

Japan Transcity Corporation
Semi-Annual
Consolidated Financial Statements
(Unaudited)

September 30, 2003

ChuoAoyama Audit Corporation

Japan Transcity Corporation and Consolidated Subsidiaries
Consolidated Balance Sheets

	Millions of Yen		Thousands of U.S. Dollars
	September 30, 2003 (Unaudited)	March 31, 2003	September 30, 2003 (Unaudited)
Assets			
Current assets:			
Cash and cash equivalents	¥ 10,176	¥ 10,408	\$ 91,676
Short-term investments	94	912	847
Trade receivables:			
Notes	1,029	1,145	9,270
Accounts	11,426	11,528	102,937
Allowance for doubtful accounts	(30)	(25)	(270)
	<u>12,425</u>	<u>12,648</u>	<u>111,937</u>
Inventories	2,151	2,596	19,378
Deferred tax assets	505	396	4,550
Other current assets	1,290	1,190	11,621
Total current assets	<u>26,641</u>	<u>28,150</u>	<u>240,009</u>
Property and equipment, at cost:			
Land	31,379	31,300	282,694
Buildings and structures	40,142	39,639	361,639
Other	18,899	19,044	170,261
	<u>90,420</u>	<u>89,983</u>	<u>814,594</u>
Less, accumulated depreciation	(39,861)	(39,223)	(359,108)
Net property and equipment	<u>50,559</u>	<u>50,760</u>	<u>455,486</u>
Investments and other assets:			
Investment securities	5,768	4,455	51,964
Investments in and long-term loans to unconsolidated subsidiaries and affiliates	2,396	2,393	21,586
Deferred tax assets	3,461	3,933	31,180
Lease deposits	915	930	8,243
Other assets	1,373	1,250	12,370
Allowance for doubtful Accounts	(188)	(172)	(1,694)
Total investments and other assets	<u>13,725</u>	<u>12,789</u>	<u>123,649</u>
	<u>¥ 90,925</u>	<u>¥ 91,699</u>	<u>\$ 819,144</u>

See accompanying Notes to Consolidated Financial Statements.

	Millions of Yen		Thousands of U.S. Dollars
	September 30, 2003 (Unaudited)	March 31, 2003 (Unaudited)	September 30, 2003 (Unaudited)
Liabilities, Minority Interests and Shareholders' Equity			
Current liabilities:			
Short-term borrowings	¥ 8,364	¥ 8,101	\$ 75,351
Current maturities of long-term debt	3,199	3,423	28,820
Trade payables:			
Notes	1,634	1,732	14,721
Accounts	4,915	5,181	44,279
	<u>6,549</u>	<u>6,913</u>	<u>59,000</u>
Accrued expenses	1,606	1,653	14,469
Income taxes payable	575	734	5,180
Other current liabilities	1,344	2,124	12,108
Total current liabilities	<u>21,637</u>	<u>22,948</u>	<u>194,928</u>
Long-term debt	23,332	23,595	210,198
Employee retirement benefit liability	9,032	8,850	81,370
Guarantee deposits received	4,536	4,584	40,865
Deferred tax liabilities for revaluation	1,918	1,931	17,279
Accrued severance indemnities for officers	369	371	3,324
Other non-current liabilities	228	217	2,054
Contingent liabilities (Note 3)			
Minority interests in consolidated subsidiaries	801	767	7,216
Shareholders' equity (Note 4):			
Common stock	7,792	7,792	70,198
Capital surplus	5,908	5,908	53,225
Retained earnings	11,800	11,514	106,306
Land revaluation increment	2,865	2,885	25,811
Net unrealized gains on available-for-sale securities	1,298	522	11,694
Foreign currency translation adjustment	7	(11)	63
Less, treasury stock, at cost	(598)	(174)	(5,387)
	<u>29,072</u>	<u>28,436</u>	<u>261,910</u>
	<u>¥ 90,925</u>	<u>¥ 91,699</u>	<u>\$ 819,144</u>

Japan Transcity Corporation and Consolidated Subsidiaries
Consolidated Statements of Income (Unaudited)

