



# Summary of Consolidated Financial Result for FY2009

28<sup>th</sup> April, 2010

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

Person in charge: Noriaki Kakino, Manager of Public Relation Section

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Date of the Ordinary General Meeting of Shareholders (Schedule): 24<sup>th</sup> June, 2010

Date of the Start of Dividend Payment (Schedule): 1<sup>st</sup> June, 2010

Date of the Release of Asset Securities Report (Schedule): 24<sup>th</sup> June, 2010

(Figures are rounded off to the nearest million yen)

## 1. Consolidated Financial Highlights for FY 2009 (1<sup>st</sup> April, 2009 to 31<sup>st</sup> March, 2010)

### (1) Consolidated Financial Results

(% indicates the percentage change over year)

	Revenues		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2009	331,917	(5.9)	12,724	(10.2)	12,670	(11.7)	5,815	(16.9)
FY2008	352,800	4.3	14,171	1.2	14,351	0.5	7,000	(9.6)

	Net income per share	Net income per share (Diluted)	Return on equity	Ordinary income to total assets	Operating margin
	Yen	Yen	%	%	%
FY2009	52.13	—	4.1	5.5	3.8
FY2008	62.75	—	5.0	6.4	4.0

(Reference) Equity in earnings of affiliated companies: FY2009: 73 million yen, FY2008: 147 million yen

### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY2009	231,188	148,471	62.9	1,302.56
FY2008	226,504	143,327	62.5	1,268.67

(Reference) Equity: FY2009: 145,303 million yen, FY2008: 141,523 million yen

### (3) Consolidated Cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of term
	Million yen	Million yen	Million yen	Million yen
FY2009	20,443	(16,795)	(8,911)	29,390
FY2008	19,969	(14,797)	(2,510)	34,805

## 2. Dividend

(Date of standard)	Dividend per share					Cash dividends (annual)	Payout ratio (consolidated)	Dividend on net assets (consolidated)
	1st quarter	2nd quarter	3rd quarter	4th quarter	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY2008	—	10.00	—	10.00	20.00	2,231	31.9	1.6
FY2009	—	10.00	—	10.00	20.00	2,232	38.4	1.6
FY2010, (Forecast)	—	10.00	—	10.00	20.00		29.7	

## 3. Consolidated Financial Forecasts for FY2010 (1<sup>st</sup> April, 2010 to 31<sup>st</sup> March, 2011)

(% indicates the percentage change over year)

	Revenues		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Half year	174,000	10.2	6,600	31.4	6,500	29.9	3,100	40.3	27.79
Full year	370,000	11.5	14,800	16.3	14,600	15.2	7,500	29.0	67.23

#### 4. Other

(1) Changes in scope of consolidation: None

(Notes) For details, please refer to "Hitachi Transport System Group" on page 10.

(2) Changes in accounting policies

(a) Changes due to the modification in accounting method: No

(b) Any other changes: No

(3) Issued shares (Common stock)

(a) Number of issued shares at end of term (Including Treasury stock)

FY2009: 111,776,714 shares, FY2008: 111,776,714 shares

(b) Number of Treasury stock

FY2009: 224,651 shares, FY2008: 224,198 shares

#### Non-Consolidated Financial Highlights (Reference)

##### 1. Non-Consolidated Financial Highlights for FY2009 (1<sup>st</sup> April, 2009 to 31<sup>st</sup> March, 2010)

(1) Non-Consolidated Financial Results

(% shows year-on-year change)

	Revenues		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2009	222,828	(7.8)	5,197	(33.0)	6,499	(31.8)	3,641	(36.1)
FY2008	241,795	(1.5)	7,762	(2.7)	9,527	1.5	5,698	3.2

	Net income per share	Net income per share (Diluted)
	Yen	Yen
FY2009	32.64	–
FY2008	51.09	–

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY2009	180,581	116,090	64.3	1,040.68
FY2008	187,278	114,621	61.2	1,027.51

(Reference) Equity: FY2009: 116,090 million yen, FY2008: 114,2621 million yen

\* Comments on appropriate use of the business forecast and other important note.

\* 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. Please refer to I. Operating Results, 1. Analysis of Operating Results, on page 3 for the suppositions that form the assumptions for business results and cautions concerning the use of business results forecasts.

\* (Reference) Figures in the Summary of non-consolidated results have been rounded down to the nearest million yen.

## **[Review of Business]**

### **I. Business Results**

#### **1. Analysis of Business Results**

##### (1) Overview of the current term

The Hitachi Transport System Group's core business is the integrated support of corporate logistics, namely, "third party logistics (3PL: comprehensive logistics services)." In the 3PL market, which continues to grow and expand with an increase in needs for outsourcing in logistics business, we aim to become a leader in the logistics industry by differentiating ourselves from our competitors with the expansion of our global logistics capabilities and the promotion of green logistics (such as industrial platform operations), while leveraging our strengths as a key player in the market.

The environment surrounding the logistics industry remained generally difficult during FY2009 under review. Cargo volume, which declined during the global economic downturn that began in 2008, did not fully recover, and competition within the industry intensified.

In these conditions, we could win new contracts in the 3PL business with comparative consistency, however, cargo volume from existing customers decreased because of the economic slump. As a result, revenues for the fiscal year under review stood at ¥331,917 million (falling 6% compared with FY2008). We introduced a number of improvements, such as enhancing productivity and reducing expenses. Despite these initiatives, operating income declined 10% compared with FY2008, to ¥12,724 million, and ordinary income decreased 12% to ¥12,670 million. Net income amounted to ¥5,815 million (down 17%).

