

Consolidated Financial Result for First Quarter FY2010

29th July, 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
 Date of the release of quarterly report (Schedule): 12th August, 2010
 Date of the Start of Dividend Payment (Schedule): -
 Creates supplementary materials for quarterly summaries: None

(Figures are rounded off to the nearest million yen)

1. Consolidated Financial Highlights for First quarter ended June 30th, 2010 (April 1st, 2010 to June 30th, 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	%
1Q, FY2010	87,806	14.6	3,926	94.8	3,970	92.5	1,510	37.9
1Q, FY2009	76,635	(13.6)	2,015	(41.5)	2,062	(41.6)	1,095	(28.9)

	Net income per share	Net income per share (Diluted)
	Yen	Yen
1Q, FY2010	13.54	-
1Q, FY2009	9.82	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
1Q, FY2010	224,171	147,547	64.4	1,294.96
FY2009	231,188	148,471	62.9	1,302.56

(Reference) Equity: As of June 30th, 2010: 144,455 million yen, As of March 31st, 2010: 145,303 million yen

2. Dividend

(Date of standard)	Dividend per share				
	1Q	2Q	3Q	4Q	Annual
March, 2010	Yen -	Yen 10.00	Yen -	Yen 10.00	Yen 20.00
March, 2011	-				
March, 2011 (Forecast)		10.00	-	10.00	20.00

3. Consolidated Financial Forecasts for FY2010 (1st April, 2010 to 31st 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

Note: Revision if consolidated financial forecast in this term: None

4. Other

(1) Changes in scope of consolidation: None

None: This item indicates whether there were changes in significant subsidiaries affecting scope of consolidation during this period.

(2) Adoption of simplified accounting methods and special accounting methods for presenting quarterly consolidated financial statements: Yes

(3) Changes in accounting policies

(a) Changes due to the modification in accounting method: Yes

(b) Any other changes: No

(4) Issued shares (Common stock)

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

June 30th, 2010: 111,776,714 shares, June 30th, 2009: 111,776,714 shares

(b) Number of Treasury stock

June 30th, 2010: 224,625 Shares, June 30th, 2009: 224,615 shares

(C) Average Number of Shares during the Term

April to June, 2010: 111,552,089 shares, April to June, 2009: 111,552,462 shares

Note: Information regarding the implementation of quarterly review procedures

These quarterly financial results are not subject to quarterly review procedures. Thus, at the time of disclosure of these financial results, the quarterly financial statement review procedures based in the Financial Instruments and Exchange Law, have not been completed.

Note: The projection shown on page 1 is estimated based on information available as of the issuing date of this report, and therefore the actual results for the future terms may differ from these forecasted figures due to various unknown factors.

[Review of Business]

(1) Qualitative Information on Consolidated Business Results

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.

During the first quarter, from April 1 to June 30 2010, the Japanese economy improved with the continued recovery in global business conditions, led by factors such as strong Asian economies and the effects of underlying fiscal support by the government. Nonetheless, the situation remains uncertain, as the trends of weak stock prices and strong yen may intensify given financial market turmoil sparked by the fiscal crisis in Greece, and this could impact corporate earnings. In the logistics industry, we do not anticipate a strong recovery in domestic demand, and consequently expect that domestic cargo transportation volumes will remain weak. In addition, as industry competition intensifies, we continue to face a very challenging business environment.

In these conditions, we could win new contracts in the 3PL business with comparative consistency. We also newly consolidated companies through M&A. As a result, revenues for the first quarter stood at ¥87,806 million (up 15% year on year). Through efforts such as enhancing productivity and reducing expenses in addition to the increase in revenues, operating income increased 95% year on year, to ¥3,926 million, and ordinary income increased 93%, to ¥3,970 million. Net income amounted to ¥1,510 million (up 38%).

The sales results of the main segments for the first quarter 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 the first quarter under review, we were able to win contracts for new projects with consistency, undertaking a number of projects mainly in the daily commodity industries. We also increased the number of contracts in the third-party logistics provider (3PL) business. As part of our efforts to expand our 3PL business, we also focused on promoting "Industry Platform Operations," which enable customers within the same industry to utilize joint storage and joint delivery and conduct efficient operations. Moreover, with the newly consolidated logistics subsidiary as the basis, we conducted aggressive marketing activities to win contracts for new projects in the 3PL business, by making proposals geared to the logistics outsourcing needs of each customers.

As a result of these efforts, in the domestic logistics business, revenues for the first quarter under review stood at ¥61,271 million (up 8% year on year), and operating income increased 38% year on year, to ¥5,476 million.

In the global logistics business, while we have stepped up the global 3PL business, which refers to comprehensive operations that cover everything from procurement to sales at the global level, we have also enhanced our business foundations in North America, Europe, China and Asia through measures such as M&A to strengthen our regional presence in each of the overseas area. We also took steps to build a

logistics system best geared to respond to the global strategies of our customers.

