

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

September 30, 2006

Japan Transcity Corporation and Consolidated Subsidiaries
Consolidated Balance Sheets

	Millions of Yen		Thousands of
	September 30, 2006 (Unaudited)	March 31, 2006	U.S. Dollars September 30, 2006 (Unaudited)
Current assets:			
Cash and cash equivalents	¥ 13,447	¥ 14,332	\$ 114,932
Short-term investments	270	275	2,308
Trade receivables:			
Notes	950	865	8,119
Accounts	13,590	13,192	116,154
Allowance for doubtful accounts	(19)	(18)	(162)
	<u>14,521</u>	<u>14,039</u>	<u>124,111</u>
Inventories	80	106	684
Deferred tax assets	458	512	3,914
Other current assets	1,652	1,567	14,120
Total current assets	<u>30,428</u>	<u>30,831</u>	<u>260,069</u>
Property and equipment, at cost:			
Land	27,737	27,734	237,068
Buildings and structures	41,890	41,631	358,034
Other	18,710	19,387	159,915
	<u>88,337</u>	<u>88,752</u>	<u>755,017</u>
Less, accumulated depreciation	(41,714)	(41,633)	(356,530)
Net property and equipment	<u>46,623</u>	<u>47,119</u>	<u>398,487</u>
Investments and other assets:			
Investment securities	10,599	11,737	90,590
Investments in unconsolidated subsidiaries and affiliates	2,901	2,814	24,795
Deferred tax assets	526	491	4,496
Lease deposits	930	929	7,948
Other assets	1,505	1,473	12,863
Allowance for doubtful Accounts	(50)	(51)	(427)
Total investments and other assets	<u>16,411</u>	<u>17,393</u>	<u>140,265</u>
Total assets	<u>¥ 93,462</u>	<u>¥ 95,343</u>	<u>\$ 798,821</u>

See accompanying Notes to Consolidated Financial Statements.

	Millions of Yen		Thousands of U.S. Dollars
	September 30, 2006 (Unaudited)	March 31, 2006	September 30, 2006 (Unaudited)
Current liabilities:			
Short-term borrowings	¥ 3,182	¥ 3,208	\$ 27,196
Current maturities of long-term debt	1,667	1,357	14,248
Trade payables:			
Notes	1,498	1,447	12,803
Accounts	5,957	6,645	50,915
Accrued expenses	1,762	1,654	15,060
Income taxes payable	650	1,392	5,555
Other current liabilities	1,577	1,550	13,479
Total current liabilities	<u>16,293</u>	<u>17,253</u>	<u>139,256</u>
Long-term debt	25,687	26,339	219,547
Employee retirement benefit liability	4,377	4,814	37,410
Guarantee deposits received	4,436	4,466	37,915
Deferred tax liabilities for revaluation	5,281	5,281	45,137
Accrued severance indemnities for officers	463	436	3,957
Other long-term liabilities	1,577	1,754	13,479
Total liabilities	<u>58,114</u>	<u>60,343</u>	<u>496,701</u>
Equity (Notes 1(c) and 4):			
Common stock	8,411	-	71,889
Capital surplus	6,720	-	57,436
Retained earnings	17,279	-	147,684
Less, treasury stock, at cost	(126)	-	(1,077)
Total shareholders' equity	<u>32,284</u>	<u>-</u>	<u>275,932</u>
Other components of equity	1,797	-	15,359
Minority interests	1,267	-	10,829
Total equity	<u>35,348</u>	<u>-</u>	<u>302,120</u>
Total liabilities and equity	<u>¥ 93,462</u>	<u>-</u>	<u>\$ 798,821</u>
Minority interests	-	1,201	-
Shareholders' equity:			
Common stock	-	8,411	-
Capital surplus	-	6,720	-
Retained earnings	-	16,256	-
Land revaluation decrement	-	(2,018)	-
Net unrealized gains on available-for-sale securities	-	4,467	-
Foreign currency translation adjustment	-	(9)	-
Less, treasury stock, at cost	-	(28)	-
Total shareholders' equity	<u>-</u>	<u>33,799</u>	<u>-</u>
Total liabilities, minority interests and shareholders' equity	<u>-</u>	<u>¥ 95,343</u>	<u>-</u>