The dividend for the end of the second quarter was ¥10 a share, the same as the previous fiscal year. We anticipate paying a year-end dividend of ¥10 a share, also unchanged from the previous year. As a consequence, we anticipate an annual dividend of ¥20 a share.

The sales results of the main segments for the year are shown below.

In the domestic logistics business, we established an efficient logistics operation system that responds to the diverse requirements of customers, and provided carefully tailored services.

During FY2009 under review, we were able to win contracts for new projects with consistency, undertaking a number of projects for retail, information and communication, and life-related areas. Meanwhile, in April 2009 we reorganized and strengthened our business system to increase the number of contracts in the 3PL business. Last July, we acquired a logistics subsidiary of Uchida Yoko Co., Ltd. The subsidiary – a new company called Hitachi Orientlogi Transport System Co., Ltd. – launched its business under a new system. We will focus on platform operations targeting the office furniture industry. It was decided last October that we would take over all contracts for logistics services provided to KOSE Corporation, a major player in the cosmetics sector (work is planned to begin in stages from the second half of FY 2010 to FY 2011). Taking this opportunity, we will further develop and expand the industrial

platform operations for the cosmetics industry. We also began operating new logistics facilities in Tokyo, Osaka Prefecture, Kanagawa Prefecture and Aichi Prefecture, as part of our efforts to establish new operating bases.

As a result, in the domestic logistics business, revenues for FY2009 under review stood at ¥244,460 million (on a par with FY2008), thanks to strong growth in new contracts in the 3PL business, offsetting a sharp collapse in cargo volume from existing customers. We sought to reduce expenses through the smooth launch of new projects, improved productivity, and greater transport efficiency. Nonetheless, operating income slipped 1% compared with FY2008, to ¥19,133 million.

In the global logistics business, we've stepped up the global 3PL business, which refers to comprehensive operations that cover everything from procurement to sales, at the global level, and steadily increased the number of contracts received for global projects. Overseas, we've enhanced our business foundations in North America, Europe, China and Asia, and took steps to build a logistics system best geared to respond to the global strategies of our customers.

During FY2009, in North America, we've endeavored to restructure our business organization, streamlining our logistics centers, to drastically improve business performance. In last October, we placed J.P. Holding Company, Inc., a logistics company in the U.S. Midwest, under our umbrella, and started to improve the level of logistical services and strengthen competitiveness in North America. In Europe, we sought to bolster cooperation by expanding business through the use of the transportation network of Czech firm ESA s.r.o., which became a consolidated company in 2008. In China, we established Hitachi Xinxin Global Logistics Co., Ltd., a joint venture with a local company in the central Chinese province of Henan, last April. The joint company has commenced operations. In Asia, we launched a logistics center business for information and communication-related customers in Thailand. With these initiatives, we strengthened the global 3PL business in each overseas region.

However, service revenues in this business were down 22% from the previous year, to ¥71,095 million, reflecting a sharp collapse in cargo volume from existing customers, reflecting the effect of the global economic slump. Operating income rose 27%, to ¥1,286 million, thanks to the implementation of structural reforms in North America and efforts to improve productivity in China and Asia.

In other services business, the travel agency business was severely affected by the decline in business travel associated with the new influenza virus and by the fall in customers' results. Revenues in this business stood at ¥16,362 million declined 10%, and operating income were ¥1,501 million declined 12, compared with FY2008.

#### (1) Prediction of FY2010

We expect business conditions to remain unpredictable over the next fiscal year, with an uncertain outlook despite indications of an economic recovery in Japan and other developed countries. Under such circumstances, we will restructure and strengthen our business organization, and strive to further expand our core 3PL business, with a redoubling of activities to win orders and expand our area of

business. In Japan, we will conduct platform operations in a number of industries, and will take steps to achieve differentiation from other companies through the promotion of green logistics. Overseas, we will aim to further expand our global 3PL business, where we provide one-stop services at the global level, by leveraging Group synergies. This will include M&A transactions involving overseas transportation companies aimed at enhancing operational capacity on the ground in the four focal areas of North America, Europe, China and Asia. In addition, we will strengthen our cooperation with the Hitachi Group and aggressively seek orders for social infrastructure-related business, an area expected to grow in the future. We also aim to generate profits through the implementation of efficient management and a business approach geared to achieving high earnings.

We will steadily execute our plans for FY2010, and strive to achieve our target of consolidated service revenues of ¥500.0 billion for FY2012.

#### Fore cast of consolidated results for FY2010

Consolidated revenues	¥370,000 million	(11% increase from FY2009)
Consolidated operating income	¥14,800 million	(16% increase from FY2009)
Consolidated ordinary income	¥14,600 million	(15% increase from FY2009)
Consolidated net income	¥7,500 million	(29% increase from FY2009)

## 2. Analysis of the Financial Position

### (1) The state of assets, liabilities and net assets

Total assets at the end of FY2009 under review increased ¥4,684 million from the end of FY2008, to ¥231,188 million. Current assets rose ¥3,296 million, to ¥110,774 million, mainly reflecting an increase of ¥3,178 million in cash and ¥2,894 million in leased investment assets, offsetting a decline in deposits with the parent company of ¥4,571 million. Fixed assets rose ¥1,388 million, to ¥120,414 million, mainly because of an increase in goodwill of ¥2,435 million and ¥1,572 million in leased assets.