During the first quarter under review, the number of contracts received for global projects steadily increased as we launched new projects, including a project for the customer of daily commodity goods company in Indonesia. In North America, we continued with the business restructuring and improved our performance. We also built deeper ties with J.P. Holding Company, Inc., which became one of our consolidated companies last October, and sought to expand our business by working aggressively to win new contracts in a joint business. In Europe, we continued to expand our presence through the transportation network of Czech firm ESA s.r.o. In China, we enhanced cooperation with Hitachi Xinxin Global Logistics Co., Ltd., established last April as a joint venture in the central Chinese province of Henan, and endeavored to expand our business. In Asia, we acquired Flyjac logistics Pvt. Ltd., a forwarding company in India where economic growth is prominent, in this April. Moving forward, we will seek to maximize synergies by integrating the forwarding network of Flyjac logistics Pvt. Ltd. with our 3PL operation capability. In addition, we will respond to the anticipated rise in logistics demand of Japanese companies in India and expand our business.

As a result of our efforts during the term, revenues in this business increased 38% year on year, to ¥22,574 million, and operating income climbed 961%, to ¥467 million.

In other services business, our automotive (maintenance, sales, lease, etc.) and travel agency operations enjoyed relatively robust performances. As a result, revenues in this business stood at ¥3,961 million, up 12% year on year, while operating income surged 494% to ¥457 million.

(2) Qualitative Information on the Consolidated Financial Position

Assets, liabilities and net assets

Total assets at the end of the first quarter under review decreased ¥7,017 million from the end of FY2009, to ¥224,171 million. Current assets decreased ¥11,191 million, mainly because of a decrease of ¥10,007 million in deposits with the parent company and a decrease of ¥1,792 million in trade receivables of accounts and notes. Fixed assets rose ¥4,174 million, mainly because of an increase in goodwill of ¥3,997 million.

Total liabilities at the end of the first quarter under review were down ¥6,093 million from the end of FY2009, to ¥76,624 million. Current liabilities decreased ¥11,887 million, due primarily to a decrease of ¥6,132 million in current portion of long-term debt, a decrease of ¥1,322 million in trade payables of accounts and notes, and a decrease of ¥1,875 million in income tax payable. Non-current liabilities increased ¥5,794 million, mainly due to an increase of ¥5,287 million in long-term debt.

Net assets at the end of the first quarter under review decreased ¥924 million from the end of FY2009, to ¥147,547 million. As a result, the equity ratio rose from 62.9% at the end of FY2009, to 64.4%. Net assets per share decreased ¥7.60, to ¥1,294.96.

Cash Flow

Cash and cash equivalents (herein called "cash") at the end of the first quarter were down ¥7,198 million from the end of FY2009, to ¥22,192 million.

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

(Net cash provided by operating activities)

Net cash provided by operating activities decreased ¥174 million from FY2009. This result mainly owed to an increase in cash from net income before taxes of ¥3,621 million, depreciation expense of ¥2,211 million, a decrease of ¥2,698 million in trade payables, and offset cash outflows, including a decrease of 2,024 million in trade receivable, income taxes paid of ¥4,188 million.

(Net cash used in investing activities)

Net cash used in investing activities was ¥3,853 million. Key elements in this result included outlays of ¥5,259 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 ¥3,152 million, with the outflow. This result was principally attributable to the repayment of long-term bank loans and the payment of dividends.

(3) Qualitative Information on the Consolidated Financial Forecasts

In Japan, we will expand our business by acquiring additional contracts for new projects in the 3PL business, promoting "Industry Platform Operations," and taking on M&A projects, for instance. Overseas, we will expand the foundations of our key focal areas, North America, Europe, China, and Asia, by bolstering cooperation with regional operating companies consolidated through M&A. We will also provide one-stop services through our global network. By taking these steps, we will steadily achieve plans for FY2010.

No changes have been made to the earnings forecasts for the accumulated total of the second quarter, and FY2010, made on April 28, 2010.

(4) Overview of Reporting Segments

The reporting segments of the Company are those units for which separate financial information can be obtained among the constituent units of the Company and for which the Board of Executive Officers of the Company determines the allocation of management resources and regularly assesses business performance.

We classify our business into Domestic Logistics, Global Logistics, and Other Services. Each consolidated subsidiary is an independent business unit and regularly reviewed by the Company's Board of Executive Officers. Each consolidated subsidiary establishes comprehensive strategy and conduct business activities.

Therefore, the Company comprises segments by service based on the above classification, as well as consolidated subsidiaries. We amalgamated business segments, with generally similar elements such as similar economic features and services, into two reporting segments: Domestic Logistics and Global Logistics. We provide appropriate information about the details of business activities and the business environment.

