

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

September 30, 2004

ChuoAoyama PricewaterhouseCoopers

Japan Transcity Corporation and Consolidated Subsidiaries
Consolidated Balance Sheets

	Millions of Yen		Thousands of U.S. Dollars
	September 30, 2004 (Unaudited)	March 31, 2004	September 30, 2004 (Unaudited)
Assets			
Current assets:			
Cash and cash equivalents	¥ 13,590	¥ 11,752	\$ 122,432
Short-term investments	270	119	2,432
Trade receivables:			
Notes	936	935	8,433
Accounts	12,127	12,341	109,252
Allowance for doubtful accounts	(21)	(18)	(189)
	<u>13,042</u>	<u>13,258</u>	<u>117,496</u>
Inventories	1,985	2,063	17,883
Deferred tax assets	448	454	4,036
Other current assets	1,543	1,108	13,901
Total current assets	<u>30,878</u>	<u>28,754</u>	<u>278,180</u>
Property and equipment, at cost:			
Land	31,333	31,343	282,279
Buildings and structures	40,494	40,193	364,811
Other	18,781	18,743	169,198
	<u>90,608</u>	<u>90,279</u>	<u>816,288</u>
Less, accumulated depreciation	(41,136)	(40,570)	(370,594)
Net property and equipment	<u>49,472</u>	<u>49,709</u>	<u>445,694</u>
Investments and other assets:			
Investment securities	6,760	7,327	60,901
Investments in and long-term loans to unconsolidated subsidiaries and affiliates	2,497	2,492	22,496
Deferred tax assets	3,244	2,972	29,225
Lease deposits	889	882	8,009
Other assets	1,341	1,351	12,081
Allowance for doubtful Accounts	(111)	(124)	(1,000)
Total investments and other assets	<u>14,620</u>	<u>14,900</u>	<u>131,712</u>
	<u>¥ 94,970</u>	<u>¥ 93,363</u>	<u>\$ 855,586</u>

See accompanying Notes to Consolidated Financial Statements.

	Millions of Yen		Thousands of U.S. Dollars
	September 30, 2004 (Unaudited)	March 31, 2004 (Unaudited)	September 30, 2004 (Unaudited)
Liabilities, Minority Interests and Shareholders' Equity			
Current liabilities:			
Short-term borrowings	¥ 8,045	¥ 8,300	\$ 72,477
Current maturities of long-term debt	8,459	2,057	76,207
Trade payables:			
Notes	1,473	1,377	13,270
Accounts	5,640	5,418	50,811
	<u>7,113</u>	<u>6,795</u>	<u>64,081</u>
Accrued expenses	1,646	1,639	14,829
Income taxes payable	621	615	5,595
Other current liabilities	1,510	1,424	13,604
Total current liabilities	<u>27,394</u>	<u>20,830</u>	<u>246,793</u>
Long-term debt	19,618	25,206	176,739
Employee retirement benefit liability	9,043	9,114	81,468
Guarantee deposits received	4,433	4,501	39,937
Deferred tax liabilities for revaluation	1,910	1,903	17,207
Accrued severance indemnities for officers	376	397	3,387
Other long-term liabilities	280	218	2,523
Contingent liabilities (Note 3)			
Minority interests in consolidated subsidiaries	985	832	8,874
Shareholders' equity (Note 4):			
Common stock	7,792	7,792	70,198
Capital surplus	5,959	5,908	53,685
Retained earnings	13,032	12,292	117,405
Land revaluation increment	2,852	2,842	25,694
Net unrealized gains on available-for-sale securities	1,793	2,164	16,153
Foreign currency translation adjustment	(45)	(35)	(405)
Less, treasury stock, at cost	(452)	(601)	(4,072)
Total shareholders' equity	<u>30,931</u>	<u>30,362</u>	<u>278,658</u>
	<u>¥ 94,970</u>	<u>¥ 93,363</u>	<u>\$ 855,586</u>

