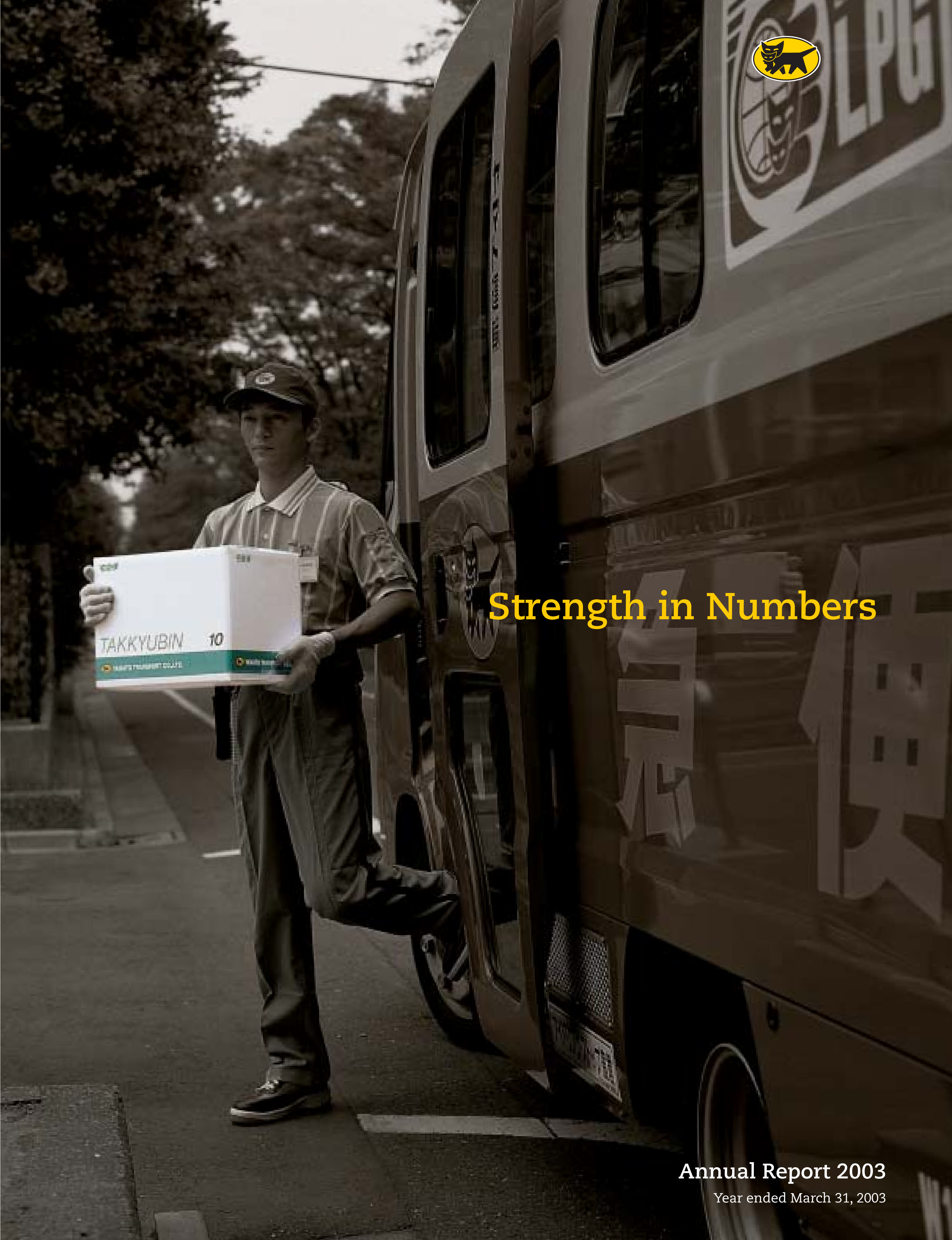


Strength in Numbers

Annual Report 2003

Year ended March 31, 2003

Profile

Established in 1919, Yamato Transport Co., Ltd. is today a comprehensive transportation services group with 51 subsidiaries and six affiliates. Major activities include domestic and international parcel delivery, information systems and logistics-related services. *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 one 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.

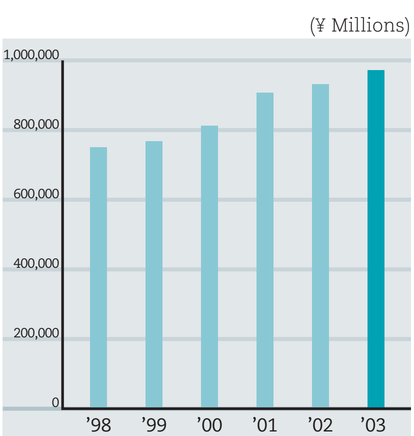
Consolidated Financial Highlights

Years ended March 31

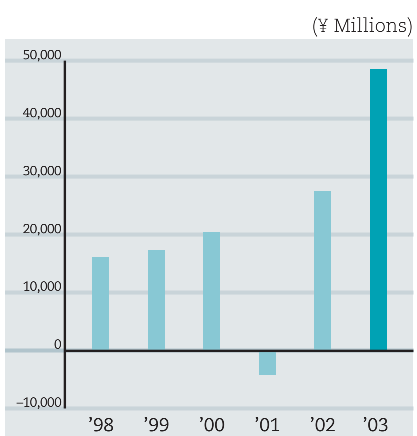
	Millions of Yen			Thousands of U.S. Dollars
	2003	2002	2001	2003
Operating revenues	¥972,135	¥932,120	¥906,944	$8,087,649
Operating costs	896,023	861,775	838,219	7,454,436
Selling, general and administrative expenses	19,294	17,156	16,699	160,516
Income (Loss) before income taxes and minority interest	91,063	49,905	(3,554)	757,597
Income taxes	42,538	22,217	484	353,894
Net income (loss)	48,502	27,512	(4,181)	403,507
	Yen			U.S. Dollars
Per share of common stock:				
Net income (loss)	¥ 104.51	¥ 59.36	¥ (9.25)	$ 0.87
Diluted net income	101.63	57.38	–	0.85
Cash dividends	15.00	14.00	14.00	0.12
	Millions of Yen			Thousands of U.S. Dollars
Working capital	¥ 77,514	¥ 84,630	¥ 93,534	$ 644,877
Total shareholders' equity	406,306	364,806	334,209	3,380,251
Total assets	655,877	678,939	670,246	5,456,550
Capital expenditures	42,591	40,379	37,144	354,338
Depreciation and amortization	31,731	31,764	29,900	263,987

Note: U.S. dollar amounts have been translated, for convenience only, at the rate of ¥120.20 to US$1.

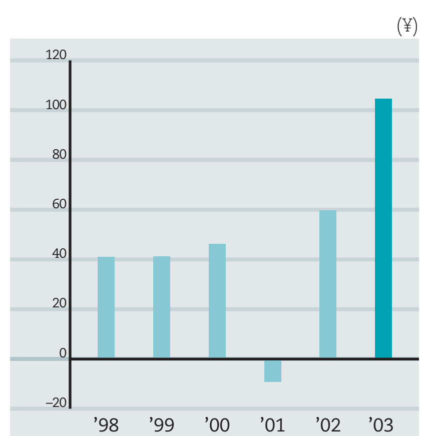
Operating Revenues



Net Income (Loss)



Net Income (Loss) per Share



Message from the Management

Revenues Continue to Grow Despite Harsh Operating Environment

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

New Three-Year Plan

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

Better than Expected Progress

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

Left Keiji Aritomi
Chairman

Right Atsushi Yamazaki
President

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

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

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

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

Keiji Aritomi

Keiji Aritomi
Chairman

Atsushi Yamazaki

Atsushi Yamazaki
President

Interview with the President

The erosion of barriers separating companies that deliver parcels to individuals and companies that handle commercial freight has sparked heated competition as firms target each others' markets. Amid these circumstances, Yamato Transport has transcended its traditional logistics function of transporting goods in order to expand into business domains that provide opportunities to leverage its logistics infrastructure, information systems, and personnel.

Q. Please describe the competitive environment that Yamato Transport currently faces.

The door-to-door parcel delivery industry, now in its 28th year, has become a mature market. However, even as the total volume of freight declines, we are still seeing growth in the volume of door-to-door parcel delivery. Amid the decline in volume of commercial goods, the barriers between companies that deliver parcels to individuals and handle commercial freight are disappearing, intensifying the competition for market share. Many people believe that, because of its huge size alone, the new Japan Post, established in April 2003, represents a formidable competitor to parcel delivery companies. We, however, are confident of our ability to provide services tailored to the needs of customers and will respond to this new entrant by continuing to improve our services while keeping our rates in line with the value we provide. Although the parcel volume of our competitors is also rising, we are quite different from them in two respects. The first is our profitability. The second is our ability to achieve differentiation by offering flexible services that address the shift from deliveries to households to handling parcels for specific individuals. We have the network, the extensive service menu and the expertise in addressing specific customer requests that are required to benefit from this shift.

Q. Please outline the specific actions within the scope of the new three-year plan that will contribute to growth.

Our goal is to increase the value of the Yamato Group as a whole. To this end, we have established a more effective business formation system, a process that resulted in the creation of five key business domains. We have also fleshed out a system for providing Group support to these businesses. The five key domains are

the delivery business (centered on door-to-door parcel delivery), BIZ-logistics, E-business, the financial business, and the home convenience business. Also included under this structure is the system for using the resources of the entire Yamato Group to support all these business activities. We believe this sharper delineation of business domains will foster greater cohesiveness within the Group. In turn, we think this structure will provide seamless connections among the individual business groups and generate synergies while promoting growth.

We also plan to increase our network of delivery centers, our core service bases, to 5,000 from the current 2,600 by fiscal 2012. However, this does not mean we will establish new centers that are the same size as existing ones. Rather, we will segment our network to avoid higher costs. We will accomplish this by setting up smaller centers with space for two to three vehicles and two to three employees to reduce leasing and personnel expenses per center. Previously, an increase in parcel handling volume of 100 million units required 10,000 additional employees. However, we expect the new system will enable us to reduce the number of back-office staff and handle increased volume by adding only drivers.

Q. What are the Company's strengths in the field of parcel delivery services and where do you plan to upgrade capabilities?

The parcel delivery service is characterized most of all by the delivery of items to individuals. Consequently, that area offers the greatest prospects for differentiation. Differences in service quality emerge along with the accumulation of track records in delivery, including methods for specifying delivery times and the manner in which customer needs are met. Our first goal is to eliminate stress on the part of the parcel recipient. We strive to minimize the stress associated with waiting for a delivery, late deliveries, and procedures for a second delivery. To address these problems, we notify customers beforehand of the delivery times (*Takkyubin* e-mail Notification Service) and have set up a system that enables customers to communicate directly with sales drivers by mobile phone to arrange times for delivery of an item following an unsuccessful attempt.