Total liabilities at the end of FY2009 were down ¥460 million from the end of FY2008, to ¥82,717 million. Current liabilities increased ¥3,033 million, to ¥63,653 million, due primarily to a rise of ¥2,962 million in trade payables of accounts and notes and ¥1,310 million in short-term bank loans, despite a decrease in other current liabilities of ¥3,111 million. The rise in current liabilities also reflected an increase of ¥6,214 million because of the transfer of the current portion of long-term debt from non-current liabilities to current liabilities, which outweighed a decrease of ¥6,000 million associated with the repayment of the current portion of long-term debt. Non-current liabilities decreased ¥3,493 million, to ¥19,064 million, with a decline of ¥6,278 million due to the transfer of the current portion of long-term debt from non-current liabilities to current liabilities.

Net assets at the end of FY2009 increased ¥5,144 million from the end of FY2008, to ¥148,471 million. As a result, the equity ratio rose from 62.5% at the end of FY2008, to 62.9%. Net assets per share increased from ¥1,268.67 at the end of FY2008, to ¥1,302.56.

### (2) Cash flows

Cash and cash equivalents (herein called "cash") at the end of FY2009 were down ¥5,415 million from the end of FY2008, to ¥29,390 million.

The status of individual cash flows at the end of FY2009 and factors for the changes are as shown below.

#### (Net cash provided by operating activities)

Net cash provided by operating activities increased ¥474 million from FY2008, showing income of ¥20,443 million.

This result mainly owed to an increase in cash from net income before taxes of ¥12,397 million, depreciation expense of ¥9,403 million and a rise of ¥2,509 million in trade payables, offsetting income taxes paid of ¥6,734 million.

#### (Net cash used in investing activities)

Net cash used in investing activities was ¥16,795 million, with the outflow increasing ¥1,998 million.

Key elements in this result included outlays of ¥10,898 million for the acquisition of tangible and intangible assets, and ¥3,361 million for the purchase of shares in a subsidiary causing a change in the scope of consolidation.

(Net cash used in financing activities)

Net cash used in financing activities was ¥8,911 million, with the outflow increasing ¥6,401 million.

This result was principally attributable to a decrease in cash caused by the outlay of ¥6,062 million for the repayment of long-term bank loans and the payment of dividends of ¥2,232 million.

### **3. Basic policy for returning profit to shareholders, and dividend payments for the current and the next terms**

Our basic policy on returning profit to shareholders is to strive for stable dividend payouts and return profit in correlation to earnings. Although our revenues and operation profit were decreased, the dividend for the end of the second quarter was ¥10 a share, the same as FY2008. We anticipate paying a year-end dividend of ¥10 a share, also unchanged from FY2008. As a consequence, we anticipate an annual dividend of ¥20 a share. For the next term, considering the financial requirement for capital investment and dividend payouts, we intend to maintain an annual dividend of ¥20 in line with our policy of stable dividend payouts.

### **4. Business Risks**

#### **(1) Tightening of public regulations**

As a provider of general logistics services, we are regulated by the business laws governing logistics, which includes truck transportation, warehousing and customs clearance. While we make it our principle to keep to the straight and narrow and work together to promote compliance management, we may be required to incur further costs to comply with tighter environmental and safety regulations. Accordingly, this may adversely affect our performance and financial results.

#### **(2) Major fluctuations in commercial relations**

Our core business is “third party logistics (3PL: comprehensive logistics services),” and when we receive contracts for logistics operations from customers, we may make prior capital investment in distribution centers, plant and equipment, information systems and suchlike. In the event of investment, we formulate a detailed business income and expenditure plan and make an investment decision carefully, but if, for example, the customer’s performance deteriorated or the customer became insolvent due to factors such as worsening of economic conditions in Japan and overseas, we may be prevented from recovering our invested funds and this may inhibit future growth and reduce profitability. Accordingly, this may adversely affect our performance and financial results.

#### **(3) Global expansion**

As a company that provides global 3PL operations at the global level, we have business facilities in key overseas regions. The operation of these overseas business sites entails the following risks, and if any of these risks materialized, this may pose a problem for the execution of global logistics operations.

Accordingly, this may affect our performance and financial results.

- ① Political and legislative change
- ② Severe economic fluctuation
- ③ Delay in the development of logistics infrastructure
- ④ Severe fluctuations in foreign exchange rates
- ⑤ Social disruption caused by terrorist attack, war or other factors

#### (4) Rising costs

In the truck transportation business, if fuel costs rise due to oil price movements, transportation and delivery costs may increase sharply, but since it is difficult to pass cost increases on to customers straight away, there is the risk that the profit margins of the truck transportation business will deteriorate. Accordingly, this may adversely affect our performance and financial results.

#### (5) Major accidents

We use trucks and other vehicles to transport a wide variety of customer goods, which is why, in all of our business activities, we are ever mindful of traffic safety and, among other things, implement comprehensive service management, reinforce safety training, and fit digital tachograph equipment to all our trucks. However, if a serious traffic accident occurred, this may damage customer confidence and our reputation and we may be ordered to stop using vehicles, ordered to suspend trading or otherwise punished by the regulatory authorities. Accordingly, this may affect our performance and financial results.