For the Six Months Ended September 30, 2003 and 2002

	Millions of Yen		Thousands of
	2003	2002	U.S. Dollars
Operating revenues (Note 5)	¥ 35,898	¥ 34,138	\$ 323,406
Operating expenses (Note 5)	34,824	33,302	313,730
Operating income	1,074	836	9,676
Other income (expenses):			
Interest and dividend income	49	56	441
Interest expenses	(232)	(219)	(2,090)
Equity in net earnings of unconsolidated subsidiaries and affiliates	133	181	1,198
Other, net	(13)	(109)	(117)
	(63)	(91)	(568)
Income before income taxes and minority interests	1,011	745	9,108
Income tax expenses :			
Current	611	746	5,505
Deferred	(173)	(436)	(1,559)
Total income tax expenses	438	310	3,946
Less, minority interests in net income of consolidated subsidiaries	19	11	171
Net income	¥ 554	¥ 424	\$ 4,991
Per share:			
Net income:			
-Basic	¥ 9.07	¥ 6.67	\$ 0.08
-Diluted	8.43	6.28	0.08
Cash dividends	3.00	3.00	0.03

See accompanying Notes to Consolidated Financial Statements.

Japan Transcity Corporation and Consolidated Subsidiaries
Consolidated Statements of Shareholders' Equity (Unaudited)
For the Six Months Ended September 30, 2003 and 2002

	Number of common shares issued	Common stock	Capital surplus	Retained earnings	Land revaluation increment	Net unrealized gains on available-for-sale securities	Foreign currency translation adjustment	Treasury stock
Millions of Yen								
Balance at March 31, 2002	63,613,246	¥ 7,792	¥ 5,908	¥ 11,223	¥ 3,050	¥ 858	¥ 19	¥ (3)
Net income for the period	-	-	-	424	-	-	-	-
Cash dividends	-	-	-	(254)	-	-	-	-
Bonuses to directors and statutory auditors	-	-	-	(38)	-	-	-	-
Increase in retained earnings for the change of scope of equity method	-	-	-	112	-	-	-	-
Reversal of land revaluation increment	-	-	-	215	(215)	-	-	-
Net change in unrealized gains on available-for-sale securities, net of applicable income taxes	-	-	-	-	-	177	-	-
Translation adjustment	-	-	-	-	-	-	(25)	-
Fractional shares acquired, net	-	-	-	-	-	-	-	(5)
Balance at September 30, 2002	<u>63,613,246</u>	<u>¥ 7,792</u>	<u>¥ 5,908</u>	<u>¥ 11,682</u>	<u>¥ 2,835</u>	<u>¥ 1,035</u>	<u>¥ (6)</u>	<u>¥ (8)</u>
Balance at March 31, 2003	63,613,246	¥ 7,792	¥ 5,908	¥ 11,514	¥ 2,885	¥ 522	¥ (11)	¥ (174)
Net income for the period	-	-	-	554	-	-	-	-
Cash dividends	-	-	-	(251)	-	-	-	-
Bonuses to directors and statutory auditors	-	-	-	(37)	-	-	-	-
Reversal of land revaluation increment	-	-	-	20	(20)	-	-	-
Net change in unrealized gains on available-for-sale securities, net of applicable income taxes	-	-	-	-	-	776	-	-
Translation adjustment	-	-	-	-	-	-	18	-
Purchase of treasury stock and fractional shares	-	-	-	-	-	-	-	(424)
Balance at September 30, 2003	<u>63,613,246</u>	<u>¥ 7,792</u>	<u>¥ 5,908</u>	<u>¥ 11,800</u>	<u>¥ 2,865</u>	<u>¥ 1,298</u>	<u>¥ 7</u>	<u>¥ (598)</u>
Thousands of U.S. Dollars								
Balance at March 31, 2003		\$ 70,198	\$ 53,225	\$ 103,730	\$ 25,991	\$ 4,703	\$ (99)	\$ (1,568)
Net income for the period		-	-	4,991	-	-	-	-
Cash dividends		-	-	(2,261)	-	-	-	-
Bonuses to directors and statutory auditors		-	-	(334)	-	-	-	-
Reversal of land revaluation increment		-	-	180	(180)	-	-	-
Net change in unrealized gains on available-for-sale securities, net of applicable income taxes		-	-	-	-	6,991	-	-
Translation adjustment		-	-	-	-	-	162	-
Purchase of treasury stock and fractional shares		-	-	-	-	-	-	(3,819)
Balance at September 30, 2003		<u>\$ 70,198</u>	<u>\$ 53,225</u>	<u>\$ 106,306</u>	<u>\$ 25,811</u>	<u>\$ 11,694</u>	<u>\$ 63</u>	<u>\$ (5,387)</u>

*Note: The number of authorized common shares at March 31, 2003 and September 30, 2003 was 240,000,000 shares, respectively.
The number of shares of treasury stock at March 31, 2003 and September 30, 2003 was 786,974 shares and 2,794,315 shares, respectively.*

See accompanying Notes to Consolidated Financial Statements.