Another strategy is to leverage our strength of coming into direct contact with customers nearly one billion times every year. Our home convenience business derives value by helping individuals and households to eliminate tasks that are time consuming and inconvenient. This business originated from merchandise marketing and moving services. At first, we targeted the sale of heavy or bulky items such as water and toilet paper. The business subsequently added a service that eliminates the hassle of rearranging furniture at a new residence following a move. Because the nature of inconveniences differs by geographic area, we have expanded our menu of services in line with the needs of each region of Japan rather than offering a set menu of services nationwide. The delivery of parcels affords direct contact with customers and thus opportunities to gather information on what households perceive as inconvenient. We then take this information and offer services that address specific needs. The graying of Japanese society and the nation's falling birthrate are creating a definite source of demand for these services. We therefore think this business will be able to stand on its own in a short period of time.

Q. How are you expanding services for corporate customers?

Until now, our networks and systems have been geared for small-lot deliveries, mainly parcels. In light of the substantial needs of corporate customers, we have taken steps to utilize our logistics infrastructure in this direction and made strenuous efforts to increase transactions in this area of the market as the BIZ-logistics business. The competitive environment is very harsh in the commercial goods delivery market; major transportation companies already have solid ties with major customers and firm market shares. Even so, we plan to use our extensive network and deft business maneuvers to capture market share in services for small and midsize firms and small-offices/home-offices that lack their own distribution infrastructure. To meet corporate demand, we will further upgrade our commercial-goods logistics capabilities, with an emphasis on Yamato Logistics Corporation (YLC). Having already acquired infrastructure through our own activities, we are exploring the sale of high-precision, real-time parcel tracking systems to outside parties. We call this the E-business and envision demand coming from small- and medium-sized retailers and chain stores that are unable to construct their own systems. We are also thinking of ways to conduct transactions with customers in areas other than transportation alone. Towards this end, we are considering the launch of a financial business to provide a service that integrates the settlement, financing, and credit functions traditionally conducted by wholesalers.

Q. What are your future ambitions for the Company?

The transportation industry plays a vital role in business activities of all kinds. Moreover, parcel delivery, our main product, has taken hold in society as something integral to people's everyday lives.

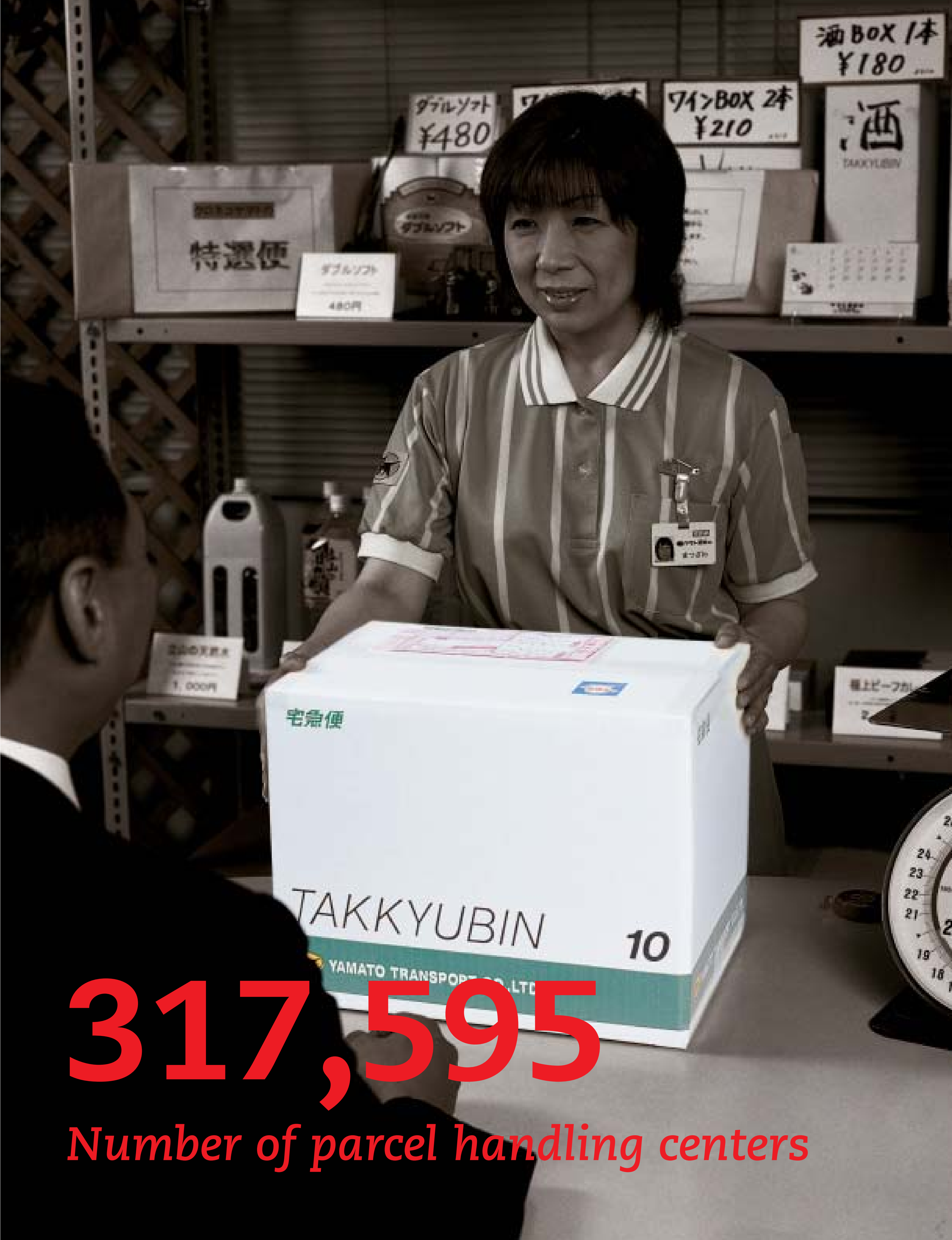
Our business requires a large number of vehicles. We are very aware of our social responsibilities, including preservation of the environment in the regions we serve, as well as on a global scale. We have enacted numerous policies aimed at protecting the environment, including the 1991 establishment of the Global Environmental Committee, the creation of various recycling systems, and the use of low-emission vehicles. We achieved our target for the deployment of low-emission vehicles eight years ahead of schedule. We accomplished this through various measures, including the establishment of LPG fuel stations on our own to compensate for the lack of infrastructure in this area.

We aim to increase earnings while stepping up our contribution to society as a company with the mechanisms to provide high-quality services. In doing so, we will base our activities on a management philosophy that emphasizes conformance with regulations and playing a useful role in local communities.

August 2003

Atsushi Yamazaki
President

Strength in Numbers



317,595

Number of parcel handling centers

Progress in the Strategy of Leveraging Network in Logistics Business

The Yamato Group conducts its business and seeks to grow by leveraging a distribution network that covers virtually every household in Japan. The first step in this process is increasing volume without increasing costs. To do this, the Group is downsizing its delivery centers, the backbone of its entire business, without sacrificing functionality, and establishing a highly visible presence in its collection and delivery areas. At the same time, the Group has established a system to provide highly convenient parcel delivery services and to respond to the distribution needs of corporate customers. One example is supply chain management. The Group has also constructed a transportation system that covers a large part of the world. To tap latent demand, the Group instituted *Kuroneko* Mail to provide affordable and sophisticated services, including parcel tracking. In the moving business, the Group has upgraded and added more value to its services to differentiate them from those of the competition. By taking these steps, the Group is now better able to meet the full range of delivery and transport needs of individuals, households, and companies.

983,938,414

Number of parcels delivered annually

Originating Businesses from the Perspective of Customers and Communities

Delivering nearly one billion parcels annually means that the Yamato Group has at least that number of contacts with customers. These contacts allow the Group to identify tasks that customers perceive as inconvenient. The Group has utilized this information to establish a business aimed at eliminating these inconveniences. The home convenience business offers a menu of services tailored to the needs of specific regions of Japan. These services include buying goods on behalf of customers and arranging furniture following a move to a new residence. Similarly, frequent contact with small- and medium-sized companies led to the establishment of our *E-business* business, which assists companies improve their operations. This business opens up a portion of the Group's infrastructure to customers too small to construct their own distribution systems. Utilizing the systems of the Yamato Group enables them to increase efficiency without incurring additional costs.

112,948

Number of employees

Bolstering Group Management to Increase Productivity and Minimize Costs

One point the new three-year plan emphasizes is bolstering Group management to increase the value of the Yamato Group as a whole. The plan contains various actions designed to raise productivity by fully leveraging the Group's key corporate resource—the combined talents of its over 100,000 dedicated employees—through the establishment of a more effective system to facilitate business formation. The Group support business is one example. Responsible for coordinating support activities that boost the productivity of the five business domains, this division oversees the consolidation of overlapping operations, promotes greater use of IT, identifies areas for outsourcing, and otherwise oversees activities aimed at improving service quality and reducing costs. The Group has also increased productivity per delivery center by converting existing business offices into smaller delivery centers while consolidating back-office operations to constrain expense growth. Expansion of the number of centers has reduced the number of employees per center and clarified the roles and responsibilities of individual personnel, resulting in higher efficiency and greater motivation.

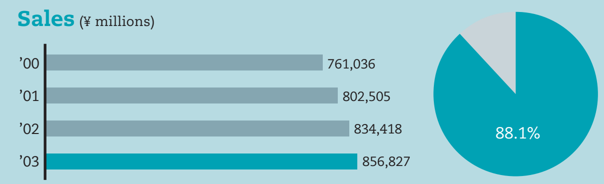
At a Glance

Segment	Business Description	
Domestic Transportation	The domestic transportation business is mainly focused on delivery operations such as *Takkyubin*, *Kuroneko Mail* and Moving services. This comprises the Group's core business.	
Takkyubin	Yamato Transport offers next-day delivery of parcels almost anywhere in Japan. A sophisticated tracking system allows customers to check the progress of a shipment at key stages of the logistics chain. The *Takkyubin* business includes *Collect Service*, *Cool Takkyubin*, *Golf Takkyubin*, *Ski Takkyubin* and many other services. A total of 983 million packages were handled during the past fiscal year.	
Moving	The moving sector transports household items for families and individuals. Yamato Transport offers a number of moving-related services as well, such as house cleaning and home appliance disconnection and installation services. There is also an international moving service.	
Kuroneko Mail	This service delivers materials in letter-size envelopes to eliminate the need for folding documents. Envelopes are simply placed in each recipient's mail box; no signature is required. The status of each packet can be tracked at Yamato Transport's Website. In April 2003, *Kuroneko Mail* was significantly upgraded with the introduction of more packet sizes, a next-day delivery option for most areas of Japan and other new services.	
Logistics	Yamato is equipped to handle all aspects of logistics, from the receipt of merchandise through its storage, packaging and shipment. This fully integrated line of support contributes directly to greater productivity at client companies.	
International Transportation	Yamato Transport has its own forwarding business to transport items to more than 100 cities around the world. A reliable cargo tracking system and other services mean that the needs of each shipper can be precisely addressed.	
Information Communications	By drawing on the Yamato Group's knowledge gained through the provision of transportation services, subsidiary Yamato System Development performs data processing services on an outsourcing basis and operates the computer systems of other companies.	
Other Businesses	This segment covers many types of activities. Major components are packaging operations offered in conjunction with logistics operations, the sale of boxes and other packaging materials, book sales through the Internet, sales of other merchandise, and the leasing of motor vehicles.	