The Domestic Logistics business engages in 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. Our Global Logistics business meanwhile provides comprehensive logistics services, including customs clearance, and international intermodal transportation by land, sea and air.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Unit: Million Yen)

	First Quarter, FY2010 (June 30, 2010)	FY2009 (March 31, 2010)
Assets		
Current assets		
Cash	7,277	7,669
Trade receivable of accounts and notes	64,181	65,973
Merchandise	539	571
Work in progress	291	87
Raw materials and supplies	270	239
Deposit to parent company	16,648	26,655
Other current assets	10,820	10,104
Allowance for doubted receivable	(443)	(524)
Total current assets	99,583	110,774
Fixed assets		
Tangible assets		
Building and structures (Net)	49,985	50,670
Land	33,207	33,183
Other tangible assets	14,226	13,432
Total tangible assets	97,418	97,285
Intangible assets		
Goodwill	10,335	6,338
Other intangible assets	4,647	4,557
Total intangible assets	14,982	10,895
Investment and other assets		
Invests and other assets	12,255	12,633
Allowance for doubtful receivable	(67)	(399)
Total investment and other assets	12,188	12,234
Total fixed assets	124,588	120,414
Total assets	224,171	231,188

(Million Yen)

	First Quarter, FY2010 (June 30, 2010)	FY2009 (March 31, 2010)
Liability		
Current liability		
Trade payables of accounts and notes	23,407	24,729
Short-term bank loan	2,840	3,717
Current portion if long-term debt	82	6,214
Income tax payable	2,462	4,337
Other current liabilities	22,975	24,656
Total current liabilities	51,766	63,653
Non-current liabilities		
Long-term debt	5,287	—
Accrued retirement and severance benefits	11,351	11,141
Accrued retirement benefits for directors	589	748
Other non-current liabilities	7,631	7,175
Total non-current liabilities	24,858	19,064
Total liabilities	76,624	82,717
Net assets		
Shareholder's equity		
Common stock	16,803	16,803
Additional paid-in capital	13,428	13,428
Retained earning	116,551	116,157
Treasure stock at cost	(177)	(177)
Total shareholder's equity	146,605	146,211
Valuation and transition, adjustments		
Net unrealized holding gain on securities	(15)	49
Defferd Gain (loss) on hedge account	(10)	52
Foreign currency transition adjustments	(2,125)	(1,009)
Total valuation and transition, adjustments	(2,150)	(908)
Minority interest	3,092	3,168
Total net assets	147,547	148,471
Total liabilities and net assets	224,171	231,188

(2) Consolidated Statements of Income

(Million Yen)

	First Quarter FY2009	First Quarter FY2010
Revenues	76,635	87,806
Cost of service	69,784	78,024
Gross profit	6,851	9,782
Selling general and administrative expenses	4,836	5,856
Operation income	2,015	3,926
Other income		
Interest income	43	27
Dividends income	38	39
Equity in earning of affiliated companies	14	24
Reversal of allowance for doubtful receivables		56
Others	59	116
Total other income	154	262
Other expenses		
Interest expenses	68	104
Exchange loss		80
Others	39	34
Total other expenses	107	218
Ordinary income	2,062	3,970
Extraordinary profit		
Gain on sales of property, plant and equipment	10	6
Compensation received	2,180	
Gain on sales of securities	184	
Total extraordinary profit	2,374	6
Extraordinary loss		
Loss on sales of property, plant and equipment		12
Loss on removal of property, plant and equipment	153	17
Area business restructuring cost	939	193
Impairment loss		121
Additional retirement benefit	84	12
Total extraordinary loss	1,176	355
Income before income taxes and minority interests	3,260	3,621
Current income taxes	2,164	2,103
Minority interests	1	8
Net income	1,095	1,510

(3) Consolidated statements of Cash Flows

(Million Yen)

	First Quarter FY2009	First Quarter FY2010
Cash Flows from operating activities		
Income before income taxes and minority interests	3,260	3,621
Depreciation and amortization	2,260	2,211
Depreciation of long-term prepaid expenses	82	98
Amortization of goodwill	68	144
Increase (Decrease) in accrued retirement and severance benefits	499	210
Increase (Decrease) in accrued retirement and benefits for executives	(56)	(159)
Increase (Decrease) in other allowance	(20)	(79)
Interest income and dividends	(81)	(66)
Interest expenses	68	104
Loss (Gain) on sales of fixed assets	(10)	6
Decrease (Increase) in trade receivables	6,842	2,698
Decrease (Increase) in inventories	(185)	(225)
Increase (Decrease) in trade payable	(2,891)	(2,024)
Change in other assets and liabilities	(1,616)	(2,538)
Other, net	(36)	70
Sub total	8,184	4,071
Receipts of interest income and dividends	81	66
Interest paid	(64)	(123)
Income taxes paid	(3,536)	(4,188)
Net cash provided by operating activities	4,665	(174)
Cash Flow from investing activities		
Increase in time deposits	(10)	(10)
Decrease in time deposits	10	10
Expense for property, plant and equipment	(5,908)	(1,811)
Income from property, plant and equipment	45	11
Expense for investment securities acquires	(1)	—
Income from investment securities acquires	327	197
Expense for long-term prepaid charges	(119)	(171)
Expense for acquisition of subsidiary stocks newly consolidated	—	(5,259)
Other, net	365	3,180
Net cash used in investment activities	(5,291)	(3,853)

