9% to ¥21,082 million.

Sales (¥ millions)

Financial services were actively promoted through campaigns and other initiatives to increase delivery volumes for this segment's core Collect Service. As a result, operating revenues, including Collect Service fees and leasing income, increased 8.1% to ¥22,920 million.

Sales (¥ millions)



Highlights of the Year

Yamato Turns Late-Night Flights Into Industry's First *Air Speed Takkyubin* Service

Late-night flights between Japan's Kanto region and Hokkaido, operating since November 2003, have enabled Yamato to launch *Air Speed Takkyubin*, a new next-day delivery service. From July 2004, the service also began utilizing flights between the Kanto region and Kyushu. Until now, distance had proven a significant hurdle, making 2-day service the only viable option for deliveries to Hokkaido, Kyushu and surrounding regions. The long-awaited arrival of late-night flights has finally allowed Yamato to extend its service area for next-day deliveries. Reducing delivery dates by a full day is solidifying *Air Speed Takkyubin*'s reputation as the delivery service to choose when time is of the essence. New delivery possibilities include official documents and other time-sensitive materials for business use, the delivery of food products native to Hokkaido and Kyushu to the Kanto region, and the shipment of components and raw materials from the Kanto region to factories in Hokkaido, Kyushu and outlying areas.

Air Speed Takkyubin

Yamato Launches e-Mail Delivery Notification Service

Since July 2004, Yamato has made it possible for registered customers to receive notification of parcel delivery times and dates via e-mail. This *Mail Notification Service* also allows customers to change target delivery dates and times to fit their schedule. Previously, Yamato had launched a service in February 2002 that enabled parcel senders requesting such to notify the recipient of impending delivery via e-mail. In response to strong demand to make this kind of service available for all parcels, Yamato enhanced its existing service by creating a system whereby recipients registered as users can receive e-mail notification. In commercial-use parcels, this service is allowing customers, particularly mail-order companies, to raise the level of their own services and improve business efficiency, two points that have led to its widespread use.

Better Services via *Kuroneko Mail* and Expanded Cash Settlement and Service Counters

Payment options for *Kuroneko Mail* were initially limited to the conclusion of a prior contract and credit sales. To increase customer convenience, Yamato received approval from Japan's Ministry of Land, Infrastructure and Transport to alter the contract terms for *Kuroneko Mail*, making Yamato, from March 2004, the first in the industry to offer cash settlement for this service to customers without an individual service contract. At the same time, Yamato revised procedures that required *Kuroneko Mail* to be collected by sales-drivers or brought directly to its handling centers. As a result, certain convenience stores began handling *Kuroneko Mail* from May 2004. And from July 2004, Seven-Eleven Japan Co., Ltd. has been offering *Kuroneko Mail* at its 10,000-store nationwide network, expanding this service and making it readily available to customers across Japan.

Yamato Establishes Yamato (Shanghai) Logistics Co., Ltd. as a Local Subsidiary in China

In response to the rising demand for logistics services as Japanese enterprises expand their business operations in China, Yamato established a local subsidiary in Shanghai called Yamato (Shanghai) Logistics Co., Ltd. that opened its doors in October 2003. The company acts as a hub for collecting goods and parts supplied from all over China, utilizing the *Takkyubin* network to offer logistics services for shipping to locations across Japan.

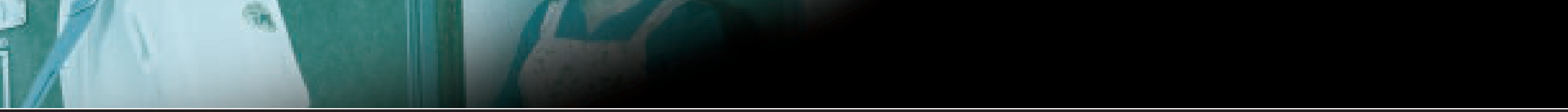
Yamato (Shanghai) Logistics Co., Ltd.

Strategically Strengthening Business Ties with UPS

Since creating a jointly operated company in 1990, the Yamato Group and United Parcel Service of America, Inc. (UPS) have extended their network for the shipment of small-lot freight to and from Japan worldwide—a step that has been yielding tangible results. The market environment, however, has changed in the 18 years since the companies first established ties, prompting Yamato and UPS to reassess their business arrangement. To make Yamato's *Takkyubin, Kuroneko Mail* and the logistics service network available to a greater number of customers around the world and to enhance the quality of services provided, the two companies moved from a joint business contract to a more strategic business configuration.

In April 2000, the jointly operated company was separated into three surviving entities, UPS Yamato Co., Ltd. (Yamato 50%, UPS 50%), UPS Yamato Express Co., Ltd. (UPS 51%, Yamato 49%), and Yamato UPS International Air Cargo Co., Ltd. (UPS 49%, Yamato 51%; name changed to Yamato Global Freight Co., Ltd. upon becoming a wholly owned subsidiary in 2002). Of the three, UPS Yamato Express Co., Ltd. became a wholly owned subsidiary of UPS following the transfer of Yamato's 49% share in the company at the close of March 2003.

Just as under their previous tie-up, this new business arrangement will permit Yamato to sell UPS services in Japan and to conduct domestic shipping operations utilizing its finely tuned network.



Environment Preservation Activities

Driven by a desire to meaningfully contribute to the natural environment ten years hence and to attain sustainable corporate growth, the Yamato Group has enacted a variety of initiatives over the years aimed at two priority management concerns: lessening its impact on the natural environment and supporting environment preservation activities. A few of Yamato's actions in this regard are found below.

Measures to Combat Global Warming

Greenhouse gases, identified as a causal factor in global warming, are released during the course of industrial activity. Of these gases, carbon dioxide (CO_2) has the greatest impact on the environment, making measures to reduce the total volume of CO_2 emissions of major concern. The Yamato Group set itself the task of holding CO_2 emission levels by fiscal 2012 to 99% of levels in fiscal 2002. To achieve this, Yamato is striving to cut CO_2 emissions per parcel delivered by 30%. The plan formulated for reaching this goal includes:

- Limiting the number of vehicles in the fleet, and
- Switching to hybrids and other low-emission vehicles.

Simulations of CO_2 emissions indicate that implementing these measures should indeed allow Yamato to attain this goal.

A smaller vehicle fleet

Yamato conducts operations over a segmented network of business sites spanning 5,000 locations across Japan. Increasing the size of this vast network allows Yamato to reduce the designated service area for each site. It also makes delivery possible without the use of motor vehicles, particularly in urban settings. As for specific strategies, Yamato plans to:

- Double the number of distribution centers capable of delivering only by dolly and hand-truck from 500 locations to 1,000, and
- Establish set criteria for lowering the environmental impact of delivery for each service area.

Pursuing these two objectives should forestall an increase of approximately 3,000 delivery vehicles.

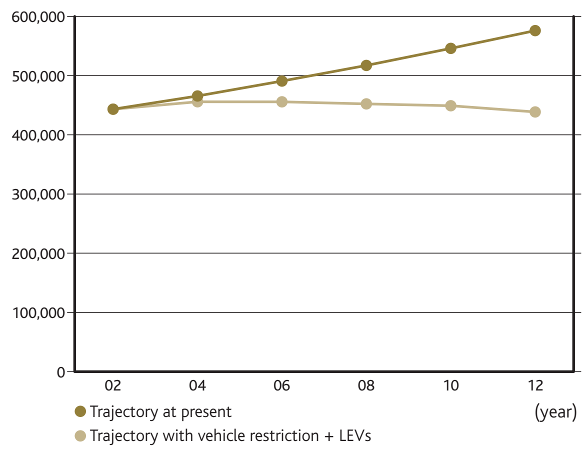
Switching to low-emission vehicles

Yamato has consistently led the industry in adopting vehicles that have the lowest possible impact on the environment. In recent years, Yamato has been replacing vehicles in its mostly diesel fleet with LPG-powered vehicles. Today, however, the refueling infrastructure is in place to make the jump to hybrid vehicles a viable option. Hybrids break new ground in terms of minimizing impact on the environment, and Yamato is assigning these vehicles a more prominent role in the composition of its fleet. The target is to introduce

20,000 hybrid vehicles by 2012. At the same time, Yamato is looking to take advantage of fuel-efficient, light-class vehicles by adding 5,000 of these to the fleet. In fiscal 2004, Yamato introduced 690 low-emission vehicles, boosting the fleet-wide percentage to 9.24%. In fiscal 2005, plans call for taking on approximately 800 more of these vehicles.