#### (6) Serious disaster

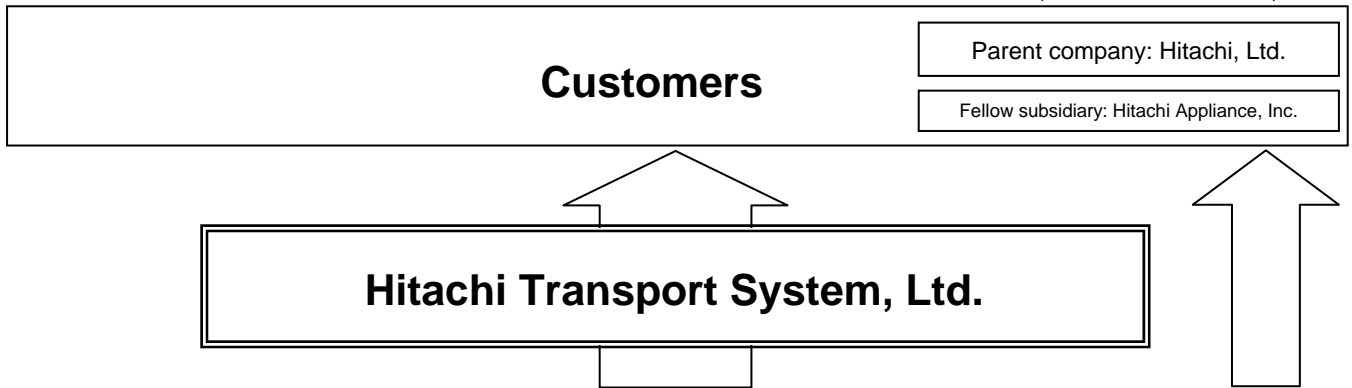
Given that we operate logistics centers and handle customer products and information about product management, we work to provide manuals and develop backup systems in case of disaster. However, if a situation such as power outage or the blockage of transportation routes occurred as a result of an earthquake, storm or flood damage, or other natural disaster, this may slow down logistics operations. Accordingly, this may adversely affect our performance and financial results.

#### (7) Information leaks

We handle information about customers and other sensitive matters when undertaking logistics operations. While we endeavour to manage information by providing training to our employees on areas such as compliance and comprehensive personal data management, if a situation such as an information leak or the loss of data occurred, this may damage our reputation and we may also receive a compensation claim from our customers. Accordingly, this may adversely affect our performance and financial results.

## II. Hitachi Transport System Group

(As of March 31, 2010)



### Domestic Logistics

3PL [Domestic] (Comprehensive Logistics Services, including the Establishment of a Logistics System, Information Control, Inventory Control, Order Control, Value Added Services, Distribution Center Operation, Factory Logistics, Transportation and Delivery) etc.

#### Subsidiaries

Hokkaido Hitachi Transport Service Co., Ltd.	Chubu Hitachi Transport Service Co., Ltd.
Higashinippon Hitachi Transport Service Co., Ltd.	Kansai Hitachi Transport Service Co., Ltd.
Kitakanto Hitachi Transport Service Co., Ltd.	Chugoku Hitachi Transport Service Co., Ltd.
Higashikanto Hitachi Transport Service Co., Ltd.	Kyushu Hitachi Transport Service Co., Ltd.
Nishikanto Hitachi Transport Service Co., Ltd.	Hitachi Collabonext Transport System Co., Ltd.
Minamikanto Hitachi Transport Service Co., Ltd.	Hitachi Orientlogi Transport System Co., Ltd.
Keiyo Hitachi Transport Service Co., Ltd.	

### Global Logistics

3PL [International] (Comprehensive Logistics Services, including Customs Clearance, International Intermodal Transportation by Land, Sea and Air) etc.

#### Subsidiaries

Nisshin Transportation Co., Ltd.	ESA service palet, s.r.o.
HTS Sea & Air Service Co., Ltd.	ESA LOGISTIKA, s.r.o. Bulgaria
Nisshin Trans Consolidator Co., Ltd.	Hitachi Transport System (Asia) Pte. Ltd.
Hitachi Transport System (America), Ltd.	Hitachi Transport System (Malaysia) Sdn. Bhd.
Hitachi Sistema de Transporte Mexico, S.A. de C.V.	Sunrise Integrated Services (Malaysia) Sdn. Bhd.
J.P. Holdings Company Inc.	Hitachi Transport System (Thailand), Ltd.
Carter Logistics, LLC	TST Sunrise Service, LTd.
Carter Express, Inc.	P.T. Berdiri Matahari Logistik
Astro Enterprises, Inc.	Hitachi Transport System India Pvt. Ltd.
Dukes GMC, Inc.	Hitachi Transport System (Hong Kong) Ltd.
Pasco Enterprises, Inc.	Hitachi Transport System (Shanghai), Ltd
Hitachi Transport Systeem (Nederland ) B.V.	Hitachi Xinxin Global Logistics Co.,Ltd.
Hitachi Transport System (UK) Ltd.	EHB Logistics Co., Ltd.
ESA s.r.o.	Nisshin Unyu (SHANGHAI) Co., Ltd.
ESA PRO, s.r.o	Hitachi Transport System (Taiwan) Ltd.
ESA LOGISTIKA, s.r.o.	

