

Financial Results for the third quarter ended December 31, 2007

January 30, 2008

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 third quarter (April 1, 2007 to December 31, 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	%
Third quarters ended:								
December 31, 2007	252,695	11.5	10,634	22.4	10,935	23.1	5,913	28.8
December 31, 2006	226,713	6.2	8,689	19.9	8,885	19.5	4,591	17.8
Year ended March 31, 2007	303,958		11,746		12,168		6,787	

	Net income per share	Net income per share (Diluted)
	Yen	Yen
Third quarters ended:		
December 31, 2007	53.01	—
December 31, 2006	41.15	—
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
Third quarters ended:				
December 31, 2007	213,348	137,444	64.2	1,227.49
December 31, 2006	204,706	131,178	63.9	1,172.51
Year ended March 31, 2007	208,283	133,393	63.8	1,191.96

2. Dividend

(Date of standard)	Dividend per share				
	First quarter	Interim	Third quarter	Year-end	Total
March 31, 2007	Yen —	Yen 8.00	Yen —	Yen 8.00	Yen 16.00
March 31, 2008	—	9.00	—	9.00	18.00
March 31, 2008 (Forecast)					

3. 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
Full year	333,000	9.6	13,400	14.1	13,500	10.9	7,400	9.0	66.34

4. Others

- | | |
|---|--------|
| (1) Changes in major subsidiaries during the period
(Changes in specified subsidiaries due to changes in the scope of consolidation) | : None |
| (2) Use of simplified accounting policies
Expected annual tax rates are applied in the calculation of income taxes. | : Yes |
| (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]

In the third quarter, the global economy faced an uncertain outlook, with factors such as the subprime loan problem destabilizing the business climate as well as causing prices of raw materials, including oil, to escalate. The Japanese economy, while moderately expanding, has also been on a declining trend due to the drop in housing investment. Meanwhile, severe business situations have continued in the logistics industry due to the current high oil costs and increasingly intensifying intercorporate competitions.

Under these circumstances, we restructured our business organization in our efforts to improve competitiveness while utilizing our advantages as a leading company, and clearly hammering out the differences from our competitors in the growing market on the basis of our core business, an integrated support of corporate logistics, namely, "third party logistics (3PL: Comprehensive logistics services)." Our domestic and overseas sales systems were restructured in April last year, aiming to form a consistent business system, both internationally and domestically, in the 3PL business. At the same time, regional representative offices were set up in North America, Europe, China and Asia for the prompt deployment of global businesses at overseas sites.

Consolidated service revenues for the third quarter (accumulated total, same as above) was ¥252,695 million, an increase of 11 percent compared with the corresponding period of a year earlier, mainly because of continuous expansion of the 3PL business and the exploitation of large business projects. Although the global logistics business has slowed down due to the effects of a decreased handling volumes of cargo in our companies in North America and expenses incurred in setting up overseas business sites, the overall consolidated operating income reached ¥10,634 million, an increase of 22 percent compared with the corresponding period a year earlier thanks to improvements in the workability and productivity of the 3PL business, the smooth launch of new contracts, and efficient operation of large business projects as well as an increase in service revenues. The consolidated ordinary income was ¥10,935 million, an increase of 23 percent compared with the corresponding period of a year earlier, and consolidated quarterly net income was ¥5,913 million, an increase of 29 percent compared with the corresponding period a year earlier.

The sales results of the main segments in the third quarter are shown below.

In the domestic logistics business, we established an efficient logistics operation system for distributors, and implemented optimal, meticulous services including procurement logistics for manufacturers.

During the third quarter, a subsidiary distribution company having taken over from Shiseido Co., Ltd. started the operation in April last year in a new system and a new company named Hitachi Collabonext Transport System Co., Ltd. In addition, we implemented a number of new business projects for our customers in various industries, including retail sales, food, and automotive parts industries. We also carried out heavy load transportations, in both land and marine transportations (e.g. land transportation of the new bullet train model N700 system), as well as the integrated operation of information equipment from transportation, installation, and setup to disposal. We entered into a business alliance with Senkon Logistics Co., Ltd. last December and are strengthening our operational capabilities, including enhancing our business

foundation in the Tohoku region, with capital participation in the company.