(Million Yen)

	First Quarter FY2009	First Quarter FY2010
Cash Flows from financing activities		
Increase (Decrease) in short term bank loans (net)	38	(793)
Income of long-term bank loans	—	5,349
Payment of long-term bank loans	(6)	(6,202)
Dividends paid to shareholders	(1,116)	(1,116)
Dividends paid to minority shareholders of subsidiaries	(15)	(16)
Other, net	(117)	(374)
Net cash used in financing activities	(1,216)	(3,152)
Effect of exchange rate changes on cash and cash equivalent	(10)	(19)
Net increase (decrease) in cash and cash equivalent	(1,852)	(7,198)
Cash and cash equivalents at beginning of FY	34,805	29,390
Cash and cash equivalent at end of Quarter	32,953	22,192

(4) Segment Information

1. Business Segment Information

For First Quarter FY2009 (From 1st April, 2009 to 30th June , 2009)

(Million Yen)

	Domestic Logistics	Global Logistics	Other Services	Subtotal	Intersegment elimination	Total
Revenues and operating income & loss						
Revenues						
(1) Revenues from unaffiliated customers	56,673	16,413	3,549	76,635		76,635
(2) Revenues from intersegment transactions and transfers			1,334	1,334	(1,334)	
Total	56,673	16,413	4,883	77,969	(1,334)	76,635
Cost of service	52,702	16,369	4,806	73,877	743	74,620
Operating income	3,971	44	77	4,092	(2,077)	2,015

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

2. Geographic Segment Information

For First Quarter FY2009 (From 1st April, 2009 to 30th June , 2009)

(Million Yen)

	Japan	Other Regions	Subtotal	Intersegment elimination	Total
Revenues and operating income & loss					
Revenues					
(1) Revenues from unaffiliated customers	68,545	8,090	76,635		76,635
(2) Revenues from intersegment transactions and transfers	576	729	1,305	(1,305)	
Total	69,121	8,819	77,940	(1,305)	76,635
Operating income	4,082	10	4,092	(2,077)	2,015

(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 First Quarter FY2009 (From 1st April, 2009 to 30th June , 2009)

(Million Yen)

	Europe	North America	Other Regions	Total
Overseas revenues	4,400	1,596	1,957	7,953
Consolidated revenues				76,635
Ratio of overseas revenues to consolidated revenues (%)	5.7	2.1	2.6	10.4

(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.

Segment Information

1. Overview of Reporting Segments

The reporting segments of the Company are those units for which separate financial information can be obtained among the constituent units of the Company and for which the Board of Executive Officers of the Company determines the allocation of management resources and regularly assesses business performance.

We classify our business into Domestic Logistics, Global Logistics, and Other Services. Each consolidated subsidiary is an independent business unit and regularly reviewed by the Company's Board of Executive Officers. Each consolidated subsidiary establishes comprehensive strategy and conduct business activities.

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2. Revenues and profit and loss by each reporting segment

The First Quarter FY2010 (From April 1, 2010 to June 30, 2010)

(Million Yen)

	Reporting Segment			Others (*Note)	Total
	Domestic Logistics	Global Logistics	Sub Total		
Revenues					
Revenues from unaffiliated customer	61,271	22,574	83,845	3,961	87,806
Revenues from intersegment transactions and transfers	-	-	-	1,797	1,797
	61,271	22,574	83,845	5,758	89,603
Operating income	5,476	467	5,943	457	6,400

(Note) Others include Information System business and Automobile Inspection Service, Car Sales, Rental Travel Agency business, not belong to the reporting segment.

3. Explanation about the differences between the profit of reporting segment and the actual figures of the first quarter

Million Yen	
Operation income	Amount
Income of the reporting segments	5,943
Income of others	457
Administrative cost for all of the companies	(2,474)
Total	3,926

(Note) "Administrative cost for all of the companies" means the administrative cost for head quarters of the parent company.

4. Information about depreciation and amortization, goodwill for the reporting segments

<Important exchanges of the amount of goodwill>

In the global logistics segment, Company made "Flyjac logistics Pvt. Ltd." the subsidiary on April 30, 2010. The amount of Increase in goodwill is ¥4,040 million.