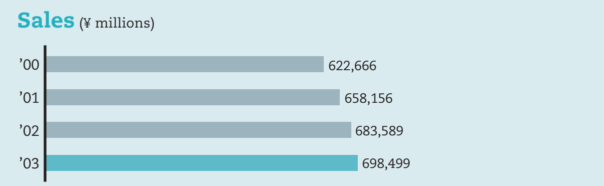
Performance

Sales and Sales Composition

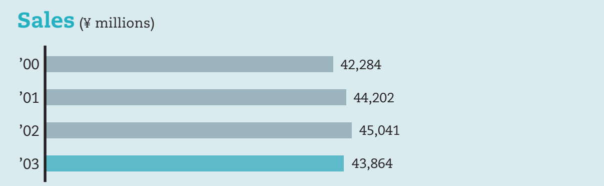
Yamato Transport has worked to further raise the quality of existing products such as *Takkyubin* and *Kuroneko Mail*, and increase customer convenience by expanding its distribution network. This approach and success in winning new customers led to a year-on-year increase of 2.7% in operating revenues from domestic transportation, to ¥856,827 million (US$7,128.3 million).



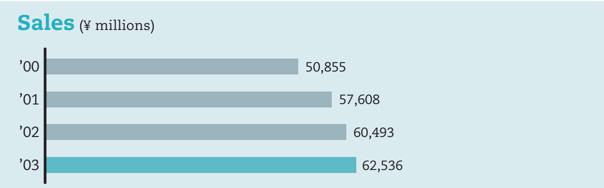
In fiscal 2003, operating revenues increased 2.2% to ¥698,499 million (US$5,811.1 million). Contributing to this growth were the provision of new Internet services, such as the *SD Direct* and *Takkyubin* mail notification services, and an increase in business from corporate customers.



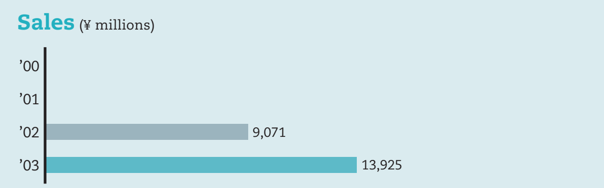
In fiscal 2003, Yamato succeeded in increasing the number of household moving contracts by enhancing its services. However, a downturn in moving contracts for individuals due to intense competition caused operating revenues to decline 2.6% to ¥43,864 million (US$364.9 million).



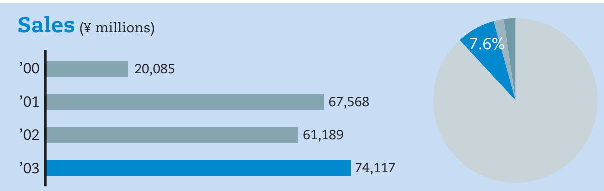
In fiscal 2003, growth in volume from small and midsize companies and measures to bolster the sales and service network led to a 3.4% increase in operating revenues to ¥62,536 million (US$520.3 million).



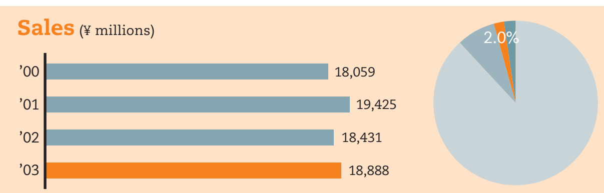
In fiscal 2003, operating revenues rose 53.5% to ¥13,925 million (US$115.8 million) because of a large increase in the number of logistics customers.



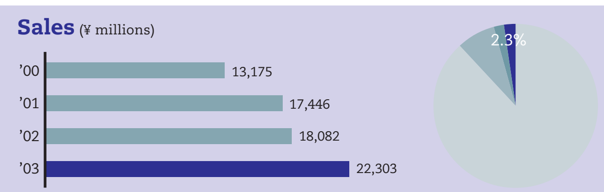
In fiscal 2003, the volume of international freight originating in Japan was generally flat. However, Yamato Transport achieved growth by locating new customers with small to midsize export volumes and increasing the volume of exports of automotive parts and products to the U.S. and Asia. The result was a 21.1% increase in operating revenues to ¥74,117 million (US$616.6 million).



In fiscal 2003, facilities were added at logistics centers in the Tokyo, Kanagawa and Nagoya areas and emphasis was placed on capturing orders involving logistics data processing systems. In addition, aggressive marketing activities were conducted that included sales of software for logistics systems and seminars for e-business ventures. These activities resulted in a 2.5% increase in operating revenues to ¥18,888 million (US$157.1 million).



In fiscal 2003, sales of books increased due to growth in e-commerce orders from customers using PCs and mobile phones. Results were also boosted by the inclusion of eight home service companies in consolidated results for the first time. Due to these factors, operating revenues increased 23.3% to ¥22,303 million (US$185.6 million).



Highlights of the Year

Improving the *Kuroneko@payment* Credit Card Service

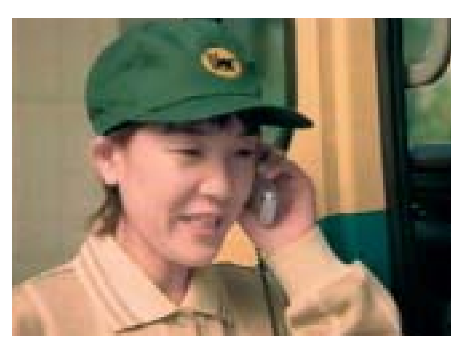
The *Kuroneko@payment Credit Card Service* facilitates the simple collection of amounts due by credit card at the time a product or gift is delivered. Acting as intermediary, Yamato Transport collects amounts due from purchasers, who can use any major credit card, and submits payments to the seller. Everyone benefits. Buyers are billed after delivery, enabling them to place orders with no concerns about receipt of the merchandise. Sellers, on the other hand, avoid the need to deal with numerous credit card companies and send out individual invoices. Amounts due are paid quickly and reliably. To make this service even more appealing, Yamato Transport has started offering installment and revolving credit and reduced fees.

PC Takkyubin Offers Quick and Safe Handling of IT Equipment

Widespread PC ownership and the popularity of Internet auctions are generating growing demand for the reliable transport of computers and peripherals, which require delicate handling from start to finish. Yamato Transport's new *PC Takkyubin* service is designed specifically for this market. Sales-drivers (SD) pick up equipment at each customer's home, supplying specialized packaging materials for four types of equipment: notebook PCs, desktop PCs, monitors, and printers and other peripherals. This comprehensive service maximizes convenience for customers while ensuring speedy packaging and a safe journey.

SD Direct Speeds up Responses to Customer Requests

With *SD Direct*, all sales-drivers have a mobile phone so they can talk directly with customers, immediately responding to any requests. Prior to this system, customers had to call the local office or a call center with pick-up or delivery requests and other matters. Information was then passed on to each SD. This system made it difficult to respond to a customer requests on short notice. By providing direct access to drivers, Yamato Transport can offer *Takkyubin* services that even more closely match the needs of each customer.



Takkyubin Return Service to Be Launched

In October 2002, Yamato Transport rolled out its *Takkyubin Return Service*, which simplifies procedures for the return of a product. These returns can be due to such varied reasons as the end of a trial-use period for a PC, the need to repair a game console, or the completion of a lease on a computer peripheral. In each instance, the customer merely contacts the manufacturer or retailer, which then asks Yamato Transport to pick up the item. Customers no longer need to take items to a post office. This service significantly improves the quality of after-sales support, providing faster responses that can lead to greater customer satisfaction.

New Kuroneko Mail Makes This Popular Service Even Better

In April 2003, Yamato Transport expanded the service menu of New *Kuroneko Mail*, which offers shippers a reliable way to deliver pamphlets and brochures quickly and efficiently. Companies, for example, can use this service to supply large numbers of pamphlets on products and services to individuals who submit requests. Schools can send brochures to prospective students. There are two more sizes of New *Kuroneko Mail* envelopes: up to 50 grams or up to 100 grams. Materials printed on A4 (letter-size) paper can be sent without folding. Specialized automated sorters have been installed at major logistics centers to ensure next-day delivery almost anywhere in Japan. A highly accurate tracking system confirms the time of receipt of an envelope, delivery truck departure and final delivery.

Environment Preservation Activities

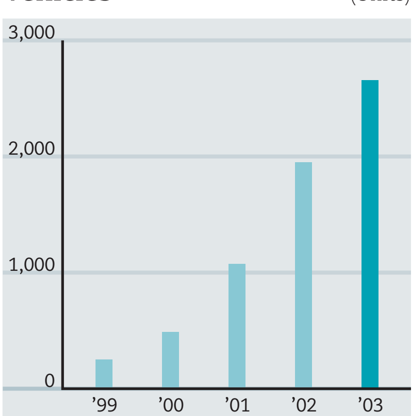
Since beginning its *Takkyubin* business, Yamato Transport has handled more than 10 billion packages in its mainstay parcel delivery business, always acknowledging that the Company's very existence depends on infrastructure that belongs to society. Aware of its significant social responsibilities, Yamato has formulated and enacted various policies aimed at minimizing the burden its parcel delivery business puts on the global environment and at preserving nature. In this section, we would like to introduce you to some of those activities.

Yamato and Air Pollution

There are concerns that emissions from diesel engines pose a threat to the health of people in urban areas. Yamato, a company that must operate a large fleet of vehicles, views consideration for living environments as a serious issue. Yamato bases its selection of vehicles on a comprehensive list of factors, including functionality, durability, cost, fuel consumption, and the availability of fuel. To date, overall consideration of these factors has led us to use diesel-powered vehicles. Although diesel engines are superior to gasoline engines in terms of reducing CO_2 emissions, they still emit atmospheric pollutants such as particulate matter (PM), NO_X and SO_X. As such, Yamato is committed to enacting measures that reduce these emissions.