Japan Transcity Corporation and Consolidated Subsidiaries
Consolidated Statements of Operations (Unaudited)
For the Six Months Ended September 30, 2006 and 2005

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Operating revenue (Note 5)	¥ 41,415	¥ 40,153	\$ 353,974
Operating expenses (Note 5)	39,065	38,028	333,889
Operating income	2,350	2,125	20,085
Other income (expenses):			
Interest and dividend income	88	69	752
Interest expenses	(198)	(189)	(1,692)
Equity in net earnings of unconsolidated subsidiaries and affiliates	114	127	975
Impairment loss on fixed assets	-	(2,879)	-
Other, net	6	118	51
	10	(2,754)	86
Income (loss) before income taxes and minority interests	2,360	(629)	20,171
Income taxes:			
Current	653	784	5,581
Deferred	240	165	2,051
Total income taxes	893	949	7,632
Less, minority interests in net income of consolidated subsidiaries	97	55	829
Net income (loss)	¥ 1,370	¥ (1,633)	\$ 11,710
	Yen		U.S. Dollars
Per share:			
Net income (loss):			
-Basic	¥ 20.52	¥ (24.82)	\$ 0.18
-Diluted	19.42	-	0.17
Cash dividends	4.00	3.50	0.03

See accompanying Notes to Consolidated Financial Statements.

Japan Transcity Corporation and Consolidated Subsidiaries
Consolidated Statements of Changes in Equity (Unaudited)
For the Six Months Ended September 30, 2006 and 2005

	Number of common shares issued	Common stock	Capital surplus	Retained earnings	Land revaluation increment (decrement)	Net unrealized gains on available-for- sale securities	Foreign currency translation adjustment	Treasury stock	Total shareholders' equity
Millions of Yen									
Balance at March 31, 2005	64,262,367	¥ 7,884	¥ 6,193	¥ 15,731	¥ 2,717	¥ 2,188	¥ (58)	¥ (13)	34,642
Net loss for the period	-	-	-	(1,633)	-	-	-	-	(1,633)
Cash dividends	-	-	-	(289)	-	-	-	-	(289)
Bonuses to directors and corporate auditors	-	-	-	(42)	-	-	-	-	(42)
Adjustment for applicable income taxes	-	-	-	-	(3,973)	-	-	-	(3,973)
Conversion of convertible bonds	2,757,243	527	527	-	-	-	-	-	1,054
Net change in unrealized gains on available-for-sale securities, net of applicable income taxes	-	-	-	-	-	1,193	-	-	1,193
Translation adjustment	-	-	-	-	-	-	12	-	12
Fractional shares acquired, net	-	-	-	-	-	-	-	(6)	(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>	<u>30,958</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.

	Shareholders' equity					Other components of equity						
	Number of common shares issued	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains on available-for- sale securities	Land revaluation decrement	Foreign currency translation adjustment	Total other components of equity	Minority interests	Total equity
Millions of Yen												
Balance at March 31, 2006	67,019,610	¥ 8,411	¥ 6,720	¥ 16,256	¥ (28)	¥ 31,359	¥ 4,467	¥ (2,018)	¥ (9)	¥ 2,440	¥ 1,201	¥ 35,000
Net income for the period	-	-	-	1,370	-	1,370	-	-	-	-	-	1,370
Cash dividends	-	-	-	(301)	-	(301)	-	-	-	-	-	(301)
Bonuses to directors and corporate auditors	-	-	-	(46)	-	(46)	-	-	-	-	-	(46)
Treasury stock acquired, net	-	-	-	-	(98)	(98)	-	-	-	-	-	(98)
Changes of other items during the current interim period	-	-	-	-	-	-	(651)	-	8	(643)	66	(577)
Balance at September 30, 2006	<u>67,019,610</u>	<u>¥ 8,411</u>	<u>¥ 6,720</u>	<u>¥ 17,279</u>	<u>¥ (126)</u>	<u>¥ 32,284</u>	<u>¥ 3,816</u>	<u>¥ (2,018)</u>	<u>¥ (1)</u>	<u>¥ 1,797</u>	<u>¥ 1,267</u>	<u>¥ 35,348</u>