Yamato Transport Objectives for Preventing Global Warming

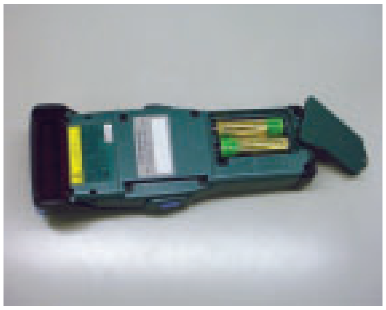
(Units: 1 ton CO_2)



Measures for Reducing Waste

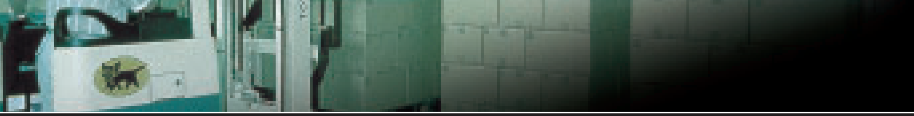
The Yamato Group is committed to reducing waste through recycling and reuse, particularly of shipping and packing materials, as part of actions to preserve the natural environment.

Zero emissions recycling of alkaline batteries



Alkaline batteries used in portable POS terminals

On a company-wide basis, the battery-powered, portable POS and pen-scanner terminals used by Yamato employees in *Takkyubin* and *Kuroneko Mail* operations consume more than 50 tons of alkaline batteries per year, that is, about 2 million batteries. Previously, disposal of these batteries was outsourced to industrial waste professionals in each business area and they were buried in landfills. But since February 2004, Yamato has been operating a recycling framework for achieving zero emission recycling, defined as complete elimination of all industrial waste. Alkaline batteries are now collected and sent to recycling professionals, where they are rendered into iron, zinc, manganese and other useable resources.



Directors and Auditors

Representative Director
Chairman
Keiji Aritomi

Representative Director
President and Chief Executive Officer
Atsushi Yamazaki

Representative Directors
Senior Managing Executive Officers
Seiichi Jimbo
Michio Abe

Members of the Board
Managing Executive Officers
Kaoru Seto
Koji Ogura
Yuji Uenuma
Etsuo Ogawa
Kiyoshi Ikari

Managing Executive Officers
Hiroshi Kawada
Nobuyuki Yamauchi
Kenji Shibasaki

Executive Officers
Shinichi Tsukamoto
Shigeo Mamiya
Osamu Okada
Yuji Noguchi
Keishiro Sasaki
Tadashi Okamura

Auditors
Hideo Endo
Takeshi Morishita
Noriaki Kinoshita
Shigemichi Matsuka

(As of June 29, 2004)

Six-year Consolidated Financial Summary

	Millions of Yen						Thousands of U.S. Dollars
	2004	2003	2002	2001	2000	1999	**2004**
Operating revenues	**¥1,011,344**	¥972,135	¥932,120	¥906,944	¥812,355	¥767,656	**$9,568,965**
Operating costs	**945,201**	896,023	861,775	838,219	753,674	713,789	**8,943,145**
Selling, general and administrative expenses	**19,484**	19,294	17,156	16,699	14,431	13,990	**184,354**
Operating income	**46,659**	56,818	53,189	52,026	44,250	39,877	**441,466**
Income (Loss) before income taxes and minority interests	**87,293**	91,063	49,905	(3,554)	37,339	36,783	**825,933**
Income taxes	**37,515**	42,538	22,217	484	16,876	19,490	**354,956**
Net income (loss)	**49,783**	48,502	27,512	(4,181)	20,418	17,275	**471,033**

	Yen						U.S. Dollars
Per share of common stock:							
Net income (loss)	**¥ 107.51**	¥ 104.51	¥ 59.36	¥ (9.25)	¥ 46.11	¥ 41.13	**$ 1.02**
Diluted net income	**105.20**	101.63	57.38	–	43.63	37.49	**1.00**
Cash dividends	**18.00**	15.00	14.00	14.00	14.00	14.00	**0.17**

	Millions of Yen						Thousands of U.S. Dollars
Working capital	**¥ 74,803**	¥ 77,514	¥ 84,630	¥ 93,534	¥ 75,199	¥ 92,940	**$ 707,753**
Total shareholders' equity	**443,715**	406,306	364,806	344,209	338,295	306,372	**4,198,269**
Total assets	**652,792**	655,877	678,939	670,246	642,477	610,217	**6,176,482**
Capital expenditures	**47,587**	42,591	40,379	37,144	32,761	44,333	**450,252**
Depreciation and amortization	**35,663**	31,731	31,764	29,900	28,917	29,935	**337,427**
Net cash provided by operating activities	**41,064**	86,035	69,724	55,249	60,887	–	**388,536**
Number of employees	**131,974**	112,948	108,700	101,784	93,425	83,577	**–**
Operating income margin (%)	**4.61**	5.84	5.71	5.74	5.45	5.19	**–**
Return on revenues (%)	**4.92**	4.99	2.95	(0.46)	2.51	2.25	**–**
Return on assets (%)	**7.61**	7.27	4.08	(0.64)	3.26	2.91	**–**
Return on equity (%)	**11.71**	12.58	7.76	(1.23)	6.33	6.01	**–**
Current ratio (%)	**142.39**	145.44	147.94	154.34	150.44	167.96	**–**
Equity ratio (%)	**67.97**	61.95	53.73	51.36	52.65	50.21	**–**
Assets turnover (Times)	**1.55**	1.46	1.38	1.38	1.30	1.29	**–**
Interest coverage ratio (Times)	**65.17**	36.68	24.99	20.55	13.55	11.19	**–**
Shareholders' equity per share (Yen)	**971.84**	875.08	790.58	746.21	759.46	707.98	**9.20**

Note: U.S. dollar amounts have been translated, for convenience only, at the rate of ¥105.69 to U.S.$1.

Management's Discussion and Analysis

Scope of Consolidation

Yamato's consolidated financial statements include 40 consolidated subsidiaries and 2 affiliates accounted for by the equity method.

Results of Operations

In the fiscal year ended March 31, 2004, the Japanese economy showed some encouraging signs of recovery, underpinned by capital expenditures and exports. These gains, however, fell short of arresting weak consumer spending and other deflationary trends, and the economic environment remained difficult.

In the domestic transportation industry handling volume increased but average unit prices failed to recover. The business environment remained harsh amid escalating competition among transportation companies, including from the package delivery service of Japan Post following its launch on April 1, 2003.

In these circumstances, the Group restructured its operations into five operating segments—Delivery, BIZ-Logistics, Home Convenience, e-Business and Financial—to facilitate growth and raise the Group's corporate value.

In the core Delivery business, we focused on strengthening marketing power and rebuilding the *Takkyubin* network to reform the structure of our earnings, in readiness for competition from the privatized Postal Services Agency (now Japan Post). We switched from a network of delivery bases to a larger network of delivery centers, each staffed by fewer employees. The move brings us closer to our customers and enables us to provide meticulous service that will lead to higher customer satisfaction, while at the same time raising the awareness among employees of the need to be business oriented. We also consolidated our administrative and service center functions in order to raise the efficiency of back-office operations, while taking measures to make it easier for customers to use our service, differentiating us from competitors.

As a result of the above and other factors, Yamato Transport recorded consolidated operating revenues of ¥1,011,344 million (U.S.$9,569.0 million), up ¥39,209 million, or 4.0% from the previous fiscal year. Operating income fell ¥10,159 million, or 17.9%, to ¥46,659 million (U.S.$441.5 million). The principal factor affecting operating income was a sharp ¥49,368 million or 5.4%, increase in total operating costs and expenses to ¥964,685 million, mainly due to capital expenditures related to re-building the *Takkyubin* network as a part of planning for the future and strengthening the *Kuroneko Mail* network. The operating income margin declined 1.2 percentage points to 4.6%.

Review by Operating Segment

From the fiscal year under review, Yamato Transport's business is divided into five operating segments:

Delivery

The Delivery business is mainly focused on small parcel delivery services for consumers and corporate clients and includes the *Takkyubin* and *Kuroneko Mail* services. Demand for the *Takkyubin* service remained strong. Also contributing to growth was *Cool Takkyubin*, where volume increased 5.8% to 122.6 million units. The *Collect Service* handling volume increased 9.4% to 63.5 million units. Consequently, overall delivery volume in the parcel delivery business climbed to 1,011.2 million parcels, up 2.8% and topping the 1 billion unit mark for the first time. Handling volume in the *Kuroneko Mail* service increased significantly as we revised our rate structure and upgraded service with the introduction of more packet sizes and worked to expand our corporate client base.

Total operating revenues, including Rail-Freight Forwarding, Domestic Air Freight and Others, was ¥834,495 million (U.S.$7,895.7 million), an increase of ¥34,032 million, or 4.3%. However, operating income fell ¥10,494 million, or 22.8%, to ¥35,548 million (U.S.$336.3 million) owing to an increase in operating costs, mainly due to the cost related to consolidating back-office operations and strengthening the organization to rebuild the *Takkyubin* network.