The consolidated service revenues of these businesses reached ¥182,148 million, an increase of 13 percent compared with the corresponding period a year earlier because the 3PL business remained strong, mainly in the information, communications, medical and people's living areas. Consolidated operating income increased 17 percent to ¥14,262 million compared with the corresponding period a year earlier, thanks to increased revenues and decreased expenses, owing to the smooth launch of new business projects, and improvements of workability, productivity, and transportation efficiency.

In the global logistics business, as the 3PL business has been expanded globally, with increased demand for integrated operations, both domestically and overseas, from procurement to sales, our focus was put on sales in profitable regions like North America and China as well as newly emerging regions such as east European nations, in our efforts to establish optimal, highly qualified logistics systems to meet the global strategies of our customers.

We implemented new business projects for our customers in the food and automotive parts industries, etc. in North America during the third quarter. Our focus in Europe was put on the logistics of liquid crystal panel related materials, and succeeded in heavy load transportation, such as the transportation of railroad vehicles shipped to England. In China, proactive logistics services, including material inspection, were deployed for our customers in the apparel industry, and our efforts focused on the expansion of the logistics business to clothing and general merchandise. In addition, we established a new company in growing India last November and opened an office in Dubai in the Middle East, in order to enhance the business foundation for full-scale business deployment. In November last year, we also drew a logistics company in the Czech Republic into our group; enabling us to participate in the national logistics business as part of our efforts to improve logistics services and thus our competitiveness across Europe, centering on East Europe.

The consolidated service revenues of this business increased 9 percent to ¥57,492 million compared with the corresponding period the previous year, thanks to increased overseas logistics and import/export related businesses. The consolidated operating income was ¥1,108 million, a decrease of 26 percent compared with the corresponding period the previous year, due to aggravated profitability caused by the decreased handling volumes of flat-panel televisions in North America, and expenses incurred in opening overseas business sites.

In other services business, while information system related businesses recorded a decrease in service revenues and increased operating income due to the specialization in logistics businesses, businesses related to auto sales and tourist agencies remained strong.

Consolidated service revenues of these businesses decreased 1 percent to ¥13,055 million compared with the corresponding period the previous year, and consolidated operating income reached ¥1,050 million, an increase of 23 percent compared with the corresponding period the previous year.

[Supporting Data]

1. (Summary) Quarterly Consolidated Balance Sheets

(Millions of yen, rounded off)

Term Item	Third quarter for the year ending March 2008 (As of December 31, 2007)		Third quarter for the year ended March 2007 (As of December 31, 2006)		Year ended March 2007 (As of March 31, 2007)	
	Amount	Composition	Amount	Composition	Amount	Composition
Assets:		%		%		%
Current assets:	108,736	51.0	104,681	51.1	108,059	51.9
Cash	4,334		4,371		4,116	
Trade receivables of accounts and notes	67,098		62,193		63,848	
Deposit to parent company	27,659		30,956		33,201	
Other current assets	9,885		7,603		7,208	
Allowance for doubtful receivables	(240)		(442)		(314)	
Non-current assets:	104,612	49.0	100,025	48.9	100,224	48.1
Property and equipment	82,947	38.9	83,064	40.6	82,459	39.6
Buildings and structures	42,505		44,138		44,150	
Land	30,677		30,757		30,717	
Other property and equipment	9,765		8,169		7,592	
Intangible assets:	5,740	2.7	3,815	1.9	3,707	1.8
Goodwill	2,341		-		-	
Other intangible assets	3,399		3,815		3,707	
Investments and other assets	15,925	7.4	13,146	6.4	14,058	6.7
Total assets	213,348	100.0	204,706	100.0	208,283	100.0
Liabilities:						
Current liabilities:	50,311	23.6	43,866	21.4	49,632	23.9
Trade payables of accounts and notes	23,971		21,846		22,230	
Short-term bank loans	-		78		-	
Current portion of long-term debt	4,000		-		4,000	
Other current liabilities	22,340		21,942		23,402	
Non-current liabilities:	25,593	12.0	29,662	14.5	25,258	12.1
Long-term debt	12,000		16,000		12,000	
Accrued retirement and severance benefits	10,705		10,927		10,386	
Accrued retirement benefits for directors	780		655		683	
Other non-current liabilities	2,108		2,080		2,189	
Total liabilities	75,904	35.6	73,528	35.9	74,890	36.0
Net assets:						
Shareholders' equity:	135,941	63.7	129,731	63.4	131,927	63.3
Common stock	16,803	7.9	16,803	8.2	16,803	8.1
Additional paid-in capital	13,427	6.3	13,427	6.6	13,427	6.4
Retained earnings	105,885	49.6	99,674	48.7	101,870	48.9
Treasury stock at cost	(174)	(0.1)	(173)	(0.1)	(173)	(0.1)
Valuation, translation, adjustments and others:	990	0.5	1,068	0.5	1,041	0.5
Net unrealized holding gain on securities	549	0.3	687	0.3	669	0.3
Foreign currency translation adjustments	441	0.2	381	0.2	372	0.2
Minority interests	513	0.2	379	0.2	425	0.2
Total net assets	137,444	64.4	131,178	64.1	133,393	64.0
Commitments and contingencies	213,348	100.0	204,706	100.0	208,283	100.0