Introduction of Low-Emission Vehicles

(Units)



Yamato's Solution: Low-Emission Vehicles

Low-emission vehicles have a lower impact on the environment by emitting less atmospheric pollutants, such as PM, NO_X and CO_2 and less greenhouse gases than conventional diesel and gas vehicles or emit no pollutants at all. Yamato is introducing LPG vehicles as replacements for its diesel vehicles in light of their growing popularity as alternative-fuel vehicles and ease of use. Yamato has put 200 of these vehicles into service each year since 1998 and had planned to have a fleet of 2,400 LPG-powered vehicles by 2010. Yet, we achieved this goal in 2002, eight years ahead of schedule, as a result of more aggressive efforts to enact measures that reduce pollution. Currently, out of a total fleet of 2,657 trucks, 7.0% are low-emission vehicles. Going forward, the Company plans to steadily increase this percentage.

Yamato and Global Warming

Global warming caused by the greenhouse effect has become a global issue in recent years. Atmospheric levels of CO_2 are on the rise amid the emission of greenhouse gases generated by industrial activity. Because of the great impact that this has on the global environment, reducing emissions of CO_2 has become an important task. Yamato reduces greenhouse gas emissions through specific measures such as operating satellite centers where hand-carts can be used instead of trucks to gather and deliver parcels, requiring drivers to turn off motors when vehicles are stopped, and the use of low-emission vehicles.

Yamato's Solution: Development of Hybrid Vehicles (2-ton delivery vehicles)

In recent years, Yamato has been working with automobile manufacturers to develop hybrid vehicles, which are an extremely effective means of reducing emissions of greenhouse gases and atmospheric pollutants. A prototype vehicle has been completed and several are now undergoing tests. Studies are proceeding rapidly with the goal of making these vehicles part of the Yamato fleet as soon as possible.

Directors and Auditors

Chairman

Keiji Aritomi

President

Atsushi Yamazaki

Senior Managing Directors

Seiichi Jinbo

Michio Abe

Managing Director

Kazushi Watanabe

Directors

Yoshiyuki Takeda

Kaoru Seto

Koji Ogura

Kiyoshi Ikari

Toshio Nakatsuka

Mikio Hijikata

Yuji Uenuma

Hiroshi Kawada

Kenji Shibazaki

Etsuo Ogawa

Nobuyuki Yamauchi

Standing Corporate Auditors

Kotaro Ueno

Hideo Endo

Osamu Sato

Noriaki Kinoshita

(As of June 27, 2003)

Six-year Consolidated Financial Summary

	Millions of Yen						Thousands of U.S. Dollars
	2003	2002	2001	2000	1999	1998	2003
Operating revenues	¥972,135	¥932,120	¥906,944	¥812,355	¥767,656	¥751,357	$8,087,649
Operating costs	896,023	861,775	838,219	753,674	713,789	698,782	7,454,436
Selling, general and administrative expenses	19,294	17,156	16,699	14,431	13,990	14,556	160,516
Operating income	56,818	53,189	52,026	44,250	39,877	38,019	472,697
Income (Loss) before income taxes and minority interest	91,063	49,905	(3,554)	37,339	36,783	36,274	757,597
Income taxes	42,538	22,217	484	16,876	19,490	20,046	353,894
Net income (loss)	48,502	27,512	(4,181)	20,418	17,275	16,208	403,507

	Yen						U.S. Dollars
Per share of common stock:							
Net income (loss)	¥ 104.51	¥ 59.36	¥ (9.25)	¥ 46.11	¥ 41.13	¥ 41.00	$ 0.87
Diluted net income	101.63	57.38	–	43.63	37.49	35.72	0.85
Cash dividends	15.00	14.00	14.00	14.00	14.00	14.00	0.12

	Millions of Yen						Thousands of U.S. Dollars
Working capital	¥ 77,514	¥ 84,630	¥ 93,534	¥ 75,199	¥ 92,940	¥ 63,362	$ 644,877
Total shareholders' equity	406,306	364,806	344,209	338,295	306,372	268,177	3,380,251
Total assets	655,877	678,939	670,246	642,477	610,217	578,987	5,456,550
Capital expenditures	42,591	40,379	37,144	32,761	44,333	39,944	354,338
Depreciation and amortization	31,731	31,764	29,900	28,917	29,935	27,990	263,987
Net cash provided by operating activities	86,035	69,724	55,249	60,887	–	–	715,769
Number of employees	112,948	108,700	101,784	93,425	83,577	83,090	–
Operating income margin (%)	5.84	5.71	5.74	5.45	5.19	5.06	–
Return on revenues (%)	4.99	2.95	(0.46)	2.51	2.25	2.16	–
Return on assets (%)	7.27	4.08	(0.64)	3.26	2.91	2.87	–
Return on equity (%)	12.58	7.76	(1.23)	6.33	6.01	6.66	–
Current ratio (%)	145.44	147.94	154.34	150.44	167.96	142.71	–
Equity ratio (%)	61.95	53.73	51.36	52.65	50.21	46.32	–
Assets turnover (Times)	1.46	1.38	1.38	1.30	1.29	1.33	–
Interest coverage ratio (Times)	36.68	24.99	20.55	13.55	11.19	9.13	–
Shareholders' equity per share (Yen)	875.08	790.58	746.21	759.46	707.98	658.61	7.28

Note: U.S. dollar amounts have been translated, for convenience only, at the rate of ¥120.20 to US$1.

Management's Discussion and Analysis

Scope of Consolidation

Yamato's consolidated financial statements include 27 consolidated subsidiaries and three affiliates accounted for by the equity method.

Results of Operations

In the fiscal year ended March 31, 2003, the Japanese economy saw improvement in some indices, including those for exports and production. These trends temporarily heightened expectations for a recovery. Subsequently, however, the economy remained in a general slump as capital spending and exports were dampened by lower stock prices and economic deceleration, mainly in the United States.

Under these conditions, in April 2002 the Yamato Group embarked on a new three-year plan aimed at increasing the quality of existing services, including *Takkyubin* and *Kuroneko* Mail. Simultaneously, the Group radically rebuilt its information systems, increased the number of delivery centers, and implemented other policies to enhance customer convenience. The Group also took steps to boost transactions with new customers in every business area. These efforts produced a 4.3% rise in consolidated operating revenues to ¥972,135 million (US$8,087.6 million). Results by segment are presented below.

Domestic Transportation Industry

The domestic transportation industry continued to experience a harsh business environment, with price competition escalating amid a slump in demand for both ground transportation and air transportation. The Yamato Group still fared generally well under these conditions, thanks to efforts to increase transactions with corporate customers and the provision of a variety of Internet-based services, including the SD direct communication system in October 2002.

Sales in the *Takkyubin* business are greatly affected by delivery volume and average unit prices. Handling volume increased 10.1% to 58 million units, with the collect service posting the highest growth rate. Also contributing to growth was Cool *Takkyubin*, where volume increased 3.3% to 115 million units. Consequently, overall delivery volume in the parcel delivery business climbed 3.8% to 983 million units. The average unit price per parcel fell ¥11 from ¥721 to ¥710 (US$5.9) because of a greater number of transactions with corporate customers.

In the moving business, orders received for moves by families increased year on year. However, there was a downturn in orders for moves by single people because of intense competition. *Kuroneko* Mail registered solid volume as a result of efforts to increase transactions with small- and medium-sized companies. Domestic airfreight volume rose year-on-year, buoyed by efforts to acquire new customers and a recovery in volume in the wake of a downturn caused by the imposition of strict regulations governing the loading of freight in response to the terrorist attacks in the United States. Altogether, operating revenues in the domestic transportation business rose 2.7% to ¥856,827 million (US$7,128.3 million), accounting for 88.1% of consolidated operating revenues, down 1.4 percentage points from 89.5% in the previous fiscal year.

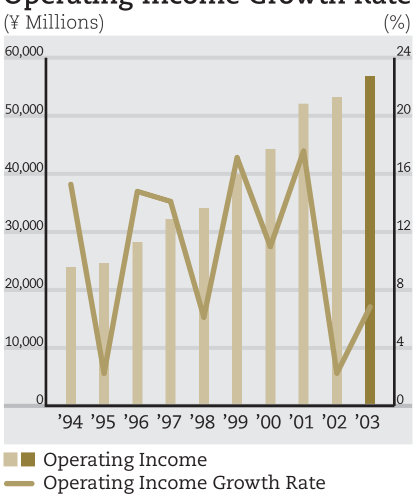
International Transportation Industry

In the international transportation industry, the dockworkers' strike on the West Coast of the United States caused many sea shipments to be shifted to air transportation, resulting in an increase in volume for that mode of transport. Even so, volume was generally weak, reflecting mainly downturns in economies overseas, principally in the United States. Under these conditions, we sought to acquire new small- and medium-sized export customers. This, combined with higher export volume to Asia by automobile-related customers, and the inclusion of three additional consolidated subsidiaries, resulted in a 21.1% rise in operating revenues to ¥74,117 million (US$616.6 million), accounting for 7.6% of consolidated operating revenues, up 1.0 percentage point from 6.6% in the previous fiscal year.

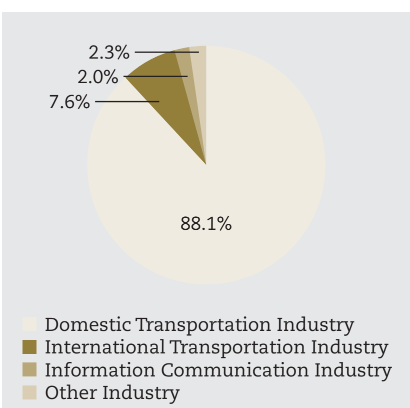
Information Communications Industry

The information communications industry continued to perform poorly, continuing a trend from the second half of the previous fiscal year. The main factors behind this situation were a lack of willingness to invest on the part of users and stiffer competition from industry rivals, manifested in lower order prices. Amid this environment, the IT business established new distribution centers in Tokyo, Kanagawa Prefecture and the Nagoya district, proactively negotiated with customers about the purchase of logistics information systems, and held seminars to support E-business and foster logistics system software sales. As a result of these efforts to generate new business, segment operating revenues rose 2.5% to ¥18,888 million (US$157.1 million), accounting for 2.0% of consolidated operating revenues, unchanged from the previous fiscal year.