Thousands of U.S. Dollars												
Balance at March 31, 2006		\$ 71,889	\$ 57,436	\$ 138,940	\$ (239)	\$ 268,026	\$ 38,180	\$ (17,248)	\$ (77)	\$ 20,855	\$ 10,265	\$ 299,146
Net income for the period		-	-	11,710	-	11,710	-	-	-	-	-	11,710
Cash dividends		-	-	(2,573)	-	(2,573)	-	-	-	-	-	(2,573)
Bonuses to directors and corporate auditors		-	-	(393)	-	(393)	-	-	-	-	-	(393)
Treasury stock acquired, net		-	-	-	(838)	(838)	-	-	-	-	-	(838)
Changes of other items during the current interim period		-	-	-	-	-	(5,564)	-	68	(5,496)	564	(4,932)
Balance at September 30, 2006		<u>\$ 71,889</u>	<u>\$ 57,436</u>	<u>\$ 147,684</u>	<u>\$ (1,077)</u>	<u>\$ 275,932</u>	<u>\$ 32,616</u>	<u>\$ (17,248)</u>	<u>\$ (9)</u>	<u>\$ 15,359</u>	<u>\$ 10,829</u>	<u>\$ 302,120</u>

Note: The number of authorized common shares at March 31, 2006 and September 30, 2006 was 240,000,000 shares, respectively.
The number of shares of treasury stock at March 31, 2006 and September 30, 2006 was 80,167 shares and 255,861 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, 2006 and 2005

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Cash flows from operating activities:			
Income (loss) before income taxes and minority interests	¥ 2,360	¥ (629)	\$ 20,171
Adjustments for:			
Depreciation	1,331	1,225	11,376
Net reversal for employee retirement benefit liability	(437)	(335)	(3,735)
Increase in trade receivables	(489)	(552)	(4,179)
Decrease (increase) in inventories	26	(154)	222
Decrease in trade payables	(626)	(455)	(5,350)
Impairment loss on fixed assets	-	2,879	-
Other, net	229	(377)	1,957
Sub-total	2,394	1,602	20,462
Interest and dividend received	129	119	1,103
Interest paid	(191)	(181)	(1,633)
Income taxes paid	(1,394)	(235)	(11,915)
Net cash provided by operating activities	938	1,305	8,017
Cash flows from investing activities:			
Increase in property and equipment and intangibles	(1,064)	(1,629)	(9,094)
Decrease (increase) in short-term investments	6	(203)	51
Other, net	5	(328)	43
Net cash used in investing activities	(1,053)	(2,160)	(9,000)
Cash flows from financing activities:			
Increase in long-term debt	-	8,776	-
Repayment of long-term debt	(359)	(7,213)	(3,068)
Decrease in short-term borrowings	(26)	(694)	(222)
Dividends paid	(301)	(289)	(2,573)
Other, net	(99)	(7)	(846)
Net cash (used in) provided by financing activities	(785)	573	(6,709)
Effect of exchange rate changes on cash and cash equivalents	15	21	128
Net decrease in cash and cash equivalents	(885)	(261)	(7,564)
Cash and cash equivalents at beginning of period	14,332	11,219	122,496
Cash and cash equivalents at end of period	¥ 13,447	¥ 10,958	\$ 114,932

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, 2006 and 2005 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, 2006 and 2005 was as follows:

	<u>2006</u>	<u>2005</u>
Consolidated subsidiaries	27	27
Unconsolidated subsidiaries and affiliates, accounted for by the equity method	5	5
Unconsolidated subsidiaries, stated at cost	13	12
Affiliates, stated at cost	4	4

(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, 2006. There were no changes in accounting policies that were applied in the accompanying consolidated financial statements for the six months ended September 30, 2006 from those for the year ended March 31, 2006, except for the following paragraph.

(Accounting standard for presentation of net assets in the balance sheet)

The Accounting Standards Board of Japan ("ASBJ") issued "Accounting Standard for Presentation of Net Assets in the Balance Sheet (ASBJ Statement No.5)" and its Implementation Guidance "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet (ASBJ Guidance No. 8)" on December 9, 2005, which are applied for the period ending on May 1, 2006. The Standard requires presenting the equity section in the balance sheet as similar to International Financial Reporting Standards. The Japan Transcity Group has adopted these accounting standards from the current six months ended September 30, 2006. If the previous accounting method had been applied for the consolidated balance sheet at September 30, 2006, equity would have amounted to ¥34,081 million (\$291,291 thousand). This accounting change resulted in no effect on the profit or loss of the Japan Transcity Group for the six months ended September 30, 2006.

