

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

September 30, 2005

ChuoAoyama PricewaterhouseCoopers

Japan Transcity Corporation and Consolidated Subsidiaries
Consolidated Balance Sheets

	Millions of Yen		Thousands of U.S. Dollars
	September 30, 2005 (Unaudited)	March 31, 2005	September 30, 2005 (Unaudited)
Assets			
Current assets:			
Cash and cash equivalents	¥ 10,958	¥ 11,219	\$ 96,973
Short-term investments	281	323	2,487
Trade receivables:			
Notes	957	886	8,469
Accounts	12,498	11,991	110,602
Allowance for doubtful accounts	(19)	(20)	(168)
	<u>13,436</u>	<u>12,857</u>	<u>118,903</u>
Inventories	709	554	6,274
Deferred tax assets	476	439	4,212
Other current assets	2,090	1,374	18,496
Total current assets	<u>27,950</u>	<u>26,766</u>	<u>247,345</u>
Property and equipment, at cost:			
Land	29,075	31,947	257,301
Buildings and structures	40,955	39,889	362,434
Other	20,098	19,420	177,858
	<u>90,128</u>	<u>91,256</u>	<u>797,593</u>
Less, accumulated depreciation	(41,702)	(40,992)	(369,044)
Net property and equipment	<u>48,426</u>	<u>50,264</u>	<u>428,549</u>
Investments and other assets:			
Investment securities	9,715	7,414	85,974
Investments in unconsolidated subsidiaries and affiliates	2,810	2,631	24,867
Deferred tax assets	591	1,426	5,230
Lease deposits	921	888	8,151
Other assets	1,367	1,212	12,097
Allowance for doubtful Accounts	(54)	(76)	(478)
Total investments and other assets	<u>15,350</u>	<u>13,495</u>	<u>135,841</u>
	<u>¥ 91,726</u>	<u>¥ 90,525</u>	<u>\$ 811,735</u>

See accompanying Notes to Consolidated Financial Statements.

	Millions of Yen		Thousands of
	September 30, 2005 (Unaudited)	March 31, 2005 (Unaudited)	U.S. Dollars September 30, 2005 (Unaudited)
Liabilities, Minority Interests and Shareholders' Equity			
Current liabilities:			
Short-term borrowings	¥ 3,463	¥ 4,151	\$ 30,646
Current maturities of long-term debt	725	8,076	6,416
Trade payables:			
Notes	1,629	1,856	14,416
Accounts	5,804	6,009	51,363
	7,433	7,865	65,779
Accrued expenses	1,624	1,628	14,372
Income taxes payable	814	296	7,203
Other current liabilities	2,776	1,622	24,566
Total current liabilities	16,835	23,638	148,982
Long-term debt	26,817	18,957	237,318
Employee retirement benefit liability	5,038	5,372	44,584
Guarantee deposits received	4,536	4,608	40,142
Deferred tax liabilities for revaluation	5,791	1,819	51,248
Accrued severance indemnities for officers	408	403	3,611
Other long-term liabilities	233	47	2,062
Contingent liabilities (Note 3)			
Minority interests in consolidated subsidiaries	1,110	1,039	9,823
Shareholders' equity (Note 4):			
Common stock	8,411	7,884	74,434
Capital surplus	6,720	6,193	59,469
Retained earnings	13,767	15,731	121,832
Land revaluation (decrement) increment	(1,256)	2,717	(11,115)
Net unrealized gains on available-for-sale securities	3,381	2,188	29,920
Foreign currency translation adjustment	(46)	(58)	(407)
Less, treasury stock, at cost	(19)	(13)	(168)
Total shareholders' equity	30,958	34,642	273,965
	¥ 91,726	¥ 90,525	\$ 811,735

Japan Transcity Corporation and Consolidated Subsidiaries
Consolidated Statements of Operations (Unaudited)
For the Six Months Ended September 30, 2005 and 2004

	Millions of Yen		Thousands of
	2005	2004	U.S. Dollars
Operating revenues (Note 5)	¥ 40,153	¥ 38,551	\$ 355,336
Operating expenses (Note 5)	38,028	36,927	336,531
Operating income	2,125	1,624	18,805
Other income (expenses):			
Interest and dividend income	69	60	611
Interest expenses	(189)	(214)	(1,673)
Equity in net earnings of unconsolidated subsidiaries and affiliates	127	105	1,124
Impairment loss on fixed assets	(2,879)	-	(25,478)
Other, net	118	60	1,045
	<u>(2,754)</u>	<u>11</u>	<u>(24,371)</u>
(Loss) income before income taxes and minority interests	(629)	1,635	(5,566)
Income taxes:			
Current	784	619	6,938
Deferred	165	21	1,460
Total income taxes	<u>949</u>	<u>640</u>	<u>8,398</u>
Less, minority interests in net income of consolidated subsidiaries	55	24	487
Net (loss) income	<u>¥ (1,633)</u>	<u>¥ 971</u>	<u>\$ (14,451)</u>
Per share:			
Net (loss) income:			
-Basic	¥ (24.82)	¥ 15.93	\$ (0.22)
-Diluted	-	12.34	-
Cash dividends	3.50	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, 2005 and 2004