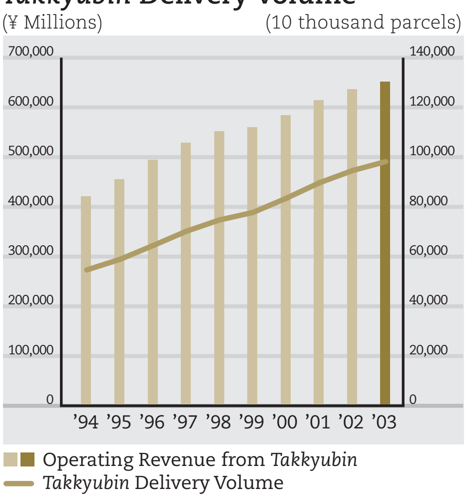
Operating Income/ Operating Income Growth Rate



Operating Revenue by Segment



Operating Revenue from *Takkyubin*/ *Takkyubin* Delivery Volume



Other Industry

In this segment, sales of books were strong, thanks to an increase in orders placed from PCs and cellular phones via the Internet. This, combined with sales in the packaging business and the addition of eight consolidated subsidiaries, resulted in a 23.3% increase in operating revenues to ¥22,303 million (US$185.6 million), accounting for 2.3% of consolidated operating revenues, up 0.4 percentage point from 1.9% in the previous fiscal year.

Financial Review

Operating Revenues

In the fiscal year ended March 31, 2003, Yamato Transport recorded consolidated operating revenues of ¥972,135 million (US$8,087.6 million), up 4.3% from the previous fiscal year.

Looking at sales by segment, although the domestic transportation industry registered a slight decline in revenues in the moving businesses, revenues in other businesses were strong. Revenues in the logistics business jumped 53.5% as a result of efforts by Yamato Logistics Corporation (YLC) to expand its corporate business. Consequently, overall operating revenues in the domestic transportation industry climbed 2.7% to ¥856,827 million (US$7,128.3 million).

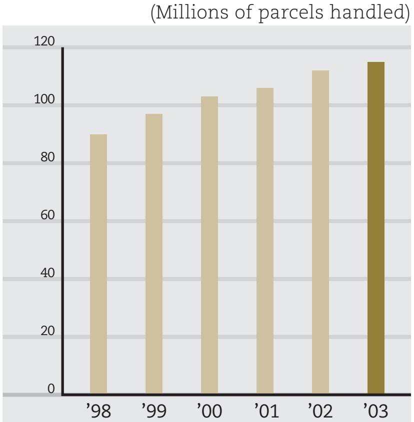
In the international transportation industry, higher export volume and the addition of three companies to the scope of consolidation resulted in higher profits in both the sea transport and air transport businesses. Consequently, operating revenues in the international transportation business rose 21.1% to ¥74,117 million (US$616.6 million).

In the information communications industry, sales of information equipment fell 10.9%. Altogether, segment operating revenues increased 2.5% to ¥18,888 million (US$157.1 million).

In other industry, the addition of eight consolidated subsidiaries lifted sales in the marketing business 119.2%. This, combined with sales in the packaging business and other businesses, resulted in a 23.3% rise in segment operating revenues to ¥22,303 million (US$185.6 million).

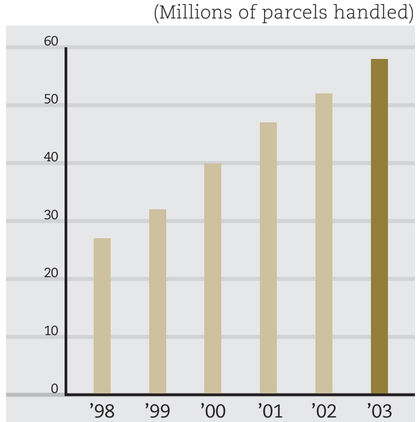
Cool *Takkyubin* Delivery Volume

(Millions of parcels handled)



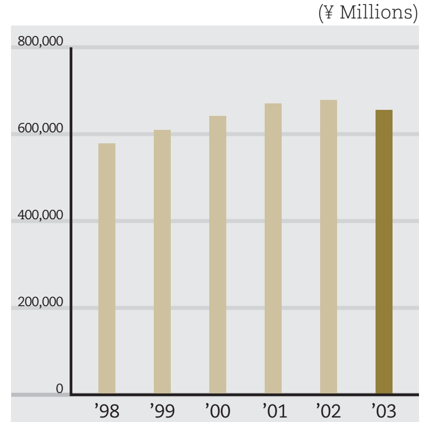
***Collect Service* Delivery Volume**

(Millions of parcels handled)



Total Assets

(¥ Millions)



Operating Income

Operating income rose 6.8% to ¥56,818 million (US$472.7 million) as thorough cost cutting more than offset higher expenses due to the rebuilding of information systems and a 51.4% increase in expenses for retirement benefits. The number of employees (total of full-time and part-time personnel) rose 3.9% to 112,948, but the ratio of personnel expenses to operating revenues declined 1.3 percentage point to 46.0%, also contributing to the rise in operating income.

Net Income

Regarding other expenses (income), interest expense declined ¥590 million. Also, gain on release of future responsibility for contributed national pension plan resulted in a gain of ¥45,703 million (US$380.2 million), while loss on valuation of land from merger and demerger totaled ¥8,697 million (US$72.4 million). Meanwhile, the Company recorded a loss on bond redemption of ¥1,103 million (US$9.2 million). Consequently, income before income taxes and minority interest jumped 82.5% to ¥91,063 million (US$757.6 million). The result was a 76.3% increase in net income to ¥48,502 million (US$403.5 million).

As a result of these factors, net income per share amounted to ¥104.51 (US$0.87), and return on equity was 12.6%.

Cash Flows

(Operating Activities)

Net cash provided by operating activities totaled ¥86,035 million (US$715.8 million), an increase of ¥16,311 million from the previous fiscal year. Income before income taxes and minority interest totaled ¥91,063 million (US$757.6 million), boosted by a gain on release of future responsibility for contributed national pension plan. Provisions for employees' retirement benefits declined ¥25,605 million (US$213.0 million), while loss on valuation of land from merger and demerger totaled ¥8,697 million (US$72.4 million), and notes and accounts payable rose to ¥7,150 million (US$59.5 million).

(Investing Activities)

Net cash used in investing activities totaled ¥39,375 million (US$327.6 million), a decline of ¥7,093 million (US$59.0 million) from the previous fiscal year. Purchases of property, plant, and equipment declined ¥6,496 million (US$54.0 million), as measures to reduce capital expenditures offset costs associated with the ongoing introduction of low-emission vehicles. Purchases of marketable and investment securities declined ¥1,371 million (US$11.4 million) as a result of a reduction in bond purchases compared with the previous fiscal year. Reflecting the need for cash to redeem corporate bonds, proceeds from sales of marketable and investment securities rose ¥622 million (US$5.2 million).

(Financing Activities)

Net cash used in financing activities totaled ¥73,595 million (US$612.3 million), an increase of ¥46,648 million (US$388.1 million) from the previous fiscal year. Repayments of long-term debt rose ¥33,657 million (US$280.0 million), reflecting the repayment of ¥16,141 million (US$134.3 million) in borrowings from financial institutions as part of efforts to reduce interest-bearing debt to strengthen the Company's financial position. Redemption of corporate bonds totaled ¥41,324 million (US$343.8 million), ¥26,324 million (US$219.0 million) more than in the previous fiscal year. This rise was due to the redemption of corporate bonds and the assumption of debt. Stock repurchases totaled ¥10,685 million (US$88.9 million), ¥10,452 million (US$87.0 million) more than in the previous fiscal year, reflecting the buyback of 4.5 million shares of the Company's stock (based on resolution approved by shareholders). Dividend payments totaled ¥6,694 million (US$55.7 million).

As a result of the above actions, cash and cash equivalents at the end of the fiscal year totaled ¥132,393 million (US$1,101.4 million), down ¥22,910 million (US$190.6 million) from the end of the previous fiscal year.

Financial Position

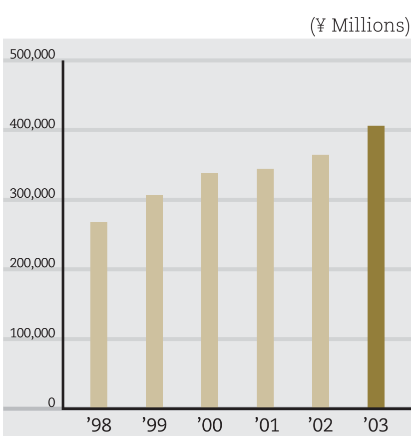
Total assets declined 3.4% to ¥655,877 million (US$5,456.6 million).

Current assets were down 5.0% to ¥248,108 million (US$2,064.1 million). The principal reason was that cash decreased ¥20,543 million (US$170.9 million) as a result of ¥40,000 million (US$332.8 million) used to redeem bonds and ¥9,405 million (US$78.2 million) used to repurchase stock.

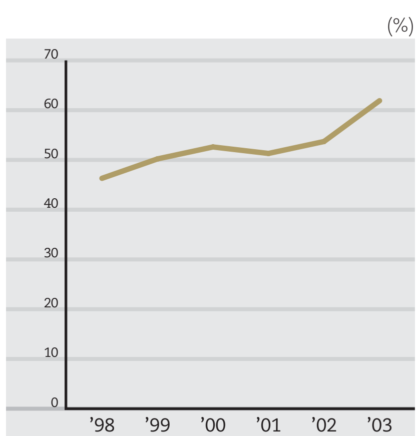
Net property, plant, and equipment declined 0.5% to ¥318,794 million (US$2,652.2 million), reflecting ¥4,030 million (US$33.5 million) in construction in progress for the computer center of Yamato System Development Co., Ltd. and ¥8,697 million (US$72.4 million) in land valuation losses. Under investments and other assets, deferred tax assets fell ¥8,932 million (US$74.3 million) to ¥20,777 million (US$172.9 million) as a result of transfers to the reserve for retirement benefits and other factors.

Total current liabilities fell 3.4% to ¥170,594 million (US$1,419.3 million). There was a ¥5,186 million (US$43.1 million) decline in short-term bank loans and the current portion

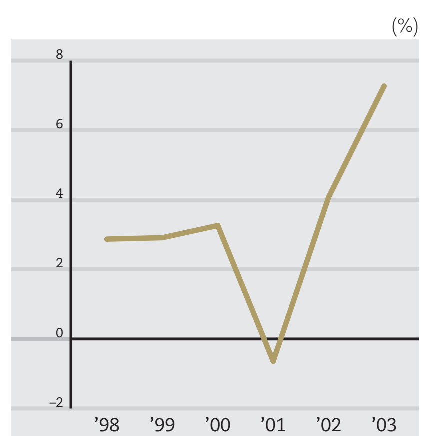
Total Shareholders' Equity



Equity Ratio



ROA



of long-term debt declined because of the redemption of ¥15,200 million (US$126.5 million) in bonds. Offsetting this, however, were increases in accounts payable, income taxes payable, and notes payable related to the purchase of plant, property, and equipment.