Takkyubin Revenues and Unit Prices

Years ended March 31	2000	2001	2002	2003	**2004**
Takkyubin revenues (millions of Yen)	¥622,666	¥658,156	¥683,589	¥698,499	**¥ 690,088**
Delivery volume (1,000 parcels)	836,206	898,595	947,895	983,938	**1,011,150**
Unit price (Yen)	¥ 744	¥ 732	¥ 721	¥ 710	**¥ 682**

Unit price for calculation purposes declined in the fiscal years ended March 2003 and 2004 due to the merger of Shikoku Yamato Transport Co., Ltd. and Kyushu Yamato Transport Co., Ltd.

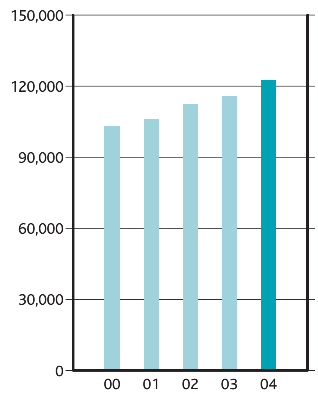
BIZ-Logistics

The BIZ-Logistics provides inter-company logistics services aimed at the B2B supply chain management market and includes international marine forwarding, international air-freight forwarding and the transportation of works of art.

On April 1, 2003, a part of the Logistics business was spun off to Yamato Logistics Corporation. At the same time, marine forwarding, customs clearance, transportation of works of art and international moving operations were transferred to Yamato Global Freight Co., Ltd. As a result of this active reorganization of our domestic and international logistics services, operating revenue rose ¥3,134 million, or 3.6%, to ¥90,236 million (U.S.$853.8 million), with operating income rising sharply by ¥390 million, or 14.5%, to ¥3,088 million (U.S.$29.2 million).

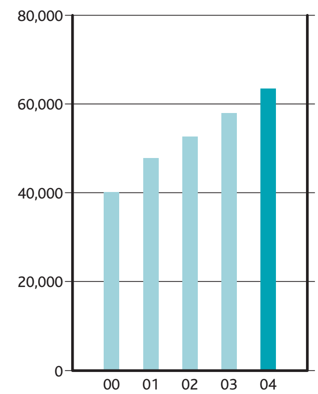
Cool Takkyubin Delivery Volume

(1,000 parcels)



Collect Service Delivery Volume

(1,000 parcels)



Home Convenience

Home Convenience services include moving services and lifestyle support services, such as home services intimately connected with the needs of local markets, in addition to merchandise marketing.

In the fiscal year ended March 31, 2004, the moving service operations of each base were separated and merged with Yamato Home Service Co., Ltd., Yamato Transport's home service subsidiary, which was renamed Yamato Home Convenience Co., Ltd. and started actively marketing these services. Despite this, operating revenues, including moving services and merchandise marketing, declined ¥1,031 million, or 2.4%, to ¥42,611 million (U.S.$403.2 million). Operating income fell ¥1,498 million to ¥10 million (U.S.$0.1 million).

e-Business

The e-Business segment includes information services targeted at the business market, including ASP services and the development of information systems.

A new data center, designed to provide safe, reliable and competitively priced services, was completed in Koto-ku, Tokyo in April 2003, helping us actively promote our e-Business. As a result, operating revenues increased ¥1,354 million, or 6.9%, to ¥21,082 million (U.S.$199.5 million). Operating income rose ¥703 million, or 40.3%, to ¥2,447 million (U.S.$23.2 million).

Financial

The Financial segment includes financial services targeted at business customers and consumers, such as settlement and collection.

In the fiscal year ended March 31, 2004, Financial services were actively promoted through campaigns and other initiatives to increase delivery volumes for our core *Collect Service*. As a result of these and other factors, operating revenues, including collection service fees and leasing income, increased ¥1,720 million, or 8.1%, to ¥22,920 million (U.S.$216.9 million) and operating income rose ¥548 million, or 9.5%, to ¥6,346 million (U.S.$60.0 million).

Financial Review

Operating costs

In the fiscal year ended March 31, 2004, Yamato Transport recorded consolidated operating costs and expenses of ¥964,685 million (U.S.$9,127.5 million), up ¥49,368 million, or 5.4% from the previous fiscal year. Significant components of the increased operating costs are as follows:

Breakdown of operating costs — Millions of Yen

Years ended March 31	2003	**2004**	Increase/ decrease
Personnel expenses	¥ 503,828	**¥ 526,882**	¥23,054
Subcontracting expenses	318,809	**311,349**	(7,460)
Vehicle expenses	18,442	**23,346**	4,904
Other expenses	198,925	**217,143**	18,218
Elimination of internal procurement costs	(124,687)	**(114,035)**	10,652
Total	¥ 915,317	**¥ 964,685**	¥49,368

Personnel expenses increased ¥23,054 million, an increase largely attributed to reallocation of employees as a result of consolidation of back-office operations in support of restructuring the *Takkyubin* network and an increase in the ranks of delivery personnel. The number of employees increased by 19,026 to 131,974. The number of full-time employees went up by 1,540 to 69,398 and the number of part-time employees rose by 17,486 to 62,576. As a result, the share of part-time employees in Yamato Transport's workforce increased 7.5 percentage points to 47.4%. Provision for retirement benefits decreased ¥14,609 million to ¥18,424 million due to exemption from future pension obligation of the governmental program.

Subcontracting expenses declined by ¥7,460 million, due to a ¥17,820 million decline in commission expenses following the merger of Shikoku Yamato Transport Co., Ltd. and Kyushu Yamato Transport Co., Ltd., which reduced delivery expenses.

Vehicle expenses rose ¥4,904 million as our vehicle maintenance facilities were spun off to a subsidiary.

Other Income and Expenses

Other income—net increased ¥6,389 million to ¥40,634 million (U.S.$384.5 million).

The principal component of other income was a ¥40,470 million gain on decrease of pension obligation with transfer to cash balance plan. Loss on devaluation of land (¥8,697 million in the fiscal year ended March 31, 2003) and unrealized loss on devaluation of investment securities (¥2,002 million in the fiscal year ended March 31, 2003), which significantly affected income in the previous fiscal year, narrowed in the fiscal year ended March 31, 2004.

Net Income

Income before income taxes and minority interests declined ¥3,770 million, or 4.1%, to ¥87,293 million (U.S.$825.9 million). Income taxes declined ¥5,023 million to ¥37,515 million (U.S.$355.0 million). The result was a net ¥1,281 million, or 2.6%, increase in net income to ¥49,783 million (U.S.$471.0 million). Return on equity declined 0.9 of a percentage point to 11.7%.

As a result of these factors, diluted net income per share amounted to ¥105.20 (U.S.$1.00), an increase of ¥3.57, or 3.5%. As a part of the program to strengthen group management, profit sharing with shareholders will be linked to consolidated profit. Furthermore, the payout ratio target has been set at a minimum of 30% of the consolidated net income. In line with this policy, the annual dividend was raised by ¥3 per common share to ¥18.00 (U.S.$0.17).

Cash Flows

(Operating Activities)

Net cash provided by operating activities totaled ¥41,064 million (U.S.$388.5 million), a decrease of ¥44,971 million from the previous fiscal year. The principal uses of cash in operating activities were capital expenditures for reengineering the *Takkyubin* network and an increase in notes and accounts receivable.

(Investing Activities)
Net cash used in investing activities was ¥40,684 million (U.S.$384.9 million), an increase of ¥1,309 million. The principal use of cash in investing activities was an increase of ¥14,007 million for the purchase of property, plant and equipment. This included continuing introduction of low-emission vehicles, and the purchase of a complete set of receipt-filing-system equipment for the reengineering of the *Takkyubin* network. Purchases of marketable and investment securities declined ¥10,734 million from the previous fiscal year.

(Financing Activities)
Net cash used in financing activities totaled ¥16,440 million (U.S.$155.6 million), a decrease of ¥57,155 million, from the previous fiscal year. The principal uses of cash were ¥9,984 million for the buyback of 7.7 million shares (based on a resolution approved by shareholders) and cash dividend payments of ¥7,427 million.

As a result of these actions, cash and cash equivalents at the end of the fiscal year totaled ¥117,031 million (U.S.$1,107.3 million), down ¥15,362 million from the end of the previous fiscal year.

Financial Position

Total current assets as of March 31, 2004 were ¥251,261 million (U.S.$2,377.3 million), an increase of ¥3,153 million, or 1.3%, mainly because of a ¥10,188 million, or 12.0%, increase in notes and accounts receivable.

Net property, plant and equipment increased ¥8,201 million, or 2.6%, to ¥326,995 million (U.S.$3,093.9 million), reflecting continuing investment in the Delivery service and other facilities. There was a net ¥8,498 million increase in buildings and structures, including a ¥3,872 million investment in a new YSD data center and a ¥6,693 million increase in vehicles and transport equipment. In the fiscal year ended March 31, 2004, the Group purchased 6,979 vehicles, including replacements. The Group's network as of March 31, 2004 was as follows:

Network

Years ended March 31	2003	**2004**
Vehicles (unit)	37,741	**41,563**
Delivery channels	3,583	**8,267**
Sub-agents	317,595	**306,986**

Investments and Other Assets declined ¥14,439 million or 16.2%, to ¥74,536 million (U.S.$705.2 million). Investment securities declined ¥1,735 million, reflecting the streamlining of the portfolio. Deferred tax assets fell ¥13,302 million as temporary differences upon transfer to a new retirement benefit system were amortized.