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

For the Six Months Ended September 30, 2004 and 2003

	Millions of Yen		Thousands of
	2004	2003	U.S. Dollars
Operating revenues (Note 5)	¥ 38,551	¥ 35,898	\$ 347,306
Operating expenses (Note 5)	36,927	34,824	332,675
Operating income	1,624	1,074	14,631
Other income (expenses):			
Interest and dividend income	60	49	541
Interest expenses	(214)	(232)	(1,928)
Equity in net earnings of unconsolidated subsidiaries and affiliates	105	133	945
Other, net	60	(13)	541
	11	(63)	99
Income before income taxes and minority interests	1,635	1,011	14,730
Income tax expenses :			
Current	619	611	5,577
Deferred	21	(173)	189
Total income tax expenses	640	438	5,766
Less, minority interests in net income of consolidated subsidiaries	24	19	216
Net income	¥ 971	¥ 554	\$ 8,748
Per share:			
Net income:			
-Basic	¥ 15.93	¥ 9.07	\$ 0.14
-Diluted	12.34	8.42	0.11
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, 2004 and 2003

	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, 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>
Balance at March 31, 2004	63,613,246	¥ 7,792	¥ 5,908	¥ 12,292	¥ 2,842	¥ 2,164	¥ (35)	¥ (601)
Net income for the period	-	-	-	971	-	-	-	-
Cash dividends	-	-	-	(244)	-	-	-	-
Bonuses to directors and statutory auditors	-	-	-	(39)	-	-	-	-
Increase in retained earnings for the change in scope of consolidation	-	-	-	62	-	-	-	-
Reversal of land revaluation increment	-	-	-	(10)	10	-	-	-
Net change in unrealized gains on available-for-sale securities, net of applicable income taxes	-	-	-	-	-	(371)	-	-
Translation adjustment	-	-	-	-	-	-	(10)	-
Conversion of convertible bonds	-	-	51	-	-	-	-	155
Fractional shares acquired, net	-	-	-	-	-	-	-	(6)
Balance at September 30, 2004	<u>63,613,246</u>	<u>¥ 7,792</u>	<u>¥ 5,959</u>	<u>¥ 13,032</u>	<u>¥ 2,852</u>	<u>¥ 1,793</u>	<u>¥ (45)</u>	<u>¥ (452)</u>
Thousands of U.S. Dollars								
Balance at March 31, 2004		\$ 70,198	\$ 53,225	\$ 110,739	\$ 25,604	\$ 19,495	\$ (315)	\$ (5,414)
Net income for the period		-	-	8,748	-	-	-	-
Cash dividends		-	-	(2,198)	-	-	-	-
Bonuses to directors and statutory auditors		-	-	(352)	-	-	-	-
Increase in retained earnings for the change in scope of consolidation		-	-	558	-	-	-	-
Reversal of land revaluation increment		-	-	(90)	90	-	-	-
Net change in unrealized gains on available-for-sale securities, net of applicable income taxes		-	-	-	-	(3,342)	-	-
Translation adjustment		-	-	-	-	-	(90)	-
Conversion of convertible bonds		-	460	-	-	-	-	1,396
Fractional shares acquired, net		-	-	-	-	-	-	(54)
Balance at September 30, 2004		<u>\$ 70,198</u>	<u>\$ 53,685</u>	<u>\$ 117,405</u>	<u>\$ 25,694</u>	<u>\$ 16,153</u>	<u>\$ (405)</u>	<u>\$ (4,072)</u>

*Note: The number of authorized common shares at March 31, 2004 and September 30, 2004 was 240,000,000 shares, respectively.
The number of shares of treasury stock at March 31, 2004 and September 30, 2004 was 2,807,251 shares and 2,101,814 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, 2004 and 2003