#### Affiliate

HTS Forwarding Malaysia Sdn. Bhd.	Shanghai Xiexin Customs Declaration Co., Ltd.
Manila International Freight Forwarders, Inc.	Nisshin Transportation (Qingdao) Co., Ltd.
Miffi Logistics, Co. Inc.	Suzhou Bondex Nisshin Logistic Co., Ltd.
Dahang International Transportation Co., Ltd.	Shanghai Bondex Nisshin Logistics Co., Ltd.
Nisshin Transportation (Shanghai) Co., Ltd.	World Quality Control Consulting Co.,Ltd.

### Other Services

Logistics System Development, Car Sales and Inspection, Travel Agency business

#### Subsidiaries

Hitachi Distribution Software Co., Ltd.	Hitachi Auto Service Co., Ltd.
Sunrise Logistics Solutions (America), Ltd.	Hitachi Travel Bureau, Ltd.
Hitachi Distribution Software (Shanghai) Co., Ltd.	Sunrise Air Service, Inc.

Consolidated subsidiaries (50 companies)  Affiliates (10 companies)

(Note) Kitakanto Hitachi Transport Service Co., Ltd. and Nishikanto Hitachi Transport Service Co., Ltd. merged in April 2010.

### **III. Management Policy**

#### **1. Basic Policy of Management**

Our corporate philosophy is “to provide high-quality services that will help make the world a better place for mankind and nature.” As an expert in business logistics, which is an essential infrastructure capability that links production and consumption, Hitachi Transport System endeavors to contribute to the development of society by combining the Group’s comprehensive capabilities to provide a sincere service and by demonstrating advanced information resources, ample creativity and innovative technology. As a logistics service provider which provides the optimal solutions to its customers, Hitachi Transport System aims to further enhance corporate value and shareholder value by pursuing sincere and highly transparent management with an emphasis on corporate social responsibility (CSR).

#### **2. Medium-to-Long-Term Management Strategies and Pending Issues**

##### [Basic Policy]

Our core business is the integrated support of corporate logistics, namely, “third party logistics (3PL: comprehensive logistics services).” In the continuously growing and expanding 3PL market where companies are increasingly opting to outsource their logistic requirements, we aim to become a representative company by leveraging our superior position as the number one company in third party logistics (3PL), and by clearly differentiating ourselves from competitors; and we aim to respond to the accelerating pace of customers’ offshore expansion and become a truly global logistics company. We also aspire to acquiring the trust of customers and regional communities and to helping make the world a better place for mankind and nature.

##### [Priority Measures]

(1) Consolidating our position as a leading company by further strengthening 3PL business.

- ① We will actively seek to propose solutions to customers who need to make improvement in their logistics and we will innovate their logistics systems through improved business divisions and higher levels of technical expertise.
- ② We will demonstrate synergies between groups companies through expansion of the scope of consolidation, and work to increase contracts from a broad range of customers.
- ③ We will make the most of our strength as a member of the Hitachi Group through cooperation with the Hitachi Group, including joint development of advanced logistics technologies.

(2) Achieving dramatic growth in size by accelerating global business.

- ① We will strengthen “Global 3PL Business”, which provides comprehensive service from procurement to sales at the global level, and provide high-quality logistics systems best suited for our customers’ global strategies.
- ② We will further expand our business by means such as M&A transactions involving overseas

transportation companies aimed at enhancing operational capacity on the ground in the four focal areas of North America, Europe, China and Asia, and we will also aggressively advance into emerging countries and areas.

- ③ We will further strengthen our global business structure through the expansion of business sites and the reinforcement of business divisions, and will also work to bolster Cargo Forwarding Business, which is a strategic capability of global logistics.
- ④ We will focus on the education for the global staffs that engage at overseas subsidiaries to expand our global business.

(3) Promoting product development based on green logistics (environmentally friendly logistics systems).

- ① We will expand “Industry Platform Operations” to a broad range of industries, as “Industry Platform Operations” reduce costs and environmental impact through the recommendation of joint storage and delivery to customers within the same industry.
- ② We will promote to provide the service of eco-business by utilizing the resource recycling.
- ③ We will aim for reduction in CO<sub>2</sub> emissions by promoting modal shift, establishing environmentally friendly logistics centers, introducing low-emission vehicles and installing digital tachographs.

(4) Focusing on the Social Infrastructure business and the project cargo business

- ① We will promote our sales activities for the project cargo, through the experiences of operation, especially procurement logistics and production logistics and special transportation for Hitachi Group.
- ② We will implement to expand the global project cargo business, for power industry, railway vehicles transportation, and new energy industry like smart grid business, especially, because these businesses have potential growth in the future.
- ③ We will strengthen the collaboration with Hitachi group, and promote the sales activities by using the effects of Hitachi group synergy.

(5) Emphasizing Corporate Social Responsibility (CSR) and working to enhance corporate value.

- ① We will strive to enhance safety education, and work to further promotes high-quality, safe logistics services.
- ② We will implement compliance, establish a solid foundation for information security, and create internal control systems, while strengthening our management administration structure.
- ③ We will improve on management benchmarks such as the ratio of operating income to service revenues by increasing productivity of operations and making improvements in loss-making and unprofitable business to improve corporate value and shareholder value.

[Management Indices]

Through steady implementation of the priority measures described above, we will refocus our efforts on attaining the management benchmarks of ¥500 billion in consolidated revenues by FY2012.