Total long-term liabilities fell 42.3% to ¥78,528 million (US$653.3 million). The principal factors were the redemption of ¥25,000 million (US$208.0 million) of straight bonds prior to maturity, the conversion to stock of ¥8,516 million (US$70.8 million) of convertible bonds, and the repayment of ¥6,499 million (US$54.1 million) of long-term debt. Another factor was that liabilities for employees' retirement benefits fell ¥25,131 million (US$209.1 million) to ¥47,724 million (US$397.0 million) as a result of the net effect of an increase due to transfers to the reserve for retirement benefits and a decrease due to reserve reversals and gain on release of future responsibility for contributed national pension plan.

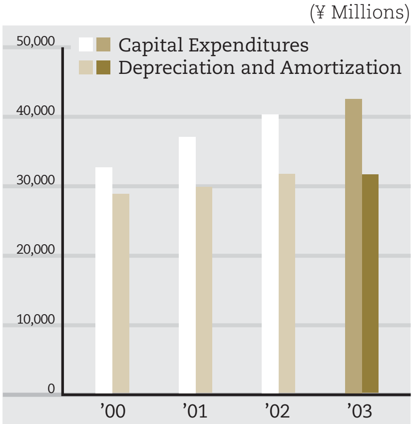
Total shareholders' equity rose 11.4% to ¥406,306 million (US$3,380.3 million). The principal factors were the addition of ¥4,248 million (US$35.3 million) to both the common stock and additional paid-in capital accounts as a result of the conversion of convertible bonds. Another factor was a ¥10,685 million (US$88.9 million) increase in treasury stock associated with the repurchase of 4.5 million shares of the Company's stock. The shareholders' equity ratio rose 8.2 percentage points to 61.9%.

Interest-bearing debt (the sum of short-term bank loans, the current portion of long-term debt and long-term debt) fell 67.6% from ¥95,046 million (US$790.7 million) to ¥30,839 million (US$256.6 million), corresponding to a decline of ¥64,207 million (US$534.2 million).

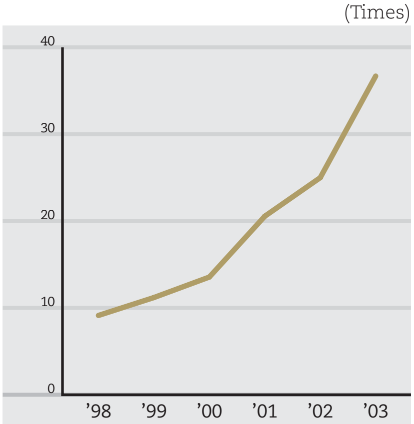
The interest coverage ratio (operating income plus interest and dividend income divided by interest expense) improved sharply, rising from 24.99 times to 36.68 times. The debt payback period (interesting-bearing debt/operating cash flows) improved from 1.4 year to 0.4 years.

ROE

Capital Expenditures/Depreciation and Amortization



Interest Coverage Ratio



Consolidated Balance Sheets

March 31, 2003 and 2002

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	**2003**	2002	**2003**
CURRENT ASSETS:			
Cash (Note 2.c)	¥ 132,320	¥ 152,863	$ 1,100,833
Time deposits (Note 2.c)	241	2,763	2,003
Marketable securities (Note 3)	6,512	6,334	54,174
Notes and accounts receivable:			
Trade	85,170	80,924	708,567
Allowance for doubtful accounts	(438)	(436)	(3,646)
Inventories	3,287	3,618	27,350
Deferred tax assets (Note 7)	10,771	7,775	89,612
Prepaid expenses and other current assets	10,245	7,333	85,238
Total current assets	248,108	261,174	2,064,131
PROPERTY, PLANT AND EQUIPMENT—At cost:			
Land	150,101	158,413	1,248,758
Buildings and structures	208,866	201,735	1,737,659
Vehicles	147,624	141,773	1,228,151
Machinery and equipment	89,875	91,146	747,711
Construction in progress	6,087	2,363	50,644
Total	602,553	595,430	5,012,923
Accumulated depreciation	(283,759)	(275,095)	(2,360,724)
Net property, plant and equipment	318,794	320,335	2,652,199
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3 and 4)	19,403	18,269	161,421
Investments in and advances to non-consolidated subsidiaries and affiliates, net of valuation allowance of ¥150 million ($1,248 thousand) in 2003 and ¥500 million in 2002	3,689	4,745	30,691
Long-term loans	3,771	4,200	31,372
Lease deposits	28,667	29,674	238,493
Deferred tax assets (Note 7)	20,777	29,709	172,850
Other assets	12,668	10,833	105,393
Total investments and other assets	88,975	97,430	740,220
TOTAL	¥ 655,877	¥ 678,939	$ 5,456,550

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen 2003	Millions of Yen 2002	Thousands of U.S. Dollars (Note 1) 2003
CURRENT LIABILITIES:			
Short-term bank loans (Note 4)	¥ 414	¥ 5,600	$ 3,442
Current portion of long-term debt (Note 4)		27,522	
Notes and accounts payable:			
Trade	76,427	66,113	635,833
Construction	12,006	5,644	99,881
Income taxes payable	22,664	16,582	188,550
Employees' savings deposits	3,897	3,948	32,422
Accrued expenses	39,692	38,464	330,219
Other current liabilities	15,494	12,671	128,907
Total current liabilities	170,594	176,544	1,419,254
LONG-TERM LIABILITIES:			
Long-term debt (Note 4)	30,425	61,924	253,120
Liability for employees' retirement benefits (Note 5)	47,724	72,855	397,035
Deferred tax liabilities (Note 7)	65	1,031	541
Other long-term liabilities	314	259	2,612
Total long-term liabilities	78,528	136,069	653,308
MINORITY INTERESTS	449	1,520	3,737
CONTINGENT LIABILITIES (Note 9)			
SHAREHOLDERS' EQUITY (Notes 4, 6 and 12):			
Common stock—authorized, 530,000,000 shares; issued, 469,475,456 shares in 2003 and 461,549,549 shares in 2002	120,548	116,300	1,002,893
Capital surplus—additional paid-in capital	133,340	129,092	1,109,321
Retained earnings	163,483	118,895	1,360,093
Unrealized gain on available-for-sale securities	248	896	2,060
Foreign currency translation adjustments	(383)	(132)	(3,186)
Total	417,236	365,051	3,471,181
Treasury stock—at cost, 5,344,579 shares in 2003 and 106,451 shares in 2002	(10,930)	(245)	(90,930)
Total shareholders' equity	406,306	364,806	3,380,251
TOTAL	¥655,877	¥678,939	$5,456,550

Consolidated Statements of Income

Years Ended March 31, 2003 and 2002

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2002	2003
OPERATING REVENUES	¥972,135	¥932,120	$8,087,649
OPERATING COSTS AND EXPENSES:			
Operating costs	896,023	861,775	7,454,436
Selling, general and administrative	19,294	17,156	160,516
Total operating costs and expenses	915,317	878,931	7,614,952
Operating income	56,818	53,189	472,697
OTHER (INCOME) EXPENSES:			
Interest and dividend income	(548)	(650)	(4,557)
Interest expense	1,564	2,154	13,012
(Gain) loss on sales of marketable and investment securities	(1)	74	(7)
Loss on disposal of property, plant and equipment	1,650	858	13,728
Bond issuance costs	8	3	71
Equity in earnings of affiliated companies	(722)	(800)	(6,009)
Gain on exemption from future pension obligation of the governmental program (Note 2.h)	(45,703)		(380,226)
Loss on devaluation of land	8,697		72,351
Other—net	810	1,645	6,737
Other (income) expenses—net	(34,245)	3,284	(284,900)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	91,063	49,905	757,597
INCOME TAXES (Note 7):			
Current	36,904	27,582	307,022
Deferred	5,634	(5,365)	46,872
Total	42,538	22,217	353,894
MINORITY INTERESTS IN EARNINGS OF CONSOLIDATED SUBSIDIARIES	23	176	196
NET INCOME	¥ 48,502	¥ 27,512	$ 403,507
PER SHARE OF COMMON STOCK (Notes 2.n and 10):			
Basic net income	¥ 104.51	¥ 59.36	$ 0.87
Diluted net income	101.63	57.38	0.85
Cash dividends applicable to the year	15.00	14.00	0.12

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Years Ended March 31, 2003 and 2002

	Thousands	Millions of Yen					
	Issued 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, 2001	461,278	¥ 116,155	¥ 128,947	¥ 97,982	¥ 1,511	¥ (385)	¥ (1)
Net income				27,512			
Cash dividends, ¥14 per share				(6,458)			
Bonuses to directors and corporate auditors				(141)			
Increase in treasury stock (106,222 shares)							(244)
Shares issued on conversion of convertible debt	272	145	145				
Net decrease in unrealized gain on available-for-sale securities					(615)		
Foreign currency translation adjustments						253	
BALANCE, MARCH 31, 2002	461,550	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)			
Increase in treasury stock (5,238,128 shares)							(10,685)
Shares issued on conversion of convertible debt	7,925	4,248	4,248				
Net decrease in unrealized gain on available-for-sale securities					(648)		
Foreign currency translation adjustments						(251)	
BALANCE, MARCH 31, 2003	**469,475**	**¥ 120,548**	**¥ 133,340**	**¥ 163,483**	**¥ 248**	**¥ (383)**	**¥(10,930)**

	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, 2002	$ 967,556	$ 1,073,984	$ 989,138	$ 7,450	$ (1,098)	$ (2,039)
Adjustment of retained earnings for newly consolidated subsidiaries			22,576			
Net income			403,507			
Cash dividends, $0.12 per share			(53,937)			
Bonuses to directors and corporate auditors			(1,191)			
Increase in treasury stock (5,238,128 shares)						(88,891)
Shares issued on conversion of convertible debt	35,337	35,337				
Net decrease in unrealized gain on available-for-sale securities				(5,390)		
Foreign currency translation adjustments					(2,088)	
BALANCE, MARCH 31, 2003	**$1,002,893**	**$1,109,321**	**$1,360,093**	**$ 2,060**	**$(3,186)**	**$(90,930)**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years Ended March 31, 2003 and 2002