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 ¥117 to \$1, the approximate rate of exchange at September 30, 2006. 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 ¥117 to \$1 or any other rate.

3. Contingent Liabilities

At September 30, 2006 and March 31, 2006, the Japan Transcity Group was contingently liable for guarantees of indebtedness principally of affiliates in the amounts of ¥1,497 million (\$12,795 thousand) and ¥1,688 million, respectively.

4. Subsequent Event

On November 14, 2006, the Board of Directors of the Company declared interim cash dividends of ¥4 per share to shareholders of record as of September 30, 2006, which amounted to ¥267 million (\$2,282 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, 2006 and 2005 was as follows:

	Integrated logistics services	Others	Total	Elimination	Consolidated
	Millions of Yen				
For the six months ended September 30, 2006:					
Operating revenue:					
External customers	¥ 40,582	¥ 833	¥ 41,415	¥ -	¥ 41,415
Inter-segment sales	14	689	703	(703)	-
Total operating revenue	40,596	1,522	42,118	(703)	41,415
Operating expenses	38,404	1,382	39,786	(721)	39,065
Operating income	¥ 2,192	¥ 140	¥ 2,332	¥ 18	¥ 2,350
For the six months ended September 30, 2005:					
Operating revenue:					
External customers	¥ 39,225	¥ 928	¥ 40,153	¥ -	¥ 40,153
Inter-segment sales	14	1,623	1,637	(1,637)	-
Total operating revenue	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
Thousands of U.S. Dollars					
For the six months ended September 30, 2006:					
Operating revenue:					
External customers	\$ 346,854	\$ 7,120	\$ 353,974	\$ -	\$ 353,974
Inter-segment sales	120	5,889	6,009	(6,009)	-
Total operating revenue	346,974	13,009	359,983	(6,009)	353,974
Operating expenses	328,239	11,812	340,051	(6,162)	333,889
Operating income	\$ 18,735	\$ 1,197	\$ 19,932	\$ 153	\$ 20,085

Geographic segment information is not shown, as operating revenue 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 non-consolidated balance sheets, non-consolidated statements of operations and changes in 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, 2006 (unaudited)	March 31, 2006 (unaudited)	September 30, 2006 (unaudited)
Current assets:			
Cash and cash equivalents	¥ 10,617	¥ 10,084	\$ 90,744
Short-term investments	336	2,039	2,872
Trade receivables, net of allowance for doubtful accounts	13,825	13,192	118,162
Inventories	19	16	162
Deferred tax assets	255	307	2,180
Other current assets	1,573	1,595	13,444
Total current assets	<u>26,625</u>	<u>27,233</u>	<u>227,564</u>
Property and equipment, at cost	64,587	64,300	552,026
Less, accumulated depreciation	<u>(28,032)</u>	<u>(27,576)</u>	<u>(239,590)</u>
Net property and equipment	<u>36,555</u>	<u>36,724</u>	<u>312,436</u>
Investments and other assets:			
Investment securities	9,936	10,929	84,923
Investments in and long-term loans to subsidiaries and affiliates	3,949	3,928	33,752
Lease deposits	890	890	7,607
Other assets	1,407	1,427	12,025
Allowance for doubtful accounts	(50)	(50)	(427)
Total investments and other assets	<u>16,132</u>	<u>17,124</u>	<u>137,880</u>
Total assets	<u>¥ 79,312</u>	<u>¥ 81,081</u>	<u>\$ 677,880</u>