Japan Transcity Corporation and Consolidated Subsidiaries
Consolidated Statements of Cash Flows (Unaudited)
For the Six Months Ended September 30, 2003 and 2002

	Millions of Yen		Thousands of
	2003	2002	U.S. Dollars
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 1,011	¥ 745	\$ 9,108
Adjustments for:			
Depreciation	1,295	1,345	11,667
Net provision for employee retirement benefit liability	182	120	1,640
Decrease in trade receivables	383	1,377	3,450
Decrease in inventories	88	138	793
Decrease in trade payables	(402)	(223)	(3,622)
Other, net	(909)	(348)	(8,189)
Sub-total	1,648	3,154	14,847
Interest and dividend received	84	87	757
Interest paid	(238)	(264)	(2,144)
Income taxes paid	(765)	(319)	(6,892)
Net cash provided by operating activities	729	2,658	6,568
Cash flows from investing activities:			
Increase in property and equipment and intangibles	(1,088)	(1,443)	(9,802)
Decrease in short-term investments	819	15	7,378
Other, net	183	244	1,649
Net cash used in investing activities	(86)	(1,184)	(775)
Cash flows from financing activities:			
Increase in long-term debt	1,211	3,100	10,910
Repayment of long-term debt	(1,698)	(2,291)	(15,297)
Increase (decrease) in short-term borrowings	263	(317)	2,369
Increase in treasury stock	(424)	(5)	(3,819)
Dividends paid	(253)	(257)	(2,280)
Net cash (used in) provided by financing activities	(901)	230	(8,117)
Effect of exchange rate changes on cash and cash equivalents	(2)	(10)	(18)
Net (decrease) increase in cash and cash equivalents	(260)	1,694	(2,342)
Cash and cash equivalents at beginning of period	10,408	10,854	93,766
Increase in cash and cash equivalents upon inclusion of additional subsidiary on consolidation	28	-	252
Cash and cash equivalents at end of period	¥ 10,176	¥ 12,548	\$ 91,676

See accompanying Notes to Consolidated Financial Statements.

Japan Transcity Corporation and Consolidated Subsidiaries
Notes to Consolidated Financial Statements

Information for the six months ended September 30, 2003 and 2002 was unaudited.

1. Significant Accounting Policies

The accompanying consolidated financial statements of Japan Transcity Corporation (the "Company") and its consolidated subsidiaries (together with the Company, the "Japan Transcity Group") have been prepared in accordance with the provisions set forth in the Securities and Exchange Law of Japan, and in conformity with accounting principles and practices generally accepted in Japan for interim reporting, which are different in certain respects from the application and disclosure requirements of International Accounting Standards. Certain items presented in the original consolidated financial statements in Japanese submitted to the Director of Kanto Finance Bureau in Japan have been reclassified in these financial statements for the convenience of readers outside Japan.

The consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

The accompanying consolidated financial statements include the accounts of the Japan Transcity Group. Investment in significant unconsolidated subsidiaries and affiliates is accounted for by the equity method. Investment in unconsolidated subsidiaries and affiliates not accounted for by the equity method is stated at cost. The number of consolidated subsidiaries, unconsolidated subsidiaries and affiliates for the six months ended September 30, 2003 and 2002 was as follows:

	<u>2003</u>	<u>2002</u>
Consolidated subsidiaries	24	23
Unconsolidated subsidiaries and affiliates, accounted for by the equity method	7	8
Unconsolidated subsidiaries, stated at cost	10	10
Affiliates, stated at cost	3	3

There were no changes in accounting principles or practices that were applied in the accompanying consolidated financial statements for the six months ended September 30, 2003 from those for the year ended March 31, 2003.

Certain comparative figures have been reclassified to conform with the current period's presentation.

2. U.S. Dollar Amounts

The Japan Transcity Group maintains its accounting records in Japanese Yen. The U.S. dollar amounts included in the accompanying consolidated financial statements and notes thereto represent the arithmetic results of translating Japanese Yen into U.S. dollars at a rate of ¥111 to \$1, the approximate rate of exchange at September 30, 2003. The inclusion of such dollar amounts is solely for the convenience of the readers and is not intended to imply that Yen and the assets and liabilities originating in Yen have been or could be readily converted, realized or settled in dollars at ¥111 to \$1 or any other rate.