## 4. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(Unit: Million Yen)

	FY2008	FY2009
<b>Assets</b>		
Current assets		
Cash	4,491	7,669
Trade receivable of accounts and notes	64,345	65,973
Leased investment properties	—	3,290
Merchandise	461	571
Work in progress	161	87
Raw materials and supplies	166	239
Deposit to parent company	31,226	26,655
Deferred tax assets	3,395	3,376
Other current assets	3,794	3,438
Allowance for doubted receivable	(561)	(524)
Total current assets	107,478	110,774
Fixed assets		
Tangible assets		
Building and structures (Net)	51,995	50,670
Machinery, equipment and vehicles (Net)	6,086	7,205
Tool, furniture and fixtures (Net)	2,683	2,519
Land	33,055	33,183
Leased assets (Net)	1,966	3,538
Construction on progress (Net)	1,731	170
Total tangible assets	97,516	97,285
Intangible assets		
Goodwill	3,903	6,338
Other intangible assets	3,629	4,557
Total intangible assets	7,532	10,895
Investment and other assets		
Invests in securities	2,707	2,315
Long-term loan receivable	147	60
Deferred tax assets	2,679	3,437
Other assets	8,508	6,821
Allowance for doubtful receivable	(63)	(399)
Total investment and other assets	13,978	12,234
Total fixed assets	119,026	120,414
Total assets	226,504	231,188

(Million Yen)

	FY2008	FY2009
<b>Liability</b>		
Current liability		
Trade payables of accounts and notes	21,767	24,729
Short-term bank loan	2,407	3,717
Current portion if long-term debt	6,000	6,214
Lease obligation	529	1,075
Income tax payable	3,697	4,337
Accrued expenses	10,308	10,780
Other current liabilities	15,912	12,801
Total current liabilities	60,620	63,653
Non-current liabilities		
Long-term debt	6,278	—
Lease obligation	1,461	2,152
Accrued retirement and severance benefits	10,375	11,141
Accrued retirement benefits for directors	684	748
Negative good will	25	121
Other non-current liabilities	3,734	4,902
Total non-current liabilities	22,557	19,064
Total liabilities	83,177	82,717
<b>Net assets</b>		
Shareholder's equity		
Common stock	16,803	16,803
Additional paid-in capital	13,428	13,428
Retained earning	112,602	116,157
Treasure stock at cost	(176)	(177)
Total shareholder's equity	142,657	146,211
Valuation and transition, adjustments		
Net unrealized holding gain on securities	16	49
Defferd Gain (loss) on hedge account	—	52
Foreign currency transition adjustments	(1,150)	(1,009)
Total valuation and transition, adjustments	(1,134)	(908)
Minority interest	1,804	3,168
Total net assets	143,327	148,471
Total liabilities and net assets	226,504	231,188

## (2) Consolidated Statements of Income

(Million Yen)

	FY2008	FY2009
Revenues	352,800	331,917
Cost of service	318,440	297,570
Gross profit	34,360	34,347
Selling general and administrative expenses	20,189	21,623
Operation income	14,171	12,724
Other income		
Interest income	242	127
Dividends income	75	47
Equity in earning of affiliated companies	147	73
Reversal of allowance for doubtful receivables	77	37
Others	237	262
Total other income	778	546
Other expenses		
Interest expenses	340	289
Depreciation expenses	—	140
Exchange loss	121	—
Others	137	171
Total other expenses	598	600
Ordinary income	14,351	12,670
Extraordinary profit		
Gain on sales of property, plant and equipment	142	89
Compensation received	—	2,527
Gain on sales of securities	—	231
Total extraordinary profit	142	2,847
Extraordinary loss		
Loss on sales of property, plant and equipment	17	32
Loss on removal of property, plant and equipment	227	377
Area business restructuring cost	230	1,462
Impairment loss	—	907
Additional retirement benefit	42	181
Environmental expense	—	79
Loss on sales of securities	—	48
Loss on valuations of investment securities	—	34
Total extraordinary loss	516	3,120
Income before income taxes and minority interests	13,977	12,397
Current income taxes	6,741	7,160
Deferred income taxes	120	(758)
Total income taxes	6,861	6,402
Minority interests	116	180
Net income	7,000	5,815

## (3) Consolidated Statements of Changes in Shareholders' Equity

(Million Yen)

	FY2008	FY2009
Shareholder's equity		
Common stock		
Balance at end of previous FY	16,803	16,803
Change in the period		
Total change in the period	—	—
Balance at end of the year	16,803	16,803
Additional paid-in capital		
Balance at end of previous FY	13,427	13,428
Change in the period		
Disposal of treasury stock	1	—
Total change in the period	1	—
Balance at end of the year	13,428	13,428
Retained earning		
Balance at end of previous FY	107,721	112,602
Change in the period		
Cash divides	(2,119)	(2,232)
Net income	7,000	5,815
Increase (decrease) in investment in affiliates	—	(28)
Total change in the period	4,881	3,555
Balance at end of the year	112,602	116,157
Treasury stocks		
Balance at end of previous FY	(175)	(176)
Change in the period		
Purchase of treasury stocks	(2)	(1)
Disposal of treasury stocks	1	—
Total change in the period	(1)	(1)
Balance at end of the year	(176)	(177)
Total shareholder's equity		
Balance at end of previous FY	137,776	142,657
Change in the period		
Cash divides	(2,119)	(2,232)
Net income	7,000	5,815
Purchase of treasury stock	(2)	(1)
Disposal of treasury stock	2	—
Increase (decrease) in investment in affiliates	—	(28)
Total change in the period	4,881	3,554
Balance at end of the year	142,657	146,211

