

## Financial Results for the first quarter ended June 30, 2007

July 27, 2007

Listed Company: **Hitachi Transport System, Ltd.**

Stock exchange: First section of Tokyo

Code number: 9086

URL: <http://www.hitachi-hb.co.jp/>

Representative: Takao Suzuki, President and Chief Executive Officer

(Figures are rounded off to the nearest million yen)

### 1. Consolidated Financial Highlights for the first quarter ended June 30, 2007 (April 1, 2007 to June 30, 2007)

#### (1) Consolidated Financial Results (% indicates the percentage change over year)

	Service revenues		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First quarters ended:								
June 30, 2007	81,302	13.9	2,714	22.7	2,829	24.1	1,471	19.3
June 30, 2006	71,389	6.1	2,212	14.0	2,280	13.1	1,233	30.9
Year ended March 31, 2007	303,958		11,746		12,168		6,787	

	Net income per share	Net income per share (Diluted)
	Yen	Yen
First quarters ended:		
June 30, 2007	13.19	—
June 30, 2006	11.05	—
Year ended March 31, 2007	60.84	—

#### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
First quarters ended:				
June 30, 2007	204,416	134,388	65.5	1,200.37
June 30, 2006	197,520	128,189	64.8	1,146.57
Year ended March 31, 2007	208,283	133,393	63.8	1,191.96

### 2. Consolidated Financial Forecasts for the year ending March 31, 2008 (April 1, 2007 to March 31, 2008)

(% indicates the percentage change over year)

	Service revenues		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Half year	160,000	8.1	5,700	0.9	5,800	1.0	3,100	6.0	27.79
Whole fiscal year	330,000	8.6	13,100	11.5	13,200	8.5	7,300	7.6	65.44

### 3. Others

(1) Changes in major subsidiaries during the period (Changes in specified subsidiaries due to changes in the scope of consolidation): Yes

[New company: 1 (Hitachi Collabonext Transport System Co., Ltd.)]

Shiseido Logistics Company, Ltd. became a consolidated subsidiary on April 2, 2007, when 90% of the stock was transferred from Shiseido Co., Ltd.

[Company removed: 1 (Tohoku HB Service Co., Ltd.)]

Tohoku HB Service Co., Ltd. was merged with Higashinippon Hitachi Transport Service Co., Ltd., a consolidated subsidiary company, on April 1, 2007.

(2) Use of simplified accounting policies: Yes

Expected annual tax rates are applied in the calculation of income taxes.

(3) Changes in accounting policies in the most recent fiscal year: None

\* The financial forecasts above are based on current estimates and uncertain factors. The Company's actual results may be materially different and the figures have remained those announced before.

## [Review of Operations]

The core business of our Company lies in providing services with integrated total support for their logistics systems – through the comprehensive undertaking of Third Party Logistics (3PL). Taking advantage of our dominance of 3PL in a constantly expanding market, we have focused on distinguishing our services definitively from those of our competitors, reforming the structure of our business, and boosting our competitive ability.

While the business environment in logistics remains challenging due to high oil prices, increasingly stringent environmental and other regulations, and intensifying competition, the Company has nevertheless expanded its business in the first quarter, thanks to factors such as handling greater volumes in existing operations, and the growth in new orders. In April, we reorganized our domestic and overseas systems to achieve consistency in Japanese and overseas 3PL operations. Moreover, in order to accelerate the expansion of our global business, we have assigned local representatives to oversee operations in North America, Europe, China and Asia.

For our domestic logistics businesses, we have built a structure allowing efficient, low cost logistics operations for the benefit of retail customers. For our customers in manufacturing meanwhile, we have developed services in procurement logistics and other approaches that offer the optimum fit for our customers' needs.

In the first quarter, we generated new business for related customers in sectors such as food, retailing, automotive parts, and medical supplies. A logistics subsidiary of Shiseido Co., Ltd., which we took over, also launched operations last April under a new system and new name, Hitachi Collabonext Transport System Co., Ltd.

In the area of global logistics, while ramping up our global logistics operations by achieving consistency between domestic and international contracts, and encompassing all areas from procurement to sales, we have focused on business, not only in the main regions, such as North America and China, but also in emerging regions, including Eastern Europe and Asia. In this way, we have endeavored to build up optimal and highest-quality logistics systems to cater for customers' global strategies.

During the first quarter, in North America we launched new businesses for related customers, for example in foodstuffs. We have also striven to strengthen the foundations of our business in countries such as India, the UAE and Korea. In Europe, we channeled resources into in-factory logistics for a flat-panel TV factory in Czech Republic, while in China, we have been developing inspection and logistics services for apparel customers, and established a new company last December to expand logistics operations in sectors such as apparel and household goods.