3. Contingent Liabilities

At September 30, 2003 and March 31, 2003, the Japan Transcity Group was contingently liable for guarantees of indebtedness principally of affiliates in the amounts of ¥2,735 million (\$24,640 thousand) and ¥2,983 million, respectively.

4. Subsequent Event

On November 14, 2003, the Board of Directors of the Company declared interim cash dividends of ¥3 per share to shareholders of record as of September 30, 2003, which amounted to ¥182 million (\$1,640 thousand) in aggregate.

5. Segment Information

The Japan Transcity Group's operations are classified into two major segments: Integrated logistics services and other services.

Information by industry segment for the six months ended September 30, 2003 and 2002 were as follows:

	Integrated logistics services	Others	Total	Elimination	Consolidated
	Millions of Yen				
For the six months ended September 30, 2003:					
Operating revenues:					
Outside customers	¥ 34,716	¥ 1,182	¥ 35,898	¥ -	¥ 35,898
Inter-segment sales	1	1,437	1,438	(1,438)	-
Total operating revenues	34,717	2,619	37,336	(1,438)	35,898
Operating expenses	33,734	2,511	36,245	(1,421)	34,824
Operating income	¥ 983	¥ 108	¥ 1,091	¥ (17)	¥ 1,074
For the six months ended September 30, 2002:					
Operating revenues:					
Outside customers	¥ 32,778	¥ 1,360	¥ 34,138	¥ -	¥ 34,138
Inter-segment sales	2	900	902	(902)	-
Total operating revenues	32,780	2,260	35,040	(902)	34,138
Operating expenses	31,935	2,286	34,221	(919)	33,302
Operating income (loss)	¥ 845	¥ (26)	¥ 819	¥ 17	¥ 836
Thousands of U.S. Dollars					
For the six months ended September 30, 2003:					
Operating revenues:					
Outside customers	\$ 312,757	\$ 10,649	\$ 323,406	\$ -	\$ 323,406
Inter-segment sales	9	12,946	12,955	(12,955)	-
Total operating revenues	312,766	23,595	336,361	(12,955)	323,406
Operating expenses	303,910	22,622	326,532	(12,802)	313,730
Operating income	\$ 8,856	\$ 973	\$ 9,829	\$ (153)	\$ 9,676

Geographic segment information is not shown, as operating revenues of overseas consolidated subsidiaries was not material.
Information for overseas sales is not disclosed, as such sales were not material.

6. Condensed Financial Statements of Japan Transcity Corporation (Parent)

Presented below are the condensed non-consolidated balance sheets, non-consolidated statements of income and shareholders' equity of Japan Transcity Corporation, the parent company.

Non-Consolidated Balance Sheets

Japan Transcity Corporation (Parent)

	Millions of Yen		Thousands of
	September 30, 2003 (unaudited)	March 31, 2003 (unaudited)	U.S. Dollars September 30, 2003 (unaudited)
Assets			
Current assets:			
Cash and cash equivalents	¥ 6,377	¥ 7,183	\$ 57,450
Short-term investments	36	867	324
Trade receivables, net of allowance for doubtful accounts	11,953	12,055	107,685
Inventories	11	13	99
Deferred tax assets	308	178	2,775
Other current assets	1,152	1,028	10,378
Total current assets	19,837	21,324	178,711
Property and equipment, at cost	64,432	64,255	580,468
Less, accumulated depreciation	(26,693)	(26,342)	(240,477)
Net property and equipment	37,739	37,913	339,991
Investments and other assets:			
Investment securities	5,354	4,107	48,234
Investments in and long-term loans to subsidiaries and affiliates	2,992	3,014	26,955
Deferred tax assets	2,693	3,136	24,261
Lease deposits	882	899	7,946
Other assets	1,339	1,206	12,063
Allowance for doubtful accounts	(188)	(171)	(1,693)
Total investments and other assets	13,072	12,191	117,766
	¥ 70,648	¥ 71,428	\$ 636,468
Liabilities and Shareholders' Equity			
Current liabilities:			
Short-term borrowings	¥ 4,300	¥ 4,325	\$ 38,739
Current maturities of long-term debt	2,453	2,460	22,099
Trade payables	6,752	6,922	60,829
Accrued expenses	824	870	7,423
Income taxes payable	392	527	3,531
Other current liabilities	1,081	1,836	9,739
Total current liabilities	15,802	16,940	142,360
Long-term debt	17,931	18,004	161,541
Employee retirement benefit liability	7,835	7,649	70,585
Deferred tax liabilities for revaluation	1,918	1,931	17,279
Accrued severance indemnities for officers	328	330	2,955
Other long-term liabilities	174	180	1,568
Shareholders' equity:			
Common stock	7,792	7,792	70,198
Capital surplus	5,908	5,908	53,225
Retained earnings	9,497	9,531	85,558
Land revaluation increment	2,865	2,885	25,811
Net unrealized gains on available-for-sale securities	1,196	452	10,775
Less, treasury stock, at cost	(598)	(174)	(5,387)
Total shareholders' equity	26,660	26,394	240,180
	¥ 70,648	¥ 71,428	\$ 636,468