(Million Yen)

	FY2008	FY2009
Valuation, transition, adjustment, etc.		
Net unrealized holding securities		
Balance at end of previous FY	306	16
Change in the period		
Net changes rest of shareholder's equity	(290)	33
Total change in the period	(290)	33
Balance at end of the year	16	49
Profit and loss of deferral hedge		
Balance at end of previous FY	—	—
Change in the period		
Net changes rest of shareholder's equity	—	52
Total change in the period	—	52
Balance at end of the year	—	52
Foreign currency transition adjustment		
Balance at end of previous FY	(95)	(1,150)
Change in the period		
Net changes rest of shareholder's equity	(1,055)	141
Total change in the period	(1,055)	141
Balance at end of the year	(1,150)	(1,009)
Total valuation transition adjustment, etc.		
Balance at end of previous FY	211	(1,134)
Change in the period		
Net changes rest of shareholder's equity	(1,345)	226
Total change in the period	(1,345)	226
Balance at end of the year	(1,134)	(908)
Minority interest		
Balance at end of previous FY	1,965	1,804
Change in the period		
Net changes rest of shareholder's equity	(161)	1,364
Total change in the period	(161)	1,364
Balance at end of the year	1,804	3,168
Total net assets		
Balance at end of previous FY	139,952	143,327
Change in the period		
Cash dividends	(2,119)	(2,232)
Net income	7,000	5,815
Purchase of treasury stock	(2)	(1)
Disposal of treasury stock	2	—
Increase (decrease) in investment in affiliates	—	(28)
Net changes rest of shareholder's equity	(1,506)	1,590
Total change in the period	3,375	5,144
Balance at end of the year	143,327	148,471

## (4) Consolidated statements of Cash Flows

	(Million Yen)	
	FY2008	FY2009
Cash Flows from operating activities		
Income before income taxes and minority interests	13,977	12,397
Depreciation and amortization	9,195	9,403
Depreciation of long-term prepaid expenses	783	324
Impairment loss	—	907
Amortization of goodwill	259	304
Increase (Decrease) in accrued retirement and severance benefits	(29)	611
Increase (Decrease) in accrued retirement and benefits for executives	(77)	32
Increase (Decrease) in other allowance	(23)	266
Interest income and dividends	(317)	(174)
Interest expenses	340	289
Loss (Gain) on sales of fixed assets	(125)	(57)
Loss (Gain) on sales of investment securities	—	(183)
Decrease (Increase) in trade receivables	5,480	259
Decrease (Increase) in inventories	132	(87)
Increase (Decrease) in trade payable	(3,271)	2,509
Change in other assets and liabilities	899	234
Other, net	67	268
Sub total	<u>27,290</u>	<u>27,302</u>
Receipts of interest income and dividends	303	174
Interest paid	(332)	(299)
Income taxes paid	(7,292)	(6,734)
Net cash provided by operating activities	<u>19,969</u>	<u>20,443</u>
Cash Flow from investing activities		
Increase in time deposits	(22)	(1,672)
Decrease in time deposits	1,220	169
Expense for property, plant and equipment	(14,803)	(10,898)
Income from property, plant and equipment	229	400
Expense for investment securities acquires	(544)	(2)
Income from investment securities acquires	14	533
Expense for long-term prepaid charges	(363)	(378)
Expense for acquisition of subsidiary stocks newly consolidated	—	(3,361)
Proceed from acquisition of subsidiary stocks newly consolidated	50	37
Other, net	(578)	(1,623)
Net cash used in investment activities	<u>(14,797)</u>	<u>(16,795)</u>

(Million Yen)

	FY2008	FY2009
Cash Flows from financing activities		
Increase (Decrease) in short term bank loans (net)	1,931	(148)
Payment of long-term bank loans	(1,708)	(6,062)
Dividends paid to shareholders	(2,119)	(2,232)
Dividends paid to minority shareholders of subsidiaries	(34)	(31)
Other, net	(580)	(438)
Net cash used in financing activities	(2,510)	(8,911)
Effect of exchange rate changes on cash and cash equivalent	(243)	(152)
Net increase (decrease) in cash and cash equivalent	2,419	(5,415)
Cash and cash equivalents at beginning of FY	32,386	34,805
Cash and cash equivalent at end of FY	34,805	29,390

## Segment Information

### 1. Business Segment Information

For FY2008 (From 1st April, 2008 to 31st March, 2009)

(Million Yen)

	Domestic Logistics	Global Logistics	Other Services	Subtotal	Intersegment elimination	Total
Revenues and operating income & loss						
Service revenues						
(1) Revenues from unaffiliated customers	243,646	90,885	18,269	352,800	—	352,800
(2) Revenues from intersegment transactions and transfers	—	—	6,427	6,427	(6,427)	—
Total	243,646	90,885	24,696	359,227	(6,427)	352,800
Cost of service	224,254	89,872	22,984	337,110	1,519	338,629
Operating income	19,392	1,013	1,712	22,117	(7,946)	14,171
Assets, depreciation and amortization, impairment losses and capital outlay						
Assets	153,879	31,259	25,490	210,628	15,876	226,504
Depreciation and amortization	6,282	1,473	1,152	8,907	288	9,195
Capital outlay	15,402	1,978	1,321	18,701	134	18,835

For FY2009 (From 1st April, 2009 to 31st March, 2010)

(Millions of yen)