	Number of common shares issued	Common stock	Capital surplus	Retained earnings	Land revaluation (decrement) increment	Net unrealized gains on available-for-sale securities	Foreign currency translation adjustment	Treasury stock
	Millions of Yen							
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>
Balance at March 31, 2005	64,262,367	¥ 7,884	¥ 6,193	¥ 15,731	¥ 2,717	¥ 2,188	¥ (58)	¥ (13)
Net loss for the period	-	-	-	(1,633)	-	-	-	-
Cash dividends	-	-	-	(289)	-	-	-	-
Bonuses to directors and statutory auditors	-	-	-	(42)	-	-	-	-
Adjustments for deferred taxes	-	-	-	-	(3,973)	-	-	-
Net change in unrealized gains on available-for-sale securities, net of applicable income taxes	-	-	-	-	-	1,193	-	-
Translation adjustment	-	-	-	-	-	-	12	-
Conversion of convertible bonds	2,757,243	527	527	-	-	-	-	-
Fractional shares acquired, net	-	-	-	-	-	-	-	(6)
Balance at September 30, 2005	<u>67,019,610</u>	<u>¥ 8,411</u>	<u>¥ 6,720</u>	<u>¥ 13,767</u>	<u>¥ (1,256)</u>	<u>¥ 3,381</u>	<u>¥ (46)</u>	<u>¥ (19)</u>
	Thousands of U.S. Dollars							
Balance at March 31, 2005		\$ 69,770	\$ 54,805	\$ 139,213	\$ 24,044	\$ 19,363	\$ (513)	\$ (115)
Net loss for the period		-	-	(14,451)	-	-	-	-
Cash dividends		-	-	(2,558)	-	-	-	-
Bonuses to directors and statutory auditors		-	-	(372)	-	-	-	-
Adjustments for deferred taxes		-	-	-	(35,159)	-	-	-
Net change in unrealized gains on available-for-sale securities, net of applicable income taxes		-	-	-	-	10,557	-	-
Translation adjustment		-	-	-	-	-	106	-
Conversion of convertible bonds		4,664	4,664	-	-	-	-	-
Fractional shares acquired, net		-	-	-	-	-	-	(53)
Balance at September 30, 2005		<u>\$ 74,434</u>	<u>\$ 59,469</u>	<u>\$ 121,832</u>	<u>\$ (11,115)</u>	<u>\$ 29,920</u>	<u>\$ (407)</u>	<u>\$ (168)</u>

*Note: The number of authorized common shares at March 31, 2005 and September 30, 2005 was 240,000,000 shares, respectively.
The number of shares of treasury stock at March 31, 2005 and September 30, 2005 was 52,261 shares and 64,207 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, 2005 and 2004

	Millions of Yen		Thousands of
	2005	2004	U.S. Dollars
Cash flows from operating activities:			
(Loss) income before income taxes and minority interests	¥ (629)	¥ 1,635	\$ (5,566)
Adjustments for:			
Depreciation	1,225	1,214	10,841
Net reversal for employee retirement benefit liability	(335)	(75)	(2,965)
(Increase) decrease in trade receivables	(552)	390	(4,885)
(Increase) decrease in inventories	(154)	78	(1,363)
(Decrease) increase in trade payables	(455)	228	(4,027)
Impairment loss on fixed assets	2,879	-	25,478
Other, net	(377)	(276)	(3,336)
Sub-total	1,602	3,194	14,177
Interest and dividend received	119	94	1,053
Interest paid	(181)	(210)	(1,602)
Income taxes paid	(235)	(677)	(2,080)
Net cash provided by operating activities	1,305	2,401	11,548
Cash flows from investing activities:			
Increase in property and equipment and intangibles	(1,629)	(978)	(14,416)
Increase in short-term investments	(203)	(66)	(1,796)
Other, net	(328)	(176)	(2,903)
Net cash used in investing activities	(2,160)	(1,220)	(19,115)
Cash flows from financing activities:			
Increase in long-term debt	8,776	2,504	77,664
Repayment of long-term debt	(7,213)	(1,385)	(63,832)
Decrease in short-term borrowings	(694)	(356)	(6,142)
Dividends paid	(289)	(244)	(2,558)
Other, net	(7)	(9)	(61)
Net cash provided by financing activities	573	510	5,071
Effect of exchange rate changes on cash and cash equivalents	21	(2)	186
Net (decrease) increase in cash and cash equivalents	(261)	1,689	(2,310)
Cash and cash equivalents at beginning of period	11,219	11,752	99,283
Increase in cash and cash equivalents upon inclusion of additional subsidiary on consolidation	-	149	-
Cash and cash equivalents at end of period	¥ 10,958	¥ 13,590	\$ 96,973

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, 2005 and 2004 was unaudited.