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2002	2003
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 91,063	¥ 49,905	$ 757,597
Adjustments for:			
Income taxes—paid	(31,064)	(27,728)	(258,438)
Depreciation and amortization	31,731	31,764	263,987
Loss on disposal of property, plant and equipment	1,650	858	13,728
Loss on devaluation of land	8,697		72,351
(Gain) loss on sales of marketable and investment securities	(1)	74	(7)
Equity in earnings of affiliated companies	(722)	(800)	(6,009)
Changes in assets and liabilities, net of effects from newly consolidated subsidiaries:			
Increase in notes and accounts receivable	(1,668)	(152)	(13,878)
Decrease (increase) in inventories	513	(1,428)	4,266
Increase in notes and accounts payable	7,150	966	59,486
Increase (decrease) in liability for employees' retirement benefits	(25,605)	9,610	(213,022)
Other—net	4,291	6,655	35,708
Total adjustments	(5,028)	19,819	(41,828)
Net cash provided by operating activities	86,035	69,724	715,769
INVESTING ACTIVITIES:			
Proceeds from sale of property, plant and equipment	759	772	6,313
Purchases of property, plant and equipment	(32,939)	(39,435)	(274,032)
Proceeds from sales of marketable and investment securities	6,399	5,777	53,234
Purchases of marketable and investment securities	(10,742)	(12,113)	(89,366)
Decrease (increase) in investments in and advances to non-consolidated subsidiaries and affiliates	(1,128)	426	(9,389)
Cash collected from long-term loans	3,033	2,538	25,234
Cash advanced for long-term loans	(2,582)	(1,312)	(21,478)
Other	(2,175)	(3,121)	(18,096)
Net cash used in investing activities	(39,375)	(46,468)	(327,580)
FINANCING ACTIVITIES:			
Proceeds from short-term bank loans	77		640
Repayments of short-term bank loans	(5,821)	(3,930)	(48,424)
Proceeds from long-term debt	5	2,227	41
Repayments of long-term debt	(51,644)	(17,987)	(429,649)
Dividends paid	(6,694)	(6,470)	(55,691)
Treasury stocks	(10,685)	(233)	(88,892)
Other	1,167	(554)	9,707
Net cash used in financing activities	(73,595)	(26,947)	(612,268)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(93)	95	(778)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(27,028)	(3,596)	(224,857)
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES, BEGINNING OF YEAR	4,118		34,261
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	155,303	158,899	1,292,037
CASH AND CASH EQUIVALENTS, END OF YEAR	¥132,393	¥155,303	$1,101,441
NONCASH FINANCING ACTIVITIES:			
Proceeds from issuance of common stock upon conversion of convertible debt	¥ 8,496	¥ 290	$ 70,674

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Years Ended March 31, 2003 and 2002

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 and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards. The consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

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 ¥120.20 to $1, the approximate rate of exchange at March 31, 2003. 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 2002 financial statements to conform to classifications and presentations used in 2003.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation—The consolidated financial statements include the accounts of the Company and its 27 significant subsidiaries (together, the "Group").

Under the control or influence concept, those companies in which the Parent, 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 3 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
	2003	2002	2003
Cash	¥132,320	¥152,863	$1,100,833
Time deposits	241	2,763	2,003
Total	132,561	155,626	1,102,836
Time deposits due beyond three months		(323)	
Bank overdraft included in cash	(168)		(1,395)
Cash and cash equivalents	¥132,393	¥155,303	$1,101,441

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 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 discounts are deferred as other assets and amortized on the straight-line method over the lives of the bonds.

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 which cover 35% and 65%, respectively, of retirement benefits. One consolidated subsidiary has a non-contributory trusteed pension plan to cover the retirement benefits for employees who retire at 55 years or more with at least 10 years of service. The foreign subsidiaries also have a defined contribution retirement plan which covers employees who have worked over 1 year, subject to certain limitations. Other consolidated subsidiaries have an unfunded retirement benefits plan.

The contributory funded defined benefit pension plan, which is established under the Japanese Welfare Pension Insurance Law, covers a substitutional portion of the governmental pension program managed by the Company on behalf of the government and a corporate portion established at the discretion of the Company. According to the enactment of the Defined Benefit Pension Plan Law in April 2002, the Company applied for an exemption from obligation to pay benefits for future employee services related to the substitutional portion which would result in the transfer of the pension obligations and related assets to the government by another subsequent application. The Company obtained an approval of exemption from future obligation by the Ministry of Health, Labour and Welfare on December 16, 2002.

As a result of this exemption, the Company and certain subsidiaries recognized a gain on exemption from future pension obligation of the governmental program in the amount of ¥45,703 million in accordance with a transitional measurement of the accounting standard for employees' retirement benefits for the year ended March 31, 2003.

The substitutional portion of the plan assets which will be transferred to the government in the subsequent year is measured to be approximately ¥111,902 million ($930,967 thousand) as at March 31, 2003.

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.

3. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Current:			
Government and corporate bonds	¥ 6,011	¥ 2,531	$ 50,005
Other	501	3,803	4,169
Total	¥ 6,512	¥ 6,334	$ 54,174
Non-current:			
Marketable equity securities	¥ 7,409	¥10,219	$ 61,637
Non-marketable equity securities	1,560	676	12,980
Government and corporate bonds	4,704	6,212	39,131
Other	5,730	1,162	47,673
Total	¥19,403	¥18,269	$161,421

Information regarding each category of the securities classified as available-for-sale and held-to-maturity at March 31, 2003 and 2002 was as follows:

	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

	Millions of Yen			
	2002			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale—equity securities	¥ 8,700	¥ 1,733	¥ 214	¥ 10,219
Held-to-maturity	12,546	14	8	12,552

	Thousands of U.S. Dollars			
	2003			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale—equity securities	$ 58,134	$6,856	$3,353	$ 61,637
Held-to-maturity	131,607	24	46	131,585

The majority of available-for-sale securities whose fair value is not readily determinable as of March 31, 2003 and 2002 was as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Available-for-sale:			
Equity securities	¥1,560	¥ 676	$12,980
Preferred shares	1,000	1,000	8,319

Proceeds from sales of available-for-sale securities for the years ended March 31, 2003 and 2002 were ¥9 million ($72 thousand) and ¥369 million, respectively. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥1 million ($7 thousand) and ¥0 million ($0 thousand), respectively, for the year ended March 31, 2002 and ¥1 million and ¥72 million, respectively, for the year ended March 31, 2002.

The carrying values of debt securities by contractual maturities for securities classified as held-to-maturity at March 31, 2003 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	Held to Maturity	Held to Maturity
Due in one year or less	¥ 6,512	$ 54,174
Due after one year through five years	9,307	77,433
Total	¥15,819	$131,607

4. BANK LOANS AND LONG-TERM DEBT

Short-term bank loans at March 31, 2003 and 2002 consisted of notes to banks and bank overdrafts. The annual interest rates applicable to the bank loans ranged from 0.05% to 6% and 0.4% to 1.375% at March 31, 2003 and 2002, respectively.

Long-term debt at March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
1.49% to 3.2% loans from Japanese banks, and other financial institutions due 2009		¥ 10,305	
Secured 3.0% bonds due in August 2002		200	
Unsecured 2.2% bonds due in November 2002		15,000	
Unsecured 2.6% bonds due in July 2004	¥15,000	15,000	$124,792
Unsecured 1.975% bonds due in July 2005		10,000	
Unsecured 1.65% bonds due in December 2005		15,000	
Unsecured 0.8% bonds due in December 2004	2,000	2,000	16,639
Unsecured 1.7% convertible debentures, convertible into common stock at ¥1,071.80 per share, due in September 2002		8,516	
Unsecured 1.2% convertible debentures, convertible into common stock at ¥1,211.80 per share, due in September 2009	13,425	13,425	111,689
Total	30,425	89,446	253,120
Less current portion		(27,522)	
Total	¥30,425	¥ 61,924	$253,120

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 derecognized amounted to ¥25,000 million ($207,987 thousand) as of March 31, 2003 (see Note 9).

Annual maturities of long-term debt at March 31, 2003 were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2005	¥17,000	$141,431
2010	13,425	111,689
Total	¥30,425	$253,120

Investment securities with a carrying amount of ¥21 million ($178 thousand) were deposited as security for dealings at March 31, 2003.

All outstanding convertible debentures of the Company at March 31, 2003, were convertible into 11 thousand shares of common stock of the Company. The conversion prices are subject to adjustments to reflect stock splits and certain other events.

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 pay at the time of termination, 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, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Projected benefit obligation	¥126,763	¥ 285,399	$1,054,599
Fair value of plan assets	(28,457)	(149,414)	(236,746)
Unrecognized actuarial loss	(50,582)	(63,130)	(420,818)
Net liability	¥ 47,724	¥ 72,855	$ 397,035

The components of net periodic benefit costs for the years ended March 31, 2003 and 2002 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Service cost	¥ 11,336	¥11,120	$ 94,314
Interest cost	6,316	7,887	52,547
Expected return on plan assets		(3,641)	
Recognized actuarial loss	15,337	11,625	127,593
Net periodic benefit costs	32,989	26,991	274,454
Amortization of prior service cost		(5,222)	
Gain on exemption from future pension obligation of the governmental program	(45,703)		(380,226)
Total benefit costs—net	¥(12,714)	¥21,769	$(105,772)

Assumptions used for the years ended March 31, 2003 and 2002 are set forth as follows:

	2003	2002
Discount rate	2.0%	2.8%
Expected rate of return on plan assets	0.0%	2.5%
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 beginning April 1, 2002. 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 ¥94,194 million ($783,644 thousand) as of March 31, 2003, 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, 2003 and 2002.

Tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Deferred tax assets:			
Current:			
Accrued expenses	¥ 7,875	¥ 6,236	$ 65,513
Enterprise tax	2,086	1,484	17,357
Other	810	55	6,742
Deferred tax assets—current	¥10,771	¥ 7,775	$ 89,612
Non-current:			
Liability for employees' retirement benefits	¥18,105	¥28,066	$150,622
Investment securities	2,536	1,779	21,102
Loss on devaluation of land	2,722		22,649
Unrealized profit	460	432	3,826
Other	(324)	(568)	(2,700)
Less valuation allowance	(2,722)		(22,649)
Deferred tax assets—non-current	¥20,777	¥29,709	$172,850
Deferred tax liabilities:			
Property, plant and equipment		¥ 990	
Revaluation of fixed assets in accordance with special tax measures	¥ 414		$ 3,444
Other	(349)	41	(2,903)
Deferred tax liabilities	¥ 65	¥ 1,031	$ 541

A reconciliation between the normal effective statutory tax rate for the years ended March 31, 2003 and 2002 and the actual effective tax rates reflected in the accompanying consolidated statements of income was as follows:

	2003	2002
Normal effective statutory tax rate	41.0%	41.0%
Per capita levy of local taxes	1.8	3.2
Differences from tax rates of foreign consolidated subsidiaries	0.1	0.3
Valuation allowance	3.0	
Other—net	0.8	
Actual effective tax rate	46.7%	44.5%

On March 31, 2003, a tax reform law was enacted in Japan which changed the normal effective statutory tax rate from 41.0% to 40.0%, effective for years beginning on or after April 1, 2004. The effect of this change on deferred taxes in the consolidated statements of income for the year ended March 31, 2003 was a decrease of approximately ¥422 million ($3,511 thousand).