As a result of the foregoing, total assets declined ¥3,085 million, or 0.5%, from the end of the previous fiscal year, to ¥652,792 million (U.S.$6,176.5 million).

Total current liabilities as of March 31, 2004 were ¥176,458 million (U.S.$1,669.6 million), an increase of ¥5,864 million, or 3.4%, from the previous fiscal year-end. The current portion of corporate bonds was ¥17,000 million.

Total long-term liabilities fell ¥46,073 million, or 58.7%, to ¥32,455 million (U.S.$307.1 million). The principal factors contributing to the decline were a switch to DA accounting and the introduction of a CMS system to reduce interest-bearing debt, in addition to the establishment of a credit facility to strengthen the Group's financial position. Corporate bonds coming due this year totaled ¥17,000 million and were therefore reclassified as current assets. Liabilities for employees' retirement benefits declined ¥29,479 million as a portion of reserve for employees' retirement benefit was liquidated following the transfer to a new employee retirement benefit system.

Total shareholders' equity rose ¥37,409 million, or 9.2%, to ¥443,715 million (U.S.$4,198.3 million). The principal factors were the addition of ¥43,394 million in retained earnings from the posting of net income. Another factor was the rebound in stock prices that led to a ¥3,935 million increase in unrealized gain on available-for-sale securities. Continuing purchases of treasury stock led to an increase of ¥9,791 million in treasury stock. Shareholders' equity per share rose ¥96.76, or 11.1%, to ¥971.84 (U.S.$9.20). The shareholders' equity ratio rose 6.1 percentage points to 68.0%.

Consolidated Balance Sheets

March 31, 2004 and 2003

ASSETS	Millions of Yen 2004	Millions of Yen 2003	Thousands of U.S. Dollars (Note 1) 2004
CURRENT ASSETS:			
Cash (Note 2.c)	¥ 116,913	¥ 132,320	$ 1,106,190
Time deposits (Note 2.c)	119	241	1,122
Marketable securities (Notes 3 and 4)	8,078	6,512	76,431
Notes and accounts receivable:			
Trade	95,358	85,170	902,242
Allowance for doubtful accounts	(509)	(438)	(4,811)
Inventories	2,367	3,287	22,394
Deferred tax assets (Note 7)	13,766	10,771	130,252
Prepaid expenses and other current assets	15,169	10,245	143,519
Total current assets	251,261	248,108	2,377,339
PROPERTY, PLANT AND EQUIPMENT—At cost:			
Land (Note 4)	152,876	150,101	1,446,460
Buildings and structures	217,364	208,866	2,056,620
Vehicles	154,317	147,624	1,460,092
Machinery and equipment	97,340	89,875	920,992
Construction in progress	336	6,087	3,176
Total	622,233	602,553	5,887,340
Accumulated depreciation	(295,238)	(283,759)	(2,793,427)
Net property, plant and equipment	326,995	318,794	3,093,913
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3 and 4)	17,668	19,403	167,170
Investments in and advances to non-consolidated subsidiaries and affiliates, net of valuation allowance of ¥150 million ($1,419 thousand) in 2004 and 2003	823	3,689	7,782
Long-term loans	4,586	3,771	43,392
Lease deposits	27,518	28,667	260,367
Deferred tax assets (Note 7)	7,475	20,777	70,725
Other assets	16,466	12,668	155,794
Total investments and other assets	74,536	88,975	705,230
TOTAL	¥ 652,792	¥ 655,877	$ 6,176,482

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen 2004	Millions of Yen 2003	Thousands of U.S. Dollars (Note 1) 2004
CURRENT LIABILITIES:			
Short-term bank loans (Note 4)	¥ 145	¥ 414	$ 1,374
Current portion of long-term debt (Note 4)	17,000		160,848
Notes and accounts payable:			
Trade	68,368	76,427	646,874
Construction	9,598	12,006	90,814
Income taxes payable	16,366	22,664	154,851
Employees' savings deposits	3,821	3,897	36,147
Accrued expenses	44,606	39,692	422,048
Other current liabilities	16,554	15,494	156,630
Total current liabilities	176,458	170,594	1,669,586
LONG-TERM LIABILITIES:			
Long-term debt (Note 4)	13,425	30,425	127,023
Liability for employees' retirement benefits (Note 5)	18,245	47,724	172,629
Deferred tax liabilities (Note 7)		65	
Other long-term liabilities	785	314	7,422
Total long-term liabilities	32,455	78,528	307,074
MINORITY INTERESTS	164	449	1,553
CONTINGENT LIABILITIES (Note 9)			
SHAREHOLDERS' EQUITY (Notes 4, 6 and 12):			
Common stock—authorized, 530,000,000 shares; issued, 469,475,456 shares in 2004 and 2003	120,548	120,548	1,140,579
Capital surplus	133,453	133,340	1,262,683
Retained earnings	206,877	163,483	1,957,391
Unrealized gain on available-for-sale securities	4,183	248	39,583
Foreign currency translation adjustments	(625)	(383)	(5,910)
Treasury stock—at cost, 13,067,113 shares in 2004 and 5,344,579 shares in 2003	(20,721)	(10,930)	(196,057)
Total shareholders' equity	443,715	406,306	4,198,269
TOTAL	¥652,792	¥655,877	$6,176,482

Consolidated Statements of Income

Years Ended March 31, 2004 and 2003

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	**2004**
OPERATING REVENUES	**¥1,011,344**	¥972,135	**$9,568,965**
OPERATING COSTS AND EXPENSES:			
Operating costs	**945,201**	896,023	**8,943,145**
Selling, general and administrative expenses	**19,484**	19,294	**184,354**
Total operating costs and expenses	**964,685**	915,317	**9,127,499**
Operating income	**46,659**	56,818	**441,466**
OTHER (INCOME) EXPENSES:			
Interest and dividend income	**(436)**	(548)	**(4,124)**
Interest expense	**723**	1,564	**6,838**
Gain on sales of marketable and investment securities	**(4,093)**	(1)	**(38,726)**
Loss on disposal of property, plant and equipment	**1,643**	1,650	**15,546**
Bond issuance costs	**14**	8	**135**
Equity in earnings of affiliated companies	**(531)**	(722)	**(5,020)**
Gain on exemption from future pension obligation of the governmental program		(45,703)	
Gain on decrease of pension obligation with transfer to cash balance plan (Note 2.h)	**(40,470)**		**(382,911)**
Loss on devaluation of land	**897**	8,697	**8,486**
Loss on devaluation of telephone subscription rights	**1,519**		**14,367**
Other—net	**100**	810	**942**
Other income—net	**(40,634)**	(34,245)	**(384,467)**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**87,293**	91,063	**825,933**
INCOME TAXES (Note 7)**:**			
Current	**29,808**	36,904	**282,034**
Deferred	**7,707**	5,634	**72,922**
Total income taxes	**37,515**	42,538	**354,956**
MINORITY INTERESTS IN EARNINGS OF CONSOLIDATED SUBSIDIARIES	**(5)**	23	**(56)**
NET INCOME	**¥ 49,783**	¥ 48,502	**$ 471,033**

	Yen		U.S. Dollars
	2004	2003	**2004**
PER SHARE OF COMMON STOCK (Notes 2.n and 10)**:**			
Basic net income	**¥ 107.51**	¥ 104.51	**$ 1.02**
Diluted net income	**105.20**	101.63	**1.00**
Cash dividends applicable to the year	**18.00**	15.00	**0.17**

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Years Ended March 31, 2004 and 2003

	Thousands	Millions of Yen					
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock
BALANCE, APRIL 1, 2002	461,443	¥ 116,300	¥ 129,092	¥ 118,895	¥ 896	¥ (132)	¥ (245)
Adjustment of retained earnings for newly consolidated subsidiaries				2,713			
Net income				48,502			
Cash dividends, ¥14 per share				(6,483)			
Bonuses to directors and corporate auditors				(144)			
Repurchase of treasury stock	(5,238)						(10,685)
Shares issued on conversion of convertible debt	7,926	4,248	4,248				
Net decrease in unrealized gain on available-for-sale securities					(648)		
Foreign currency translation adjustments						(251)	
BALANCE, MARCH 31, 2003	464,131	120,548	133,340	163,483	248	(383)	(10,930)
Adjustment of retained earnings for newly consolidated subsidiaries				1,189			
Net income				49,783			
Cash dividends, ¥16 per share				(7,426)			
Bonuses to directors and corporate auditors				(152)			
Repurchase of treasury stock	(7,837)						(10,022)
Disposal of treasury stock	114		113				231
Net increase in unrealized gain on available-for-sale securities					3,935		
Foreign currency translation adjustments						(242)	
BALANCE, MARCH 31, 2004	**456,408**	**¥ 120,548**	**¥ 133,453**	**¥ 206,877**	**¥ 4,183**	**¥ (625)**	**¥ (20,721)**