	Millions of Yen		Thousands of
	2004	2003	U.S. Dollars
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 1,635	¥ 1,011	\$ 14,730
Adjustments for:			
Depreciation	1,214	1,295	10,937
Net (reversal) provision for employee retirement benefit liability	(75)	182	(676)
Decrease in trade receivables	390	383	3,514
Decrease in inventories	78	88	703
Increase (decrease) in trade payables	228	(402)	2,054
Other, net	(276)	(909)	(2,487)
Sub-total	3,194	1,648	28,775
Interest and dividend received	94	84	847
Interest paid	(210)	(238)	(1,892)
Income taxes paid	(677)	(765)	(6,099)
Net cash provided by operating activities	2,401	729	21,631
Cash flows from investing activities:			
Increase in property and equipment and intangibles	(978)	(1,088)	(8,811)
(Increase) decrease in short-term investments	(66)	819	(595)
Other, net	(176)	183	(1,585)
Net cash used in investing activities	(1,220)	(86)	(10,991)
Cash flows from financing activities:			
Increase in long-term debt	2,504	1,211	22,559
Repayment of long-term debt	(1,385)	(1,698)	(12,478)
(Decrease) increase in short-term borrowings	(356)	263	(3,207)
Increase in treasury stock	(6)	(424)	(54)
Dividends paid	(247)	(253)	(2,225)
Net cash provided by (used in) financing activities	510	(901)	4,595
Effect of exchange rate changes on cash and cash equivalents	(2)	(2)	(19)
Net increase (decrease) in cash and cash equivalents	1,689	(260)	15,216
Cash and cash equivalents at beginning of period	11,752	10,408	105,874
Increase in cash and cash equivalents upon inclusion of additional subsidiary on consolidation	149	28	1,342
Cash and cash equivalents at end of period	¥ 13,590	¥ 10,176	\$ 122,432

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, 2004 and 2003 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, 2004 and 2003 was as follows:

	<u>2004</u>	<u>2003</u>
Consolidated subsidiaries	27	24
Unconsolidated subsidiaries and affiliates, accounted for by the equity method	6	7
Unconsolidated subsidiaries, stated at cost	12	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, 2004 from those for the year ended March 31, 2004.

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, 2004. 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, 2004 and March 31, 2004, the Japan Transcity Group was contingently liable for guarantees of indebtedness principally of affiliates in the amounts of ¥2,277 million (\$20,514 thousand) and ¥2,416 million, respectively.

4. Subsequent Event

On November 16, 2004, the Board of Directors of the Company declared interim cash dividends of ¥3 per share to shareholders of record as of September 30, 2004, which amounted to ¥185 million (\$1,667 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, 2004 and 2003 were as follows:

	Integrated logistics services	Others	Total	Elimination	Consolidated
	Millions of Yen				
For the six months ended September 30, 2004:					
Operating revenues:					
Outside customers	¥ 37,071	¥ 1,480	¥ 38,551	¥ -	¥ 38,551
Inter-segment sales	14	896	910	(910)	-
Total operating revenues	37,085	2,376	39,461	(910)	38,551
Operating expenses					
Operating expenses	35,564	2,293	37,857	(930)	36,927
Operating income	¥ 1,521	¥ 83	¥ 1,604	¥ 20	¥ 1,624
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					
Operating expenses	33,734	2,511	36,245	(1,421)	34,824
Operating income	¥ 983	¥ 108	¥ 1,091	¥ (17)	¥ 1,074
Thousands of U.S. Dollars					
For the six months ended September 30, 2004:					
Operating revenues:					
Outside customers	\$ 333,973	\$ 13,333	\$ 347,306	\$ -	\$ 347,306
Inter-segment sales	126	8,073	8,199	(8,199)	-
Total operating revenues	334,099	21,406	355,505	(8,199)	347,306
Operating expenses					
Operating expenses	320,396	20,658	341,054	(8,379)	332,675
Operating income	\$ 13,703	\$ 748	\$ 14,451	\$ 180	\$ 14,631