1. Basis of Presentation

(a) Basis of presenting consolidated financial statements

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 on the basis of accounting principles generally accepted in Japan for interim reporting, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards. These consolidated financial statements are compiled from the original consolidated financial statements in Japanese prepared by the Company as required by the Securities and Exchange Law of Japan and submitted to the Director of Kanto Finance Bureau of Japan.

(b) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and its significant subsidiaries. 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, 2005 and 2004 was as follows:

	2005	2004
Consolidated subsidiaries	27	27
Unconsolidated subsidiaries and affiliates, accounted for by the equity method	5	6
Unconsolidated subsidiaries, stated at cost	12	12
Affiliates, stated at cost	4	3

(c) Accounting policies

These unaudited semi-annual consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended March 31, 2005. There were no changes in accounting policies that were applied in the accompanying consolidated financial statements for the six months ended September 30, 2005 from those for the year ended March 31, 2005, except for the following paragraph.

(Accounting standard for impairment of fixed assets)

On August 9, 2002, the Business Accounting Council of Japan issued "Accounting Standard for Impairment of Fixed Assets", which is effective for the fiscal years beginning April 1, 2005, with earlier adoption permitted. The Company and its domestic subsidiaries have adopted this standard from the six months ended September 30, 2005. The standard requires that fixed assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss shall be recognized in the income statement by reducing the carrying amount of impaired assets or a group of assets to the recoverable amount to be measured as the higher of the asset's net selling price and value in use. Fixed assets include land, buildings and other forms of property as well as intangible assets and are to be grouped at the lowest level for which there are identifiable cash flows from other groups of assets. For the purpose of recognition and measurement of an impairment loss, fixed assets are principally grouped into cash-generating units, such as regional business divisions, other than idle or unused property.

Recoverable amounts of the assets were measured based on value in use calculated using discounted future cash flows for Golf club courses or their net selling prices primarily for municipal property tax bases for idle or unused property. This accounting change resulted in a record of impairment loss of ¥2,879 million (\$25,478 thousand) on the accompanying consolidated statements of operations.

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 ¥113 to \$1, the approximate rate of exchange at September 30, 2005. 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 ¥113 to \$1 or any other rate.

3. Contingent Liabilities

At September 30, 2005 and March 31, 2005, the Japan Transcity Group was contingently liable for guarantees of indebtedness principally of affiliates in the amounts of ¥1,884 million (\$16,673 thousand) and ¥2,035million, respectively.

4. Subsequent Events

- (a) On November 15, 2005, the Board of Directors of the Company declared interim cash dividends of ¥3.5 per share to shareholders of record as of September 30, 2005, which amounted to ¥234 million (\$2,071 thousand) in aggregate.
- (b) On December 7, 2005, the Board of Directors of the Company resolved the assignment of the property under a scrap-and-build policy in the Company's Medium-term Management Strategy Plan. The property consisted of land and buildings with an aggregate carrying value of ¥1,416 million (\$12,531 thousand) at September 30, 2005, and is planned to be assigned to HASEKO Corporation for the consideration of ¥3,004 million (\$26,584 thousand) by the end of March 2006.

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, 2005 and 2004 were as follows:

	Integrated logistics services	Others	Total	Elimination	Consolidated
	Millions of Yen				
For the six months ended September 30, 2005:					
Operating revenues:					
Outside customers	¥ 39,225	¥ 928	¥ 40,153	¥ -	¥ 40,153
Inter-segment sales	14	1,623	1,637	(1,637)	-
Total operating revenues	39,239	2,551	41,790	(1,637)	40,153
Operating expenses	37,217	2,453	39,670	(1,642)	38,028
Operating income	¥ 2,022	¥ 98	¥ 2,120	¥ 5	¥ 2,125
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	35,564	2,293	37,857	(930)	36,927
Operating income	¥ 1,521	¥ 83	¥ 1,604	¥ 20	¥ 1,624
Thousands of U.S. Dollars					
For the six months ended September 30, 2005:					
Operating revenues:					
Outside customers	\$ 347,124	\$ 8,212	\$ 355,336	\$ -	\$ 355,336
Inter-segment sales	124	14,363	14,487	(14,487)	-
Total operating revenues	347,248	22,575	369,823	(14,487)	355,336
Operating expenses	329,354	21,708	351,062	(14,531)	336,531
Operating income	\$ 17,894	\$ 867	\$ 18,761	\$ 44	\$ 18,805