2. (Summary) Quarterly Consolidated Statements of Income

(Millions of yen, rounded off)

Term Item	Third quarter for the year ending March 2008 〔 From April 1, 2007 〕 〔 To December 31, 2007 〕		Third quarter for the year ended March 2007 〔 From April 1, 2006 〕 〔 To December 31, 2006 〕		Year ended March 2007 〔 From April 1, 2006 〕 〔 To March 31, 2007 〕	
	Amount	%	Amount	%	Amount	%
		%		%		%
Service revenues	252,695	100.0	226,713	100.0	303,958	100.0
Cost of service	228,327	90.4	206,386	91.0	276,229	90.9
<u>Gross profit</u>	24,368	9.6	20,327	9.0	27,729	9.1
Selling, general and administrative expenses	13,734	5.4	11,638	5.2	15,983	5.2
<u>Operating income</u>	10,634	4.2	8,689	3.8	11,746	3.9
Other income	471	0.2	371	0.2	671	0.2
(Interest income)	(194)		(105)		(162)	
(Dividends income)	(44)		(44)		(45)	
(Equity in earnings of affiliated companies)	(92)		(52)		(70)	
(Reversals of allowances for doubtful receivables)	(-)		(-)		(131)	
(Others)	(141)		(170)		(263)	
Other expenses	170	0.1	175	0.1	249	0.1
(Interest expenses)	(102)		(109)		(140)	
(Others)	(68)		(66)		(109)	
<u>Ordinary income</u>	10,935	4.3	8,885	3.9	12,168	4.0
Extraordinary profit	-	-	-	-	544	0.2
(Gain on sales of property, plant and equipment)	(-)		(-)		(544)	
Extraordinary loss	454	0.2	910	0.4	1,153	0.4
(Loss on sales of property, plant and equipment)	(50)		(18)		(24)	
(Loss on disposal of property, plant and equipment)	(291)		(367)		(439)	
(Area business restructuring cost)	(70)		(109)		(141)	
(Additional retirement benefits)	(28)		(416)		(416)	
(Impairment loss)	(15)		(-)		(133)	
<u>Income before income taxes and minority interests</u>	10,481	4.1	7,975	3.5	11,559	3.8
Income taxes	4,505	1.8	3,404	1.5	4,744	1.6
Minority interests (losses)	63	0.0	(20)	(0.0)	28	0.0
<u>Net income</u>	5,913	2.3	4,591	2.0	6,787	2.2

3. Segment Information

Segment Information by business operations

Third quarter for the year ending March 2008 (From April 1, 2007 to December 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	182,148	57,492	13,055	252,695	—	252,695
(2) Service revenues from intersegment transactions	—	—	4,233	4,233	(4,233)	—
Total	182,148	57,492	17,288	256,928	(4,233)	252,695
Cost of service	167,886	56,384	16,238	240,508	1,553	242,061
Operating income (loss)	14,262	1,108	1,050	16,420	(5,786)	10,634

Third quarter for the year ended March 2007 (From April 1, 2006 to December 31, 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	160,950	52,597	13,166	226,713	—	226,713
(2) Service revenues from intersegment transactions	—	—	4,361	4,361	(4,361)	—
Total	160,950	52,597	17,527	231,074	(4,361)	226,713
Cost of service	148,788	51,093	16,670	216,551	1,473	218,024
Operating income	12,162	1,504	857	14,523	(5,834)	8,689

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