	Thousands of U.S. Dollars (Note 1)					
	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock
BALANCE, MARCH 31, 2003	$ 1,140,579	$ 1,261,617	$ 1,546,818	$ 2,343	$ (3,624)	$ (103,414)
Adjustment of retained earnings for newly consolidated subsidiaries			11,251			
Net income			471,033			
Cash dividends, $0.15 per share			(70,266)			
Bonuses to directors and corporate auditors			(1,445)			
Repurchase of treasury stock						(94,830)
Disposal of treasury stock		1,066				2,187
Net increase in unrealized gain on available-for-sale securities				37,240		
Foreign currency translation adjustments					(2,286)	
BALANCE, MARCH 31, 2004	**$1,140,579**	**$1,262,683**	**$1,957,391**	**$39,583**	**$(5,910)**	**$(196,057)**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years Ended March 31, 2004 and 2003

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	**2004**
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	**¥ 87,293**	¥ 91,063	**$ 825,933**
Adjustments for:			
Income taxes—paid	**(36,320)**	(31,064)	**(343,644)**
Depreciation and amortization	**35,663**	31,731	**337,427**
Loss on disposal of property, plant and equipment	**1,643**	1,650	**15,546**
Loss on devaluation of land	**897**	8,697	**8,486**
Loss on devaluation of telephone subscription rights	**1,519**		**14,367**
Gain on sales of marketable and investment securities	**(4,093)**	(1)	**(38,726)**
Equity in earnings of affiliated companies	**(531)**	(722)	**(5,020)**
Changes in assets and liabilities, net of effects from newly consolidated subsidiaries:			
Increase in notes and accounts receivable	**(9,470)**	(1,668)	**(89,599)**
Decrease in inventories	**977**	513	**9,242**
(Decrease) increase in notes and accounts payable	**(8,724)**	7,150	**(82,540)**
Decrease in liability for employees' retirement benefits	**(29,652)**	(25,605)	**(280,551)**
Other—net	**1,862**	4,291	**17,615**
Total adjustments	**(46,229)**	(5,028)	**(437,397)**
Net cash provided by operating activities	**41,064**	86,035	**388,536**
INVESTING ACTIVITIES:			
Proceeds from sale of property, plant and equipment	**687**	759	**6,497**
Purchases of property, plant and equipment	**(46,946)**	(32,939)	**(444,185)**
Proceeds from sales of marketable and investment securities	**6,704**	6,399	**63,427**
Purchases of marketable and investment securities	**(8)**	(10,742)	**(72)**
Decrease (increase) in investments in and advances to non-consolidated subsidiaries and affiliates	**6,626**	(1,128)	**62,691**
Cash collected from long-term loans	**2,684**	3,033	**25,397**
Cash advanced for long-term loans	**(3,579)**	(2,582)	**(33,866)**
Other	**(6,852)**	(2,175)	**(64,832)**
Net cash used in investing activities	**(40,684)**	(39,375)	**(384,943)**
FINANCING ACTIVITIES:			
Proceeds from short-term bank loans	**97**	77	**915**
Repayments of short-term bank loans	**(240)**	(5,821)	**(2,270)**
Proceeds from long-term debt		5	
Repayments of long-term debt		(51,644)	
Dividends paid	**(7,427)**	(6,694)	**(70,268)**
Treasury stocks	**(9,984)**	(10,685)	**(94,466)**
Other	**1,114**	1,167	**10,537**
Net cash used in financing activities	**(16,440)**	(73,595)	**(155,552)**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**(81)**	(93)	**(766)**
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(16,141)**	(27,028)	**(152,725)**
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES, BEGINNING OF YEAR	**779**	4,118	**7,374**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**132,393**	155,303	**1,252,656**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥117,031**	¥132,393	**$1,107,305**
NONCASH FINANCING ACTIVITIES:			
Proceeds from issuance of common stock upon conversion of convertible debt		¥ 8,496	

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Years Ended March 31, 2004 and 2003

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Yamato Transport Co., Ltd. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥105.69 to $1, the approximate rate of exchange at March 31, 2004. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

Certain reclassifications and rearrangements have been made in the 2003 financial statements to conform to the classifications and presentations used in 2004.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

***a. Consolidation*—**The consolidated financial statements as of March 31, 2004 include the accounts of the Company and its 40 significant (27 in 2003) subsidiaries (together, the "Group").

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

The remaining non-consolidated subsidiaries, whose combined assets, net sales, net income and retained earnings in the aggregate are not significant to the consolidated financial statements, have not been consolidated with the Company.

Investments in 2 (3 in 2003) affiliates are accounted for by the equity method.

Investments in the remaining non-consolidated subsidiaries and affiliates are stated at cost less a valuation allowance representing possible losses on the investments that is deemed to be other than temporary. If the equity method of accounting had been applied to the investments in such companies, the effect on the accompanying consolidated financial statements would not be material.

The excess of the costs over the underlying net equity of investments in consolidated subsidiaries is allocated to identifiable assets, and the remaining amount is recognized as goodwill and amortized on a straight-line basis over a five-year period, with the exception of minor amounts which are charged or credited to income in the period of acquisition.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

***b. Recognition of Operating Revenues*—**The Group recognizes freight charge income as operating revenues at the time when freight has been received from the shipping customer for transportation.

***c. Cash Equivalents*—**Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits, certificate of deposits and mutual funds investing in bonds that represent short-term investments, all of which mature or become due within three months of the date of acquisition.

The difference between cash and time deposits in the accompanying consolidated balance sheets and cash and cash equivalents in the accompanying consolidated statements of cash flows is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Cash	¥116,913	¥132,320	$1,106,190
Time deposits	119	241	1,122
Total	117,032	132,561	1,107,312
Bank overdraft included in cash	(1)	(168)	(7)
Cash and cash equivalents	¥117,031	¥132,393	$1,107,305

***d. Inventories*—**Inventories which mainly consist of supplies are stated at cost as determined by the first-in, first-out method.

***e. Marketable and Investment Securities*—**Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: (1) trading securities, which are held for the purpose of earning capital gains in near term are reported at fair value, and the related unrealized gains and losses are included in the earnings, (2) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity are reported at amortized cost and (3) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of shareholders' equity. The Group has no such trading securities.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method.

For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

***f. Property, Plant and Equipment*—**Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its consolidated domestic subsidiaries is computed substantially by the declining-balance method at rates based on the estimated useful lives of the assets, while the straight-line method is applied to the buildings acquired after April 1, 1998, and to the equipment used for refrigerated delivery service. The depreciation of property, plant and equipment of foreign consolidated subsidiaries is computed on the straight-line method over the estimated useful lives of the assets. The range of useful lives is principally as follows:

Buildings and structures	7–60 years
Vehicles	2– 7 years
Machinery and equipment	2–20 years

Maintenance and repairs including minor renewals and improvements are charged to income as incurred.

***g. Other Assets*—**Amortization of intangible assets is computed on the straight-line method over the period specified by the Japanese Commercial Code (the "Code").

Bond issuance costs are deferred as other assets and amortized on the straight-line method over a three-year period.

***h. Retirement and Pension Plan*—**The Company and certain consolidated subsidiaries have a contributory trusteed pension plan and an unfunded retirement benefits plan. The foreign subsidiaries have a defined contribution retirement plan. Other consolidated subsidiaries have an unfunded retirement benefits plan.

According to first paragraph of Article 112 of the Defined Benefit Pension Plan Law, the Company obtained an approval by the Ministry of Health, Labour and Welfare on March 31, 2004, transferred the premium of the basic portion of the governmental pension program and additional portion from the contributory funded defined benefit pension plan to the cash balance plan.

As a result of this transfer, the Company and certain subsidiaries recognized a gain on decrease from pension obligation with transfer to cash balance plan in the amount of ¥40,470 million ($382,911 thousand) for the year ended March 31, 2004.

Directors and corporate auditors are not covered by the retirement and pension plans described above. Benefits paid to such persons are charged to income as paid. Any amounts payable to directors and corporate auditors upon retirement are subject to approval of the shareholders.

i. Leases—All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements.

j. Income Taxes—The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

k. Appropriations of Retained Earnings—Appropriations of retained earnings at each year end are reflected in the consolidated financial statements for the following year upon shareholders' approval.

l. Foreign Currency Transactions—All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date.

m. Foreign Currency Financial Statements—The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for shareholders' equity, which is translated at the historical rate. Differences arising from such translation were shown as "Foreign currency translation adjustments" in a separate component of shareholders' equity.