	Domestic Logistics	Global Logistics	Other Services	Subtotal	Intersegment elimination	Total
Service revenues and operating income & loss						
Service revenues						
(1) Service revenues from unaffiliated customers	244,460	71,095	16,362	331,917	—	331,917
(2) Service revenues from intersegment transactions and transfers	—	—	6,191	6,191	(6,191)	—
Total	244,460	71,095	22,553	338,108	(6,191)	331,917
Cost of service	225,327	69,809	21,052	316,188	3,005	319,193
Operating income	19,133	1,286	1,501	21,920	(9,196)	12,724
Assets, depreciation and amortization and capital outlay						
Assets	154,453	41,727	28,885	225,065	6,123	231,188
Depreciation and amortization	6,421	1,455	1,364	9,240	163	9,403
Loss due to Impairment	314	—	593	907	—	907
Capital outlay	3,032	2,028	1,659	6,719	189	6,908

Notes:

(1) Business segment is based on the aggregation of service revenues.

(2) The major businesses in each segment are as follows:

Business segment	Businesses
Domestic Logistics	<ul style="list-style-type: none"> <li>- Third Party Logistics (3PL) [Domestic] (Comprehensive Logistics Services, including the Establishment of a Logistics System, Information Control, Inventory Control, Order Control, Value Added Services, Distribution Center Operation, Factory Logistics, Transportation and Delivery)</li> <li>- Transportation, Installation and Setting Up of General Cargo, Heavy Machinery and Artworks</li> <li>- Factory and Office Moving</li> <li>- Warehousing and Trunk Room Services</li> <li>- Collection and Transportation of Industrial Waste</li> </ul>
Global Logistics	<ul style="list-style-type: none"> <li>- Third Party Logistics (3PL) [International] (Comprehensive Logistics Services, including Customs Clearance, International Intermodal Transportation by Land, Sea and Air)</li> <li>- Overseas Logistics</li> <li>- Air cargo sales agent business</li> </ul>
Other Services	<ul style="list-style-type: none"> <li>- Logistics Consulting</li> <li>- Logistics System Design and Development</li> <li>- Information System business</li> <li>- Computer sales</li> <li>- Travel Agency business</li> <li>- Automobile Inspection Service, Car Sales and Rental</li> <li>- Real Estate Agent business</li> <li>- Driving School</li> </ul>

(3) In the cost of services, the amount of cost included in the intersegment elimination, which is impossible to be allocate, is as follows:  
FY2009: 9,172 million yen, FY2008: 7,942 million yen.

The main factor is the cost related to the management department in the headquarters of the parent company.

(4) In the assets, the amount of assets included in the intersegment elimination is as follows:

FY2009: 59,693 million yen, FY2008: 61,448 million yen

The main factor is the assets related to the funds used at the parent company (Cash, Securities and Deposits) and to the management department.

## 2. Geographic Segment Information

For FY2008 (From 1st April, 2008 to 31st March, 2009)

(Million Yen)

	Japan	Other Regions	Subtotal	Intersegment elimination	Total
Revenues and operating income & loss					
Revenues					
(1) Revenues from unaffiliated customers	306,855	45,945	352,800	—	352,800
(2) Revenues from intersegment transactions and transfers	4,396	4,250	8,646	(8,646)	—
Total	311,251	50,195	361,446	(8,646)	352,800
Operating income	21,932	185	22,117	(7,946)	14,171
Assets	192,939	17,689	210,628	15,876	226,504

For FY2009 (From 1st April, 2009 to 31st March, 2010)

(Million Yen)

	Japan	Other Regions	Subtotal	Intersegment elimination	Total
Revenues and operating income & loss					
Revenues					
(1) Revenues from unaffiliated customers	295,040	36,877	331,917	—	331,917
(2) Revenues from intersegment transactions and transfers	2,890	4,001	6,891	(6,891)	—
Total	297,930	40,878	338,808	(6,891)	331,917
Operating income	21,313	607	21,920	(9,196)	12,724
Assets	198,224	26,841	225,065	6,123	231,188

(Note) 1. The service revenues of each of the countries and regions included in Other Regions are not shown separately, as they account for less than 10% of consolidated service revenues.

2. Main countries included in Other Regions

Other Regions ··· United States, Netherlands, Czech Republic, Slovakia, China, Singapore, Thailand, etc.

### 3. Overseas Revenues

For FY2008 (From 1st April, 2008 to 31st March, 2009)

(Million Yen)

	Europe	North America	Other Regions	Total
Overseas revenues	26,000	11,191	9,577	46,768
Consolidated revenues	—	—	—	352,800
Ratio of overseas revenues to consolidated revenues (%)	7.4	3.2	2.7	13.3

For FY2009 (From 1st April, 2009 to 31st March, 2010)

(Million Yen)

	Europe	North America	Other Regions	Total
Overseas service revenues	19,251	8,156	10,903	38,310
Consolidated service revenues	—	—	—	331,917
Ratio of overseas revenues to consolidated revenues (%)	5.8	2.5	3.3	11.5

(Note) 1. Country and regional segments are based on geographic proximity.

2. Main countries and regions included in each segment

(1) Europe . . . Netherlands, Germany, France, Czech Republic, Slovakia, etc.

(2) North America . . . United States, Mexico

(3) Other Regions . . . China, Singapore, Thailand, Malaysia, etc.

3. Overseas service revenues are the service revenues of the Company and its consolidated subsidiaries in countries or regions outside Japan.