	Millions of Yen		Thousands of U.S. Dollars
	September 30, 2006 (unaudited)	March 31, 2006	September 30, 2006 (unaudited)
Current liabilities:			
Short-term borrowings	¥ 4,532	¥ 4,200	\$ 38,735
Current maturities of long-term debt	1,268	1,003	10,838
Trade payables	7,913	8,289	67,632
Accrued expenses	852	835	7,282
Income taxes payable	400	1,180	3,419
Other current liabilities	1,314	1,348	11,231
Total current liabilities	16,279	16,855	139,137
Long-term debt	20,914	21,375	178,752
Employee retirement benefit liability	3,265	3,657	27,906
Deferred tax liabilities for revaluation	5,281	5,281	45,137
Deferred tax liabilities	1,455	1,673	12,436
Accrued severance indemnities for officers	412	392	3,521
Other long-term liabilities	288	284	2,461
Total liabilities	47,894	49,517	409,350
Equity:			
Common stock	8,411	-	71,889
Capital surplus	6,720	-	57,436
Retained earnings	14,814	-	126,615
Less, treasury stock, at cost	(126)	-	(1,077)
Total shareholders' equity	29,819	-	254,863
Other components of equity	1,599	-	13,667
Total equity	31,418	-	268,530
Total liabilities and equity	¥ 79,312	-	\$ 677,880
Shareholders' equity:			
Common stock	-	8,411	-
Capital surplus	-	6,720	-
Retained earnings	-	14,271	-
Land revaluation decrement	-	(2,018)	-
Net unrealized gains on available-for-sale securities	-	4,208	-
Less, treasury stock, at cost	-	(28)	-
Total shareholders' equity	-	31,564	-
Total liabilities and shareholders' equity	-	¥ 81,081	-

Non-Consolidated Statements of Changes in Equity (Unaudited)
Japan Transcity Corporation (Parent)
For the Six Months Ended September 30, 2006 and 2005

	Common stock	Capital surplus	Retained earnings	Land revaluation increment (decrement)	Net unrealized gains on available-for-sale securities	Treasury stock	Total shareholders' equity		
	Millions of Yen								
Balance at March 31, 2005	¥ 7,884	¥ 6,193	¥ 11,332	¥ 2,717	¥ 2,042	¥ (13)	¥ 30,155		
Net income for the period	-	-	918	-	-	-	918		
Cash dividends	-	-	(289)	-	-	-	(289)		
Bonuses to directors and corporate auditors	-	-	(42)	-	-	-	(42)		
Adjustments for applicable income taxes	-	-	-	(3,973)	-	-	(3,973)		
Conversion of convertible bonds	527	527	-	-	-	-	1,054		
Net change in unrealized gains on available-for-sale securities, net of applicable income taxes	-	-	-	-	1,144	-	1,144		
Fractional shares acquired, net	-	-	-	-	-	(6)	(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>	<u>¥ 28,961</u>		
	Shareholders' equity				Other components of equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains on available-for-sale securities	Land revaluation decrement	Total other components of equity	Total equity
	Millions of Yen								
Balance at March 31, 2006	¥ 8,411	¥ 6,720	¥ 14,271	¥ (28)	¥ 29,374	¥ 4,208	¥ (2,018)	¥ 2,190	¥ 31,564
Net income for the period	-	-	890	-	890	-	-	-	890
Cash dividends	-	-	(301)	-	(301)	-	-	-	(301)
Bonuses to directors and corporate auditors	-	-	(46)	-	(46)	-	-	-	(46)
Treasury stock acquired, net	-	-	-	(98)	(98)	-	-	-	(98)
Changes of other items during the current interim period	-	-	-	-	-	(591)	-	(591)	(591)
Balance at September 30, 2006	<u>¥ 8,411</u>	<u>¥ 6,720</u>	<u>¥ 14,814</u>	<u>¥ (126)</u>	<u>¥ 29,819</u>	<u>¥ 3,617</u>	<u>¥ (2,018)</u>	<u>¥ 1,599</u>	<u>¥ 31,418</u>
	Thousands of U.S. Dollars								
Balance at March 31, 2006	\$ 71,889	\$ 57,436	\$ 121,974	\$ (239)	\$ 251,060	\$ 35,966	\$ (17,248)	\$ 18,718	\$ 269,778
Net income for the period	-	-	7,607	-	7,607	-	-	-	7,607
Cash dividends	-	-	(2,573)	-	(2,573)	-	-	-	(2,573)
Bonuses to directors and corporate auditors	-	-	(393)	-	(393)	-	-	-	(393)
Treasury stock acquired, net	-	-	-	(838)	(838)	-	-	-	(838)
Changes of other items during the current interim period	-	-	-	-	-	(5,051)	-	(5,051)	(5,051)
Balance at September 30, 2006	<u>\$ 71,889</u>	<u>\$ 57,436</u>	<u>\$ 126,615</u>	<u>\$ (1,077)</u>	<u>\$ 254,863</u>	<u>\$ 30,915</u>	<u>\$ (17,248)</u>	<u>\$ 13,667</u>	<u>\$ 268,530</u>