Revenue and expense accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rates as of the balance sheet date.

n. Per Share Information—Basic net income per share is computed by dividing net income available to common shareholders, by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

o. New Accounting Pronouncements—In August 2002, the Business Accounting Council issued a Statement of Opinion, "Accounting for Impairment of Fixed Assets", and in October 2003 the Accounting Standards Board of Japan ("ASB") issued ASB Guidance No.6, "Guidance for Accounting Standard for Impairment of Fixed Assets". These new pronouncements are effective for fiscal years beginning on or after April 1, 2005 with early adoption permitted for fiscal years ending on or after March 31, 2004.

The new accounting standard requires an entity to review its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

The Company is currently in the process of assessing the effect of adoption of these pronouncements.

3. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Current:			
Government and corporate bonds	**¥ 4,511**	¥ 6,011	**$ 42,681**
Other	**3,567**	501	**33,750**
Total	**¥ 8,078**	¥ 6,512	**$ 76,431**
Non-current:			
Marketable equity securities	**¥13,986**	¥ 7,409	**$132,332**
Non-marketable equity securities	**1,509**	1,560	**14,273**
Government and corporate bonds		4,704	
Other	**2,173**	5,730	**20,565**
Total	**¥17,668**	¥19,403	**$167,170**

Information regarding each category of the securities classified as available-for-sale and held-to-maturity at March 31, 2004 and 2003 was as follows:

	Millions of Yen 2004			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale—equity securities	**¥ 7,013**	**¥ 6,987**	**¥ 14**	**¥ 13,986**
Held-to-maturity	**9,076**	**7**		**9,083**

	Millions of Yen 2003			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale—equity securities	¥ 6,988	¥ 824	¥403	¥ 7,409
Held-to-maturity	15,819	3	5	15,817

	Thousands of U.S. Dollars 2004			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale—equity securities	**$66,358**	**$66,105**	**$130**	**$132,333**
Held-to-maturity	**85,874**	**69**		**85,943**

The majority of available-for-sale securities whose fair value is not readily determinable as of March 31, 2004 and 2003 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Available-for-sale:			
Equity securities	**¥1,508**	¥1,560	**$14,273**
Preferred shares	**1,000**	1,000	**9,462**

Proceeds from sales of available-for-sale securities for the years ended March 31, 2004 and 2003 were ¥3 million ($31 thousand) and ¥9 million, respectively. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥0 million ($0 thousand) and ¥0 million ($2 thousand), respectively, for the year ended March 31, 2004 and ¥1 million and ¥0 million, respectively, for the year ended March 31, 2003.

The carrying values of debt securities by contractual maturities for securities classified as held-to-maturity at March 31, 2004 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
	Held to Maturity	Held to Maturity
Due in one year or less	¥8,078	$76,431
Due after one year through five years	998	9,443
Total	¥9,076	$85,874

4. BANK LOANS AND LONG-TERM DEBT

Short-term bank loans at March 31, 2004 and 2003 consisted of notes to banks and bank overdrafts. The annual interest rates applicable to the bank loans ranged from 1% to 6% and 0.05% to 6% at March 31, 2004 and 2003, respectively.

Long-term debt at March 31, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Unsecured 2.6% bonds due in July 2004	¥ 15,000	¥15,000	$ 141,925
Unsecured 0.8% bonds due in December 2004	2,000	2,000	18,923
Unsecured 1.2% convertible debentures, convertible into common stock at ¥1,211.80 per share, due in September 2009	13,425	13,425	127,023
Total	30,425	30,425	287,871
Less current portion	(17,000)		(160,848)
Total	¥ 13,425	¥30,425	$ 127,023

Based on debt assumption agreements with financial institutions, the Company has transferred the debt repayment obligation for certain bonds to such financial institutions and provided such financial institutions with cash for the payment of principal and interest on these bonds. As a result of such transactions, the balance of such bonds has derecognized amounted to ¥25,000 million ($236,541 thousand) as of March 31, 2004 and 2003 (see Note 9).

Annual maturities of long-term debt at March 31, 2004 were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2005	¥17,000	$160,848
2010	13,425	127,023
Total	¥30,425	$287,871

At March 31, 2004, land with carrying amount of ¥209 million ($1,980 thousand) was pledged as collateral for short-term bank loans of ¥48 million ($454 thousand). Marketable securities and investment securities with a carrying amount of ¥10 million ($95 thousand) and ¥18 million ($167 thousand) were deposited as security for dealings at March 31, 2004.

All outstanding convertible debentures of the Company at March 31, 2004, were convertible into 11,078 thousand shares of common stock of the Company. The conversion prices are subject to adjustments to reflect stock splits and certain other events.

The Company has entered into loan commitment agreements amounting to ¥30,000 million ($283,849 thousand) with financial facilities. The loans receivable outstanding and the unused balances under these credit facilities as of March 31, 2004 amounted to ¥0 million ($0 thousand) and ¥30,000 million ($283,849 thousand), respectively.

5. RETIREMENT AND PENSION PLANS

The Company and its consolidated subsidiaries have severance payment plans for employees.

Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of government bond, years of service and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Company or from the consolidated subsidiaries and annuity payments from a trustee. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age, by death, or by voluntary retirement at certain specific ages prior to the mandatory retirement age. The retirement benefits for directors and corporate auditors are paid subject to the approval of the shareholders.

The liability for employees' retirement benefits at March 31, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Projected benefit obligation	¥ 87,154	¥126,763	$ 824,618
Fair value of plan assets	(40,293)	(28,457)	(381,238)
Unrecognized actuarial loss	(28,616)	(50,582)	(270,751)
Net liability	¥ 18,245	¥ 47,724	$ 172,629

The components of net periodic benefit costs for the years ended March 31, 2004 and 2003 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Service cost	¥ 8,665	¥ 11,336	$ 81,989
Interest cost	2,541	6,316	24,044
Expected return on plan assets	(490)		(4,636)
Recognized actuarial loss	7,763	15,337	73,455
Amortization of prior service cost	(39,674)		(375,381)
Net periodic benefit costs	(21,195)	32,989	(200,529)
Gain on exemption from future pension obligation of the governmental program		(45,703)	
Total benefit costs—net	¥(21,195)	¥(12,714)	$(200,529)

Assumptions used for the years ended March 31, 2004 and 2003 are set forth as follows:

	2004	2003
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	2.0%	0.0%
Amortization period of prior service cost	1 year	1 year
Recognition period of actuarial gain/loss:		
Company	7 years	7 years
Consolidated subsidiaries	5 years	5 years

6. SHAREHOLDERS' EQUITY

Japanese companies are subject to the Code to which certain amendments became effective from October 1, 2001.

The Code was revised whereby common stock par value was eliminated resulting in all shares being recorded with no par value and at least 50% of the issue price of new shares is required to be recorded as common stock and the remaining net proceeds as additional paid-in capital, which is included in capital surplus. The Code permits Japanese companies, upon approval of the Board of Directors, to issue shares to existing shareholders without consideration as a stock split. Such issuance of shares generally does not give rise to changes within the shareholders' accounts.

The revised Code also provides that an amount at least equal to 10% of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period shall be appropriated as a legal reserve (a component of retained earnings) until such reserve and additional paid-in capital equals 25% of common stock. The amount of total additional paid-in capital and legal reserve that exceeds 25% of the common stock may be available for dividends by resolution of the shareholders. In addition, the Code permits the transfer of a portion of additional paid-in capital and legal reserve to the common stock by resolution of the Board of Directors.

The revised Code eliminated restrictions on the repurchase and use of treasury stock allowing Japanese companies to repurchase treasury stock by a resolution of the shareholders at the general shareholders meeting and dispose of such treasury stock by resolution of the Board of Directors. The repurchased amount of treasury stock cannot exceed the amount available for future dividend plus amount of common stock, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the general shareholders meeting.

The amount of retained earnings available for dividends under the Code was ¥126,460 million ($1,196,514 thousand) as of March 31, 2004, based on the amount recorded in the parent company's general books of account. In addition to the provision that requires an appropriation for a legal reserve in connection with the cash payment, the Code imposes certain limitations on the amount of retained earnings available for dividends.

Dividends are approved by the shareholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. Semiannual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

7. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 41% for the years ended March 31, 2004 and 2003.