Consolidated service revenues for this term rose 14% on the same quarter of the previous year to ¥81,302 million, thanks to a steady increase in handling volume centered on 3PL operations. Consolidated operating income, meanwhile, fell sharply in the global logistics operation due to a decline in the handling volume of flat-panel TVs in North America, and the impact of forward investment to boost our key business areas. Overall, however, thanks to the driving force of domestic logistics and aided by improvements in productivity, income reached ¥2,714 million, a 23% increase from the corresponding quarter of the previous year. The consolidated ordinary income is ¥2,829 million, 24% up from the same quarter of the previous year, while consolidated quarterly net income is ¥1,471 million, 19% up from the same quarter of the previous year.

## [Supporting Data]

### 1. (Summary) Quarterly Consolidated Balance Sheets

(Millions of yen, rounded off)

Item	Term		First quarter for the year ending March 2008 (As of June 30, 2007)		First quarter for the year ended March 2007 (As of June 30, 2006)		Year ended March 2007 (As of March 31, 2007)	
	Amount	Composition	Amount	Composition	Amount	Composition		
<b>Assets:</b>		%		%		%		
Current assets:	101,514	49.7	101,000	51.1	108,059	51.9		
Cash	4,383		4,928		4,116			
Trade receivables of accounts and notes	63,100		57,240		63,848			
Deposit to parent company	25,478		31,654		33,201			
Other current assets	8,787		7,488		7,208			
Allowance for doubtful receivables	(234)		(310)		(314)			
Non-current assets:	102,902	50.3	96,520	48.9	100,224	48.1		
Property and equipment	81,992	40.1	80,224	40.6	82,459	39.6		
Buildings and structures	43,549		40,667		44,150			
Land	30,730		30,844		30,717			
Other property and equipment	7,713		8,713		7,592			
Intangible assets:	6,051	3.0	3,930	2.0	3,707	1.8		
Goodwill	2,426		-		-			
Other intangible assets	3,625		3,930		3,707			
Investments and other assets	14,859	7.2	12,366	6.3	14,058	6.7		
<b>Total assets</b>	<b>204,416</b>	<b>100.0</b>	<b>197,520</b>	<b>100.0</b>	<b>208,283</b>	<b>100.0</b>		
<b>Liabilities:</b>								
Current liabilities:	44,307	21.7	39,032	19.8	49,632	23.9		
Trade payables of accounts and notes	20,761		20,316		22,230			
Short-term bank loans	-		73		-			
Current portion of long-term debt	4,000		-		4,000			
Other current liabilities	19,546		18,643		23,402			
Non-current liabilities:	25,721	12.6	30,299	15.3	25,258	12.1		
Long-term debt	12,000		16,000		12,000			
Accrued retirement and severance benefits	10,860		11,615		10,386			
Accrued retirement benefits for directors	663		598		683			
Other non-current liabilities	2,198		2,086		2,189			
<b>Total liabilities</b>	<b>70,028</b>	<b>34.3</b>	<b>69,331</b>	<b>35.1</b>	<b>74,890</b>	<b>36.0</b>		
<b>Net assets:</b>								
Shareholders' equity:	132,505	64.8	127,262	64.5	131,927	63.3		
Common stock	16,803	8.2	16,803	8.5	16,803	8.1		
Additional paid-in capital	13,427	6.6	13,427	6.8	13,427	6.4		
Retained earnings	102,449	50.1	97,204	49.3	101,870	48.9		
Treasury stock at cost	(174)	(0.1)	(172)	(0.1)	(173)	(0.1)		
Valuation, translation, adjustments and others:	1,401	0.7	644	0.3	1,041	0.5		
Net unrealized holding gain on securities	738	0.4	626	0.3	669	0.3		
Foreign currency translation adjustments	663	0.3	18	0.0	372	0.2		
Minority interests	482	0.2	283	0.1	425	0.2		
<b>Total net assets</b>	<b>134,388</b>	<b>65.7</b>	<b>128,189</b>	<b>64.9</b>	<b>133,393</b>	<b>64.0</b>		
<b>Commitments and contingencies</b>	<b>204,416</b>	<b>100.0</b>	<b>197,520</b>	<b>100.0</b>	<b>208,283</b>	<b>100.0</b>		

## 2. (Summary) Quarterly Consolidated Statements of Income

(Millions of yen, rounded off)