8. LEASES

Total lease payments under finance lease arrangements that do not transfer ownership of the leased property to the lessee were ¥3,035 million ($25,253 thousand) and ¥2,660 million for the years ended March 31, 2003 and 2002, 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, 2003 and 2002 was as follows:

	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

	Thousands of U.S. Dollars				
	2003				
	Buildings and Structures	Vehicles	Machinery and Equipment	Other Assets	Total
Acquisition cost	$41	$598	$122,892	$811	$124,342
Accumulated depreciation	18	285	63,730	534	64,567
Net leased property	$23	$313	$ 59,162	$277	$ 59,775

	Millions of Yen			
	2002			
	Buildings and Structures	Vehicles	Machinery and Equipment	Total
Acquisition cost	¥5	¥75	¥12,581	¥12,661
Accumulated depreciation	2	54	5,952	6,008
Net leased property	¥3	¥21	¥ 6,629	¥ 6,653

Obligations under finance leases which included the imputed interest expense portion, and noncancelable operating leases as of March 31, 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2003		2003	
	Finance Lease	Operating Lease	Finance Lease	Operating Lease
Due within one year	¥2,861	¥ 328	$23,799	$2,730
Due after one year	4,324	475	35,976	3,954
Total	¥7,185	¥ 803	$59,775	$6,684

	Millions of Yen	
	2002	
	Finance Lease	Operating Lease
Due within one year	¥2,411	¥ 642
Due after one year	4,242	1,448
Total	¥6,653	¥2,090

9. CONTINGENT LIABILITIES

Contingent liabilities for guarantees and items of a similar nature at March 31, 2003 amounted to ¥335 million ($2,787 thousand) representing guarantees of loans of an unaffiliated company jointly and severally by the Company and 18 other unaffiliated companies and ¥137 million ($1,140 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, 2003, the Company had contingent obligations of ¥25,000 million ($207,987 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, 2003 and 2002 is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
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	$0.87
Effect of dilutive securities—Convertible bonds	106	14,145		
Diluted EPS—Net income for computation	¥48,452	476,752	¥101.63	$0.85

	Millions of Yen	Thousands of Shares	Yen
Year Ended March 31, 2002	Net Income	Weighted-average Shares	EPS
Basic EPS—Net income available to common shareholders	¥27,383	461,320	¥59.36
Effect of dilutive securities—Convertible bonds	189	19,220	
Diluted EPS—Net income for computation	¥27,572	480,540	¥57.38

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, 2003 and 2002 is as follows:

(1) Industry Segments

	Millions of Yen					
	2003					
	Domestic Transportation	International Transportation	Information Communications	Other	Eliminations or Corporate	Consolidated
a. Operating revenues and operating income:						
Operating revenues to customers	¥ 856,827	¥ 74,117	¥ 18,888	¥ 22,303		¥ 972,135
Intersegment operating revenues	3,644	479	11,106	26,831	¥ (42,060)	
Total operating revenues	860,471	74,596	29,994	49,134	(42,060)	972,135
Operating costs and expenses	810,016	72,897	28,305	45,092	(40,993)	915,317
Operating income	¥ 50,455	¥ 1,699	¥ 1,689	¥ 4,042	¥ (1,067)	¥ 56,818
b. Assets, depreciation and capital expenditures:						
Assets	¥ 424,029	¥ 24,671	¥ 20,776	¥ 35,740	¥ 150,661	¥ 655,877
Depreciation	25,233	642	581	5,090	185	31,731
Capital expenditures	33,026	701	4,522	4,285	57	42,591

	Thousands of U.S. Dollars					
	2003					
	Domestic Transportation	International Transportation	Information Communications	Other	Eliminations or Corporate	Consolidated
a. Operating revenues and operating income:						
Operating revenues to customers	$7,128,347	$616,616	$157,139	$185,547		$8,087,649
Intersegment operating revenues	30,311	3,984	92,398	223,226	$ (349,919)	
Total operating revenues	7,158,658	620,600	249,537	408,773	(349,919)	8,087,649
Operating costs and expenses	6,738,901	606,465	235,486	375,139	(341,039)	7,614,952
Operating income	$ 419,757	$ 14,135	$ 14,051	$ 33,634	$ (8,880)	$ 472,697
b. Assets, depreciation and capital expenditures:						
Assets	$3,527,698	$205,247	$172,848	$297,336	$1,253,421	$5,456,550
Depreciation	209,922	5,342	4,836	42,343	1,544	263,987
Capital expenditures	274,759	5,830	37,621	35,653	475	354,338

	Millions of Yen					
	2002					
	Domestic Transportation	International Transportation	Information Communications	Other	Eliminations or Corporate	Consolidated
a. Operating revenues and operating income:						
Operating revenues to customers	¥ 834,418	¥ 61,189	¥ 18,431	¥ 18,082		¥ 932,120
Intersegment operating revenues	3,375	202	10,513	13,388	¥ (27,478)	
Total operating revenues	837,793	61,391	28,944	31,470	(27,478)	932,120
Operating costs and expenses	789,809	60,127	27,093	28,574	(26,672)	878,931
Operating income	¥ 47,984	¥ 1,264	¥ 1,851	¥ 2,896	¥ (806)	¥ 53,189
b. Assets, depreciation and capital expenditures:						
Assets	¥ 413,700	¥ 27,780	¥ 15,803	¥ 31,827	¥ 189,829	¥ 678,939
Depreciation	25,648	571	390	4,964	191	31,764
Capital expenditures	32,123	450	2,876	4,840	90	40,379

(2) Geographic Segments
The geographic segments of the Company and consolidated subsidiaries for the years ended March 31, 2003 and 2002 are summarized as follows:

	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

	Thousands of U.S. Dollars					
	2003					
	Japan	U.S.A.	Europe	Asia	Eliminations or Corporate	Consolidated
Operating revenues:						
Outside customers	$7,911,646	$105,335	$29,726	$40,942		$8,087,649
Interarea	36,961	22,678	9,957	20,591	$ (90,187)	
Total operating revenues	7,948,607	128,013	39,683	61,533	(90,187)	8,087,649
Operating costs and expenses	7,480,151	125,964	40,114	58,958	(90,235)	7,614,952
Operating income (loss)	$ 468,456	$ 2,049	$ (431)	$ 2,575	$ 48	$ 472,697
Assets	$4,125,741	$ 26,054	$16,668	$22,366	$1,265,721	$5,456,550

	Millions of Yen				
	2002				
	Japan	U.S.A.	Other	Eliminations or Corporate	Consolidated
Operating revenues:					
Outside customers	¥ 915,279	¥ 12,873	¥ 3,968		¥ 932,120
Interarea	3,628	2,543	958	¥ (7,129)	
Total operating revenues	918,907	15,416	4,926	(7,129)	932,120
Operating costs and expenses	866,045	15,102	4,815	(7,031)	878,931
Operating income	¥ 52,862	¥ 314	¥ 111	¥ (98)	¥ 53,189
Assets	¥ 482,685	¥ 3,389	¥ 1,802	¥ 191,063	¥ 678,939

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, 2003 and 2002 amounted to ¥24,402 million ($203,011 thousand) and ¥20,845 million, respectively.

12. SUBSEQUENT EVENTS

a. Appropriations of Retained Earnings
The following appropriations of retained earnings at March 31, 2003 were approved at the Company's shareholders meeting held on June 27, 2003:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥8.00 ($0.07) per share	¥3,713	$30,891
Bonuses to directors and corporate auditors	65	541

b. Purchase of Treasury Stock
The Company is authorized to repurchase up to 7,700 thousand shares of the Company's common stock or aggregate amount of ¥10,000 million ($83,195 thousand).

Independent Auditors' Report

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Deloitte Touche Tohmatsu

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, 2003 and 2002, 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, procedures and practices generally accepted and applied 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, 2003 and 2002, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan.

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 27, 2003

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.*
Chiyoda Packaging Industry Co., Ltd.*
Konan Industry Co., Ltd.*
Kyushu Yamato Transport Co., Ltd.*
Shikoku Yamato Transport 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 Shoji Co., Ltd.*
Book Service Co., Ltd.*
Yamato Global Freight Co., Ltd.*
Yamato Logistics Produce Co., Ltd.*
Yamato Home Service Co., Ltd.*
Tohoku Yamato Home Service Co., Ltd.*
Hokushinetsu Yamato Home Service Co., Ltd.*
Chubu Yamato Home Service Co., Ltd.*
Kansai Yamato Home Service Co., Ltd.*
Chugoku Yamato Home Service 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.
Fukuoka Green Liner Co., Ltd.
Kagoshima Green Liner Co., Ltd.
Yamato Staff Supply Co., Ltd.
Swan Co., Ltd.
Swan Net Co., Ltd.
Minami Kyushu Green Co., Ltd.
Shikoku Yamato Distribution Service Co., Ltd.
Shikoku-Yamato Logitem 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.
UPS Yamato Co., Ltd.
UPS Yamato Express Co., Ltd.
Yamato Unyu (Thailand) 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
Japan Trustee Services Bank, Ltd. (Trust Account)	9.09%
The Master Trust Bank of Japan, Ltd. (Trust Account)	5.70%
Mizuho Bank, Ltd.	3.76%
The Meiji Life Insurance Co.	2.76%
Yamato Employees' Shareholding Association	2.71%
The Yasuda Mutual Life Insurance Co.	2.67%
Resona Bank, Limited	2.08%
The Sumitomo Life Insurance Co.	1.84%
Yamato Trading-Partner Shareholding Association	1.75%
UFJ Trust Bank Ltd. (Trust Account A)	1.74%
Total	34.1%

Stock Price Range

(Tokyo Stock Exchange) (Yen)

	High	Low
First quarter	2,540	2,020
Second quarter	2,310	1,794
Third quarter	1,858	1,503
Fourth quarter	1,740	1,295

Distribution of Shareholders

Financial Institutions	56.3%
Securities Companies	0.9%
Other Institutions	8.1%
Foreign Investors	18.1%
Individuals and Others	16.6%
Total	100.0%

(As of March 31, 2003)

YAMATO TRANSPORT CO., LTD.

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