On March 31, 2003, a tax reform law concerning enterprise tax was enacted in Japan which changed the normal effective statutory tax rate from 41% to 40%, effective for years beginning on or after April 1, 2004. The deferred tax assets and liabilities which will be realized on or after April 1, 2004 are measured at the effective tax rate of 40% as at March 31, 2004 and 2003.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2004 and 2003 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Deferred tax assets:			
Current:			
Accrued expenses	¥10,109	¥ 7,875	$ 95,648
Enterprise tax	1,501	2,086	14,197
Legal welfare expense	1,187		11,235
Other	969	810	9,172
Deferred tax assets—current	¥13,766	¥10,771	$130,252
Non-current:			
Liability for employees' retirement benefits	¥ 6,687	¥18,105	$ 63,271
Investment securities	2,542	2,536	24,049
Investment in and advances to non-consolidated Subsidiaries and affiliates	2,636		24,943
Loss on devaluation of telephone subscription rights	475		4,495
Loss on devaluation of land		2,722	
Unrealized profit	572	460	5,412
Unrealized gain on available-for-sale securities	(2,789)		(26,393)
Other	(12)	(324)	(109)
Less valuation allowance	(2,636)	(2,722)	(24,943)
Deferred tax assets—non-current	¥ 7,475	¥20,777	$ 70,725
Deferred tax liabilities:			
Revaluation of fixed assets in accordance with special tax measures		¥ 414	
Other		(349)	
Deferred tax liabilities		¥ 65	

A reconciliation between the normal effective statutory tax rate for the year ended March 31, 2003 and the actual effective tax rate reflected in the accompanying consolidated statements of income is as follows:

	2003
Normal effective statutory tax rate	41.0%
Per capita levy of local taxes	1.8
Differences from tax rates of foreign consolidated subsidiaries	0.1
Valuation allowance	3.0
Other—net	0.8
Actual effective tax rate	46.7%

The difference between the normal effective statutory tax rate for the year ended March 31, 2004 and the actual effective tax rate is not exceeding 5% of the normal effective statutory tax rate.

8. LEASES

Total lease payments under finance lease arrangements that do not transfer ownership of the leased property to the lessee were ¥3,252 million ($30,768 thousand) and ¥3,035 million for the years ended March 31, 2004 and 2003, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation and obligations under finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2004 and 2003 was as follows:

	Millions of Yen				
	2004				
	Buildings and Structures	Vehicles	Machinery and Equipment	Other Assets	Total
Acquisition cost	¥ 99	¥ 288	¥ 16,114	¥ 106	¥ 16,607
Accumulated depreciation	11	190	9,290	58	9,549
Net leased property	¥ 88	¥ 98	¥ 6,824	¥ 48	¥ 7,058

	Thousands of U.S. Dollars				
	2004				
	Buildings and Structures	Vehicles	Machinery and Equipment	Other Assets	Total
Acquisition cost	$934	$2,726	$152,463	$1,008	$157,131
Accumulated depreciation	103	1,796	87,894	554	90,347
Net leased property	$831	$ 930	$ 64,569	$ 454	$ 66,784

	Millions of Yen				
	2003				
	Buildings and Structures	Vehicles	Machinery and Equipment	Other Assets	Total
Acquisition cost	¥ 5	¥ 72	¥ 14,772	¥ 97	¥ 14,946
Accumulated depreciation	2	34	7,661	64	7,761
Net leased property	¥ 3	¥ 38	¥ 7,111	¥ 33	¥ 7,185

Obligations under finance leases which included the imputed interest expense portion, and noncancelable operating leases as of March 31, 2004 and 2003 were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2004		2004	
	Finance Lease	Operating Lease	Finance Lease	Operating Lease
Due within one year	¥3,063	¥456	$28,984	$4,312
Due after one year	3,995	92	37,800	869
Total	¥7,058	¥548	$66,784	$5,181

	Millions of Yen	
	2003	
	Finance Lease	Operating Lease
Due within one year	¥2,861	¥328
Due after one year	4,324	475
Total	¥7,185	¥803

9. CONTINGENT LIABILITIES

Contingent liabilities for guarantees and items of a similar nature at March 31, 2004 amounted to ¥274 million ($2,596 thousand) representing guarantees of loans of an unaffiliated company jointly and severally by the Company and 18 other unaffiliated companies and ¥68 million ($648 thousand) as guarantees of loans of non-consolidated subsidiaries.

Based on debt assumption agreements with financial institutions, the Company has transferred the debt repayment obligation for certain bonds to such financial institutions. At March 31, 2004, the Company had contingent obligations of ¥25,000 million ($236,541 thousand) in respect of these bonds.

10. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2004 and 2003 is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2004	Net Income	Weighted-average Shares	EPS	
Basic EPS—Net income available to common shareholders	¥49,625	461,598	¥107.51	$1.02
Effect of dilutive securities—Convertible bonds	101	11,078		
Diluted EPS—Net income for computation	¥49,726	472,676	¥105.20	$1.00

	Millions of Yen	Thousands of Shares	Yen
Year Ended March 31, 2003	Net Income	Weighted-average Shares	EPS
Basic EPS—Net income available to common shareholders	¥48,346	462,607	¥104.51
Effect of dilutive securities—Convertible bonds	106	14,145	
Diluted EPS—Net income for computation	¥48,452	476,752	¥101.63

11. SEGMENT INFORMATION

Information about industry segments, geographic segments and operating revenues to foreign customers of the Company and consolidated subsidiaries for the years ended March 31, 2004 and 2003 is as follows:

(1) Industry Segments

	Millions of Yen						
	2004						
	Delivery	BIZ-Logistics	Home Convenience	e-Business	Financial	Eliminations or Corporate	Consolidated
a. Operating revenues and operating income:							
Operating revenues to customers	¥ 834,495	¥ 90,236	¥ 42,611	¥ 21,082	¥ 22,920		¥1,011,344
Intersegment operating revenues	22,600	6,400	12,944	13,437	7,680	¥ (63,061)	
Total operating revenues	857,095	96,636	55,555	34,519	30,600	(63,061)	1,011,344
Operating costs and expenses	821,547	93,548	55,545	32,072	24,254	(62,281)	964,685
Operating income	¥ 35,548	¥ 3,088	¥ 10	¥ 2,447	¥ 6,346	¥ (780)	¥ 46,659
b. Assets, depreciation and capital expenditures:							
Assets	¥ 405,577	¥ 39,056	¥ 18,167	¥ 19,308	¥ 52,709	¥ 117,975	¥ 652,792
Depreciation	27,806	1,007	687	850	5,123	190	35,663
Capital expenditures	35,753	678	1,183	857	8,972	144	47,587

	Thousands of U.S. Dollars						
	2004						
	Delivery	BIZ-Logistics	Home Convenience	e-Business	Financial	Eliminations or Corporate	Consolidated
a. Operating revenues and operating income:							
Operating revenues to customers	$7,895,685	$853,774	$403,172	$199,468	$216,866		$9,568,965
Intersegment operating revenues	213,837	60,558	122,472	127,134	72,659	$ (596,660)	
Total operating revenues	8,109,522	914,332	525,644	326,602	289,525	(596,660)	9,568,965
Operating costs and expenses	7,773,184	885,116	525,552	303,446	229,478	(589,277)	9,127,499
Operating income	$ 336,338	$ 29,216	$ 92	$ 23,156	$ 60,047	$ (7,383)	$ 441,466
b. Assets, depreciation and capital expenditures:							
Assets	$3,837,420	$369,532	$171,895	$182,684	$498,713	$1,116,238	$6,176,482
Depreciation	263,086	9,528	6,502	8,038	48,477	1,796	337,427
Capital expenditures	338,281	6,417	11,194	8,107	84,892	1,361	450,252

Effective April 1, 2004, the Group changed its industry segmentation from "Domestic Transportation," "International Transportation," "Information Communications" and "Others" to "Delivery," "BIZ-Logistics," "Home Convenience," "e-Business" and "Financial" according to the classification of business formation based on the Company's middle-term management plan.

If the segment information for the year ended March 31, 2003 were prepared using the new segmentation, such information would be as follows;

	Millions of Yen						
	2003						
	Delivery	BIZ-Logistics	Home Convenience	e-Business	Financial	Eliminations or Corporate	Consolidated
a. Operating revenues and operating income:							
Operating revenues to customers	¥ 800,463	¥ 87,102	¥ 43,642	¥ 19,728	¥ 21,200		¥ 972,135
Intersegment operating revenues	15,398	4,950	11,234	11,075	8,294	¥ (50,951)	
Total operating revenues	815,861	92,052	54,876	30,803	29,494	(50,951)	972,135
Operating costs and expenses	769,819	89,354	53,368	29,059	23,696	(49,979)	915,317
Operating income	¥ 46,042	¥ 2,698	¥ 1,508	¥ 1,744	¥ 5,798	¥ (972)	¥ 56,818
b. Assets, depreciation and capital expenditures:							
Assets	¥ 394,258	¥ 38,920	¥ 13,791	¥ 21,232	¥ 51,217	¥ 136,459	¥ 655,877
Depreciation	24,733	984	500	581	4,747	186	31,731
Capital expenditures	32,290	912	873	4,522	3,937	57	42,591

Notes: Delivery: Small-parcel delivery services such as Takkyubin (door-to-door parcel delivery) and Kuroneko Mail
BIZ-Logistics: Intercompany logistics services, aimed at the B2B supply-chain management market
Home Convenience: Lifestyle support services intimately connected with the needs of local markets, such as moving and home cleaning services
e-Business: Information services targeted at the business market, including ASP services and the development of information systems
Financial: Financial services targeted at business customers and consumers, such as settlement and collection