Item	Term	First quarter for the year ending March 2008 〔 From April 1, 2007 To June 30, 2007 〕		First quarter for the year ended March 2007 〔 From April 1, 2006 To June 30, 2006 〕		Year ended March 2007 〔 From April 1, 2006 To March 31, 2007 〕	
		Amount	%	Amount	%	Amount	%
			%		%		%
Service revenues		81,302	100.0	71,389	100.0	303,958	100.0
Cost of service		73,951	91.0	65,219	91.4	276,229	90.9
<u>Gross profit</u>		7,351	9.0	6,170	8.6	27,729	9.1
Selling, general and administrative expenses		4,637	5.7	3,958	5.5	15,983	5.2
<u>Operating income</u>		2,714	3.3	2,212	3.1	11,746	3.9
Other income		157	0.2	131	0.2	671	0.2
( Interest income )		( 57 )		( 21 )		( 162 )	
( Dividends income )		( 32 )		( 27 )		( 45 )	
( Equity in earnings of affiliated companies )		( 20 )		( 13 )		( 70 )	
( Reversals of allowances for doubtful receivables )		( - )		( - )		( 131 )	
( Others )		( 48 )		( 70 )		( 263 )	
Other expenses		42	0.0	63	0.1	249	0.1
( Interest expenses )		( 35 )		( 38 )		( 140 )	
( Others )		( 7 )		( 25 )		( 109 )	
<u>Ordinary income</u>		2,829	3.5	2,280	3.2	12,168	4.0
Extraordinary profit		-	-	-	-	544	0.2
( Gain on sales of property, plant and equipment )		( - )		( - )		( 544 )	
Extraordinary loss		83	0.1	141	0.2	1,153	0.4
( Loss on sales of property, plant and equipment )		( 5 )		( 5 )		( 24 )	
( Loss on disposal of property, plant and equipment )		( 57 )		( 13 )		( 439 )	
( Area business restructuring cost )		( 21 )		( - )		( 141 )	
( Additional retirement benefits )		( - )		( 123 )		( 416 )	
( Impairment loss )		( - )		( - )		( 133 )	
<u>Income before income taxes and minority interests</u>		2,746	3.4	2,139	3.0	11,559	3.8
Income taxes		1,261	1.6	937	1.3	4,744	1.6
<u>Minority interests (losses)</u>		14	0.0	(31)	(0.0)	28	0.0
<u>Net income</u>		1,471	1.8	1,233	1.7	6,787	2.2

### 3. Segment Information

#### Segment Information by business operations

First quarter for the year ending March 2008 (From April 1, 2007 to June 30, 2007)

(Millions of yen, rounded off)

	Domestic Logistics	Global Logistics	Other Services	Subtotal	Intersegment elimination	Total
Service revenues and operating income & loss						
Service revenues						
(1) Service revenues from unaffiliated customers	59,115	18,029	4,158	81,302	—	81,302
(2) Service revenues from intersegment transactions	—	—	1,404	1,404	(1,404)	—
Total	59,115	18,029	5,562	82,706	(1,404)	81,302
Cost of service	54,715	18,032	5,286	78,033	555	78,588
Operating income (loss)	4,400	(3)	276	4,673	(1,959)	2,714

First quarter for the year ended March 2007 (From April 1, 2006 to June 30, 2006)

(Millions of yen, rounded off)

	Domestic Logistics	Global Logistics	Other Services	Subtotal	Intersegment elimination	Total
Service revenues and operating income & loss						
Service revenues						
(1) Service revenues from unaffiliated customers	51,170	16,343	3,876	71,389	—	71,389
(2) Service revenues from intersegment transactions	—	—	1,363	1,363	(1,363)	—
Total	51,170	16,343	5,239	72,752	(1,363)	71,389
Cost of service	47,476	16,030	5,035	68,541	636	69,177
Operating income	3,694	313	204	4,211	(1,999)	2,212

For the year ended March 2007 (From April 1, 2006 to March 31, 2007)

(Millions of yen, rounded off)

	Domestic Logistics	Global Logistics	Other Services	Subtotal	Intersegment elimination	Total
Service revenues and operating income & loss						
Service revenues						
(1) Service revenues from unaffiliated customers	216,230	69,559	18,169	303,958	—	303,958
(2) Service revenues from intersegment transactions	—	—	5,989	5,989	(5,989)	—
Total	216,230	69,559	24,158	309,947	(5,989)	303,958
Cost of service	199,629	67,861	22,706	290,196	2,016	292,212
Operating income	16,601	1,698	1,452	19,751	(8,005)	11,746