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 U.S. Dollars
	September 30, 2004 (unaudited)	March 31, 2004 (unaudited)	September 30, 2004 (unaudited)
Assets			
Current assets:			
Cash and cash equivalents	¥ 11,513	¥ 8,224	\$ 103,721
Short-term investments	38	38	342
Trade receivables, net of allowance for doubtful accounts	12,226	12,574	110,144
Inventories	17	18	153
Deferred tax assets	230	260	2,072
Other current assets	1,336	1,073	12,036
Total current assets	25,360	22,187	228,468
Property and equipment, at cost	64,487	64,372	580,964
Less, accumulated depreciation	(27,566)	(27,129)	(248,342)
Net property and equipment	36,921	37,243	332,622
Investments and other assets:			
Investment securities	6,271	6,823	56,495
Investments in and long-term loans to subsidiaries and affiliates	3,074	3,008	27,694
Deferred tax assets	2,530	2,257	22,793
Lease deposits	851	849	7,667
Other assets	1,281	1,331	11,540
Allowance for doubtful accounts	(109)	(122)	(982)
Total investments and other assets	13,898	14,146	125,207
	¥ 76,179	¥ 73,576	\$ 686,297
Liabilities and Shareholders' Equity			
Current liabilities:			
Short-term borrowings	¥ 5,681	¥ 4,196	\$ 51,180
Current maturities of long-term debt	7,812	1,353	70,379
Trade payables	7,446	7,153	67,081
Accrued expenses	809	851	7,288
Income taxes payable	404	428	3,640
Other current liabilities	1,147	1,194	10,333
Total current liabilities	23,299	15,175	209,901
Long-term debt	14,813	20,354	133,450
Employee retirement benefit liability	7,854	7,950	70,757
Deferred tax liabilities for revaluation	1,910	1,903	17,207
Accrued severance indemnities for officers	343	350	3,090
Other long-term liabilities	225	175	2,027
Shareholders' equity:			
Common stock	7,792	7,792	70,198
Capital surplus	5,959	5,908	53,685
Retained earnings	9,921	9,699	89,378
Land revaluation increment	2,852	2,842	25,694
Net unrealized gains on available-for-sale securities	1,663	2,029	14,982
Less, treasury stock, at cost	(452)	(601)	(4,072)
Total shareholders' equity	27,735	27,669	249,865
	¥ 76,179	¥ 73,576	\$ 686,297

Non-Consolidated Statements of Income (Unaudited)
Japan Transcity Corporation (Parent)
For the Six Months Ended September 30, 2004 and 2003

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Operating revenues	¥ 35,639	¥ 33,281	\$ 321,072
Operating expenses	34,695	32,752	312,567
Operating income	944	529	8,505
Other income (expenses):			
Interest and dividend income	119	93	1,072
Interest expenses	(143)	(150)	(1,289)
Miscellaneous, net	(27)	(18)	(243)
	(51)	(75)	(460)
Income before income taxes	893	454	8,045
Income tax expenses:			
Current	370	419	3,333
Deferred	8	(199)	72
Total income tax expenses	378	220	3,405
Net income	¥ 515	¥ 234	\$ 4,640
Per share:			
Net income :			
-Basic	¥ 8.44	¥ 3.83	\$ 0.08
-Diluted	6.65	3.38	0.06
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, 2004 and 2003

	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, 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>
Balance at March 31, 2004	¥ 7,792	¥ 5,908	¥ 9,699	¥ 2,842	¥ 2,029	¥ (601)
Net income for the period	-	-	515	-	-	-
Cash dividends	-	-	(244)	-	-	-
Bonuses to directors and statutory auditors	-	-	(39)	-	-	-
Reversal of land revaluation increment	-	-	(10)	10	-	-
Net change in unrealized gains on available-for-sale securities, net of applicable income taxes	-	-	-	-	(366)	-
Conversion of convertible bonds	-	51	-	-	-	155
Fractional shares acquired, net	-	-	-	-	-	(6)
Balance at September 30, 2004	<u>¥ 7,792</u>	<u>¥ 5,959</u>	<u>¥ 9,921</u>	<u>¥ 2,852</u>	<u>¥ 1,663</u>	<u>¥ (452)</u>
	Thousands of U.S. Dollars					
Balance at March 31, 2004	\$ 70,198	\$ 53,225	\$ 87,378	\$ 25,604	\$ 18,279	\$ (5,414)
Net income for the period	-	-	4,640	-	-	-
Cash dividends	-	-	(2,198)	-	-	-
Bonuses to directors and statutory auditors	-	-	(352)	-	-	-
Reversal of land revaluation increment	-	-	(90)	90	-	-
Net change in unrealized gains on available-for-sale securities, net of applicable income taxes	-	-	-	-	(3,297)	-
Conversion of convertible bonds	-	460	-	-	-	1,396
Fractional shares acquired, net	-	-	-	-	-	(54)
Balance at September 30, 2004	<u>\$ 70,198</u>	<u>\$ 53,685</u>	<u>\$ 89,378</u>	<u>\$ 25,694</u>	<u>\$ 14,982</u>	<u>\$ (4,072)</u>