Non-Consolidated Statements of Income (Unaudited)
Japan Transcity Corporation (Parent)
For the Six Months Ended September 30, 2003 and 2002

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Operating revenues	¥ 33,281	¥ 31,306	\$ 299,829
Operating expenses	32,752	30,639	295,063
Operating income	529	667	4,766
Other income (expenses):			
Interest and dividend income	93	91	838
Interest expenses	(150)	(163)	(1,351)
Miscellaneous, net	(18)	(149)	(163)
	(75)	(221)	(676)
Income before income taxes	454	446	4,090
Income tax expenses:			
Current	419	568	3,775
Deferred	(199)	(346)	(1,793)
Total income tax expenses	220	222	1,982
Net income	¥ 234	¥ 224	\$ 2,108
Per share:			
Net income :			
-Basic	¥ 3.83	¥ 3.52	\$ 0.03
-Diluted	3.38	3.44	0.03
Cash dividends	3.00	3.00	0.03

Non-Consolidated Statements of Shareholders' Equity (Unaudited)
Japan Transcity Corporation (Parent)
For the Six Months Ended September 30, 2003 and 2002

	Common stock	Capital surplus	Retained earnings	Land revaluation increment	Net unrealized gains on available-for- sale securities	Treasury stock
	Millions of Yen					
Balance at March 31, 2002	¥ 7,792	¥ 5,908	¥ 9,621	¥ 3,050	¥ 780	¥ (3)
Net income for the period	-	-	224	-	-	-
Cash dividends	-	-	(254)	-	-	-
Bonuses to directors and statutory auditors	-	-	(37)	-	-	-
Reversal of land revaluation increment	-	-	215	(215)	-	-
Net change in unrealized gains on available-for-sale securities, net of applicable income taxes	-	-	-	-	180	-
Fractional shares acquired, net	-	-	-	-	-	(5)
Balance at September 30, 2002	<u>¥ 7,792</u>	<u>¥ 5,908</u>	<u>¥ 9,769</u>	<u>¥ 2,835</u>	<u>¥ 960</u>	<u>¥ (8)</u>
Balance at March 31, 2003	¥ 7,792	¥ 5,908	¥ 9,531	¥ 2,885	¥ 452	¥ (174)
Net income for the period	-	-	234	-	-	-
Cash dividends	-	-	(251)	-	-	-
Bonuses to directors and statutory auditors	-	-	(37)	-	-	-
Reversal of land revaluation increment	-	-	20	(20)	-	-
Net change in unrealized gains on available-for-sale securities, net of applicable income taxes	-	-	-	-	744	-
Purchase of treasury stock and fractional shares	-	-	-	-	-	(424)
Balance at September 30, 2003	<u>¥ 7,792</u>	<u>¥ 5,908</u>	<u>¥ 9,497</u>	<u>¥ 2,865</u>	<u>¥ 1,196</u>	<u>¥ (598)</u>
	Thousands of U.S. Dollars					
Balance at March 31, 2003	\$ 70,198	\$ 53,225	\$ 85,865	\$ 25,991	\$ 4,072	\$ (1,568)
Net income for the period	-	-	2,108	-	-	-
Cash dividends	-	-	(2,261)	-	-	-
Bonuses to directors and statutory auditors	-	-	(334)	-	-	-
Reversal of land revaluation increment	-	-	180	(180)	-	-
Net change in unrealized gains on available-for-sale securities, net of applicable income taxes	-	-	-	-	6,703	-
Purchase of treasury stock and fractional shares	-	-	-	-	-	(3,819)
Balance at September 30, 2003	<u>\$ 70,198</u>	<u>\$ 53,225</u>	<u>\$ 85,558</u>	<u>\$ 25,811</u>	<u>\$ 10,775</u>	<u>\$ (5,387)</u>