(2) Geographic Segments
The geographic segments of the Company and consolidated subsidiaries for the years ended March 31, 2004 and 2003 are summarized as follows:

	Millions of Yen					
	2004					
	Japan	U.S.A.	Europe	Asia	Eliminations or Corporate	Consolidated
Operating revenues:						
Outside customers	¥ 991,961	¥ 11,576	¥ 3,610	¥ 4,197		¥1,011,344
Interarea	3,998	2,459	1,143	1,975	¥ (9,575)	
Total operating revenues	995,959	14,035	4,753	6,172	(9,575)	1,011,344
Operating costs and expenses	949,648	13,879	4,768	5,932	(9,542)	964,685
Operating income (loss)	¥ 46,311	¥ 156	¥ (15)	¥ 240	¥ (33)	¥ 46,659
Assets	¥ 515,953	¥ 2,738	¥ 1,734	¥ 2,068	¥ 130,299	¥ 652,792

	Thousands of U.S. Dollars					
	2004					
	Japan	U.S.A.	Europe	Asia	Eliminations or Corporate	Consolidated
Operating revenues:						
Outside customers	$9,385,575	$109,527	$34,153	$39,710		$9,568,965
Interarea	37,827	23,263	10,822	18,688	$ (90,600)	
Total operating revenues	9,423,402	132,790	44,975	58,398	(90,600)	9,568,965
Operating costs and expenses	8,985,224	131,314	45,112	56,131	(90,282)	9,127,499
Operating income (loss)	$ 438,178	$ 1,476	$ (137)	$ 2,267	$ (318)	$ 441,466
Assets	$4,881,760	$ 25,909	$16,402	$19,571	$1,232,840	$6,176,482

	Millions of Yen					
	2003					
	Japan	U.S.A.	Europe	Asia	Eliminations or Corporate	Consolidated
Operating revenues:						
Outside customers	¥ 950,980	¥ 12,661	¥ 3,573	¥ 4,921		¥ 972,135
Interarea	4,443	2,726	1,197	2,475	¥ (10,841)	
Total operating revenues	955,423	15,387	4,770	7,396	(10,841)	972,135
Operating costs and expenses	899,115	15,141	4,822	7,086	(10,847)	915,317
Operating income (loss)	¥ 56,308	¥ 246	¥ (52)	¥ 310	¥ 6	¥ 56,818
Assets	¥ 495,914	¥ 3,132	¥ 2,003	¥ 2,688	¥ 152,140	¥ 655,877

Operating revenues and assets are summarized by geographic area based on the countries where subsidiaries are located.

(3) Operating Revenues to Foreign Customers
Operating revenues to foreign customers for the years ended March 31, 2004 and 2003 amounted to ¥22,831 million ($216,017 thousand) and ¥24,402 million, respectively.

12. SUBSEQUENT EVENTS

At the general shareholders meeting held on June 29, 2004, the Company's shareholders approved the following appropriations of retained earnings and partial amendment to the articles of incorporation.

a. Appropriations of Retained Earnings
The following appropriations of retained earnings at March 31, 2004 were approved at the Company's shareholders meeting held on June 29, 2004:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥10.00 ($0.09) per share	¥4,564	$43,184
Bonuses to directors and corporate auditors	65	615

b. Purchase of Treasury Stock
Pursuant to the revision of the Code, the Company revised its articles of incorporation as the Company could repurchase its common stock as treasury stock by resolution of the Board of Directors.

Independent Auditors' Report

Deloitte.

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To the Board of Directors of
Yamato Transport Co., Ltd.:

We have audited the accompanying consolidated balance sheets of Yamato Transport Co., Ltd. and consolidated subsidiaries as of March 31, 2004 and 2003, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Yamato Transport Co., Ltd. and consolidated subsidiaries as of March 31, 2004 and 2003, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

As described in Note 11, Yamato Transport Co., Ltd. and consolidated subsidiaries changed the method of classification of the business segment information from "Domestic Transportation," "International Transportation," "Information Communications" and "Others" to "Delivery," "BIZ-Logistics," "Home Convenience," "e-Business" and "Financial".

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

June 29, 2004

Corporate Data

Head Office

Yamato Transport Co., Ltd.
16-10, Ginza 2-chome, Chuo-ku, Tokyo
104-8125, Japan
Telephone: (03) 3541-3411
Facsimile: (03) 5565-3428

Domestic Offices

3,279

Major Subsidiaries and Affiliates

Yamato System Development Co., Ltd.*
Yamato Packing Service Co., Ltd.*
Konan Industry Co., Ltd.*
Okinawa Yamato Transport Co., Ltd.*
Kyoto Yamato Transport Co., Ltd.*
Kobe Yamato Transport Co., Ltd.*
Yamato Collect Service Co., Ltd.*
Yamato Lease Co., Ltd.*
Yamato Auto Works Co., Ltd.*
Book Service Co., Ltd.*
Yamato Global Freight Co., Ltd.*
Yamato Logistics Co., Ltd.*
Yamato Home Convenience Co., Ltd.*
Hokkaido Yamato Home Convenience Co., Ltd.*
Tohoku Yamato Home Convenience Co., Ltd.*
Hokushinetsu Yamato Home Convenience Co., Ltd.*
Chubu Yamato Home Convenience Co., Ltd.*
Kansai Yamato Home Convenience Co., Ltd.*
Chugoku Yamato Home Convenience Co., Ltd.*
Shikoku Yamato Home Service Co., Ltd.*
Kyushu Yamato Home Service Co., Ltd.*
Yamato Parcel Service Co., Ltd.
Miyagi Green Liner Co., Ltd.*
Iwate Green Liner Co., Ltd.*
Saitama Green Liner Co., Ltd.*
Kanagawa Green Liner Co., Ltd.*
Niigata Green Liner Co., Ltd.*
Kanazawa Green Liner Co., Ltd.*
Aichi Green Liner Co., Ltd.*
Chugoku Green Liner Co., Ltd.*
Okayama Green Liner Co., Ltd.*
Shikoku Green Liner Co., Ltd.*
Fukuoka Green Liner Co., Ltd.*
Kagoshima Green Liner Co., Ltd.*
Yamato Staff Supply Co., Ltd.*
Swan Co., Ltd.
Swan Net Co., Ltd.
Swan Charcoal Distribution Co., Ltd.
Minami Kyushu Green Co., Ltd.
Yamato Career Service Co., Ltd.
Yamato Transport U.S.A., Inc.*
Yamato Transport (U.K.) Ltd.*
Yamato Transport Europe B.V.*
Yamato Transport (Hong Kong) Ltd.*
Yamato Transport (S) Pte. Ltd.*
Taiwan Yamato International Logistics, Inc.
Yamato Systems U.S.A., Inc.
Yamato Transport (Canada) Inc.
Yamato Travel Hong Kong Ltd.
Yamato Transport (M) Sdn. Bhd.
Yamato (Shanghai) Logistics Co., Ltd.
Yamato Architects & Design Co., Ltd.
Yamato Contact Service Co., Ltd.
Dream Create Co., Ltd.

*Consolidated subsidiaries

Common Stock

Authorized: 530,000,000 shares
Issued: 469,475,456 shares

Stock Exchange Listing

Tokyo Stock Exchange

Transfer Agent and Registrar

Mizuho Trust & Banking Co., Ltd.

Annual Meeting

The annual meeting of shareholders is normally held in June in Tokyo, Japan.

Auditors

Deloitte Touche Tohmatsu
(by Tohmatsu & Co., the Japanese member of Deloitte Touche Tohmatsu)

Principal Shareholders

	Percentage of total shares outstanding
The Master Trust Bank of Japan, Ltd. (Trust Account)	8.32%
Japan Trustee Services Bank, Ltd. (Trust Account)	7.10%
The Meiji Life Insurance Co.	5.30%
Mizuho Bank, Ltd.	3.82%
The Chase Manhattan Bank, NA London	3.74%
Yamato Employees' Shareholding Association	3.03%
State Street Bank and Trust Company	2.17%
Yamato Trading-Partner Shareholding Association	2.04%
The Nomura Trust and Banking Co., Ltd.	1.90%
The Sumitomo Life Insurance Co.	1.87%
Total	39.29%

Stock Price Range

(Tokyo Stock Exchange) (Yen)

	High	Low
First quarter	1,406	1,212
Second quarter	1,650	1,254
Third quarter	1,729	1,177
Fourth quarter	1,773	1,234

Distribution of Shareholders

Financial Institutions	45.3%
Securities Companies	1.2%
Other Institutions	6.2%
Foreign Investors	26.5%
Individuals and Others	21.0%
Total	100.0%

(As of March 31, 2004)

YAMATO TRANSPORT CO., LTD.

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R100

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