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, 2005 (unaudited)	March 31, 2005 (unaudited)	September 30, 2005 (unaudited)
Assets			
Current assets:			
Cash and cash equivalents	¥ 8,402	¥ 8,512	\$ 74,354
Short-term investments	38	79	336
Trade receivables, net of allowance for doubtful accounts	12,926	12,343	114,389
Inventories	13	12	115
Deferred tax assets	267	227	2,363
Other current assets	2,377	2,032	21,036
Total current assets	24,023	23,205	212,593
Property and equipment, at cost	65,847	65,026	582,717
Less, accumulated depreciation	(27,718)	(27,224)	(245,292)
Net property and equipment	38,129	37,802	337,425
Investments and other assets:			
Investment securities	9,062	6,886	80,195
Investments in and long-term loans to subsidiaries and affiliates	4,108	4,003	36,354
Deferred tax assets	-	664	-
Lease deposits	885	851	7,832
Other assets	1,323	1,189	11,707
Allowance for doubtful accounts	(52)	(75)	(460)
Total investments and other assets	15,326	13,518	135,628
	¥ 77,478	¥ 74,525	\$ 685,646
Liabilities and Shareholders' Equity			
Current liabilities:			
Short-term borrowings	¥ 4,942	¥ 5,453	\$ 43,735
Current maturities of long-term debt	423	7,812	3,743
Trade payables	7,778	7,835	68,832
Accrued expenses	810	835	7,168
Income taxes payable	573	16	5,071
Other current liabilities	1,330	1,408	11,770
Total current liabilities	15,856	23,359	140,319
Long-term debt	22,181	14,408	196,292
Employee retirement benefit liability	3,854	4,195	34,106
Deferred tax liabilities for revaluation	5,791	1,819	51,248
Accrued severance indemnities for officers	371	364	3,283
Other long-term liabilities	464	225	4,106
Shareholders' equity:			
Common stock	8,411	7,884	74,434
Capital surplus	6,720	6,193	59,469
Retained earnings	11,919	11,332	105,477
Land revaluation (decrement) increment	(1,256)	2,717	(11,115)
Net unrealized gains on available-for-sale securities	3,186	2,042	28,195
Less, treasury stock, at cost	(19)	(13)	(168)
Total shareholders' equity	28,961	30,155	256,292
	¥ 77,478	¥ 74,525	\$ 685,646

Non-Consolidated Statements of Shareholders' Equity (Unaudited)
Japan Transcity Corporation (Parent)
For the Six Months Ended September 30, 2005 and 2004

	Common stock	Capital surplus	Retained earnings	Land revaluation (decrement) increment	Net unrealized gains on available-for- sale securities	Treasury stock
Millions of Yen						
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>
Balance at March 31, 2005	¥ 7,884	¥ 6,193	¥ 11,332	¥ 2,717	¥ 2,042	¥ (13)
Net income for the period	-	-	918	-	-	-
Cash dividends	-	-	(289)	-	-	-
Bonuses to directors and statutory auditors	-	-	(42)	-	-	-
Adjustments for deferred taxes	-	-	-	(3,973)	-	-
Net change in unrealized gains on available-for-sale securities, net of applicable income taxes	-	-	-	-	1,144	-
Conversion of convertible bonds	527	527	-	-	-	-
Fractional shares acquired, net	-	-	-	-	-	(6)
Balance at September 30, 2005	<u>¥ 8,411</u>	<u>¥ 6,720</u>	<u>¥ 11,919</u>	<u>¥ (1,256)</u>	<u>¥ 3,186</u>	<u>¥ (19)</u>
Thousands of U.S. Dollars						
Balance at March 31, 2005	\$ 69,770	\$ 54,805	\$ 100,283	\$ 24,044	\$ 18,071	\$ (115)
Net income for the period	-	-	8,124	-	-	-
Cash dividends	-	-	(2,558)	-	-	-
Bonuses to directors and statutory auditors	-	-	(372)	-	-	-
Adjustments for deferred taxes	-	-	-	(35,159)	-	-
Net change in unrealized gains on available-for-sale securities, net of applicable income taxes	-	-	-	-	10,124	-
Conversion of convertible bonds	4,664	4,664	-	-	-	-
Fractional shares acquired, net	-	-	-	-	-	(53)
Balance at September 30, 2005	<u>\$ 74,434</u>	<u>\$ 59,469</u>	<u>\$ 105,477</u>	<u>\$ (11,115)</u>	<u>\$ 28,195</u>	<u>\$ (168)</u>