

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

September 30, 2007

**Japan Transcity Corporation and Consolidated Subsidiaries**  
**Consolidated Balance Sheets**

	Millions of Yen		Thousands of
	September 30, 2007 (Unaudited)	March 31, 2007	U.S. Dollars September 30, 2007 (Unaudited)
<b>Current assets:</b>			
Cash and cash equivalents	¥ 12,159	¥ 12,946	\$ 105,730
Short-term investments	104	703	905
Trade receivables:			
Notes	971	974	8,443
Accounts	13,850	13,673	120,435
Allowance for doubtful accounts	(19)	(19)	(165)
	14,802	14,628	128,713
Inventories	91	91	791
Deferred tax assets	240	236	2,087
Other current assets	1,791	1,529	15,574
Total current assets	29,187	30,133	253,800
<b>Property and equipment, at cost:</b>			
Land	27,774	27,762	241,513
Buildings and structures	44,391	42,143	386,009
Other	18,537	19,810	161,191
	90,702	89,715	788,713
Less, accumulated depreciation	(42,952)	(42,125)	(373,495)
Net property and equipment	47,750	47,590	415,218
<b>Investments and other assets:</b>			
Investment securities	9,334	10,236	81,165
Investments in unconsolidated subsidiaries and affiliates	3,083	2,976	26,809
Deferred tax assets	538	505	4,678
Lease deposits	886	935	7,704
Other assets	1,788	1,527	15,548
Allowance for doubtful accounts	(49)	(50)	(426)
Total investments and other assets	15,580	16,129	135,478
Total assets	¥ 92,517	¥ 93,852	\$ 804,496

See accompanying Notes to Consolidated Financial Statements.

	Millions of Yen		Thousands of U.S. Dollars
	September 30, 2007 (Unaudited)	March 31, 2007	September 30, 2007 (Unaudited)
<b>Current liabilities:</b>			
Short-term borrowings	¥ 2,700	¥ 2,710	\$ 23,478
Current maturities of long-term debt	9,363	1,136	81,418
Trade payables:			
Notes	1,528	1,454	13,287
Accounts	6,100	6,476	53,044
	7,628	7,930	66,331
Accrued expenses	1,803	1,759	15,678
Income taxes payable	724	463	6,296
Other current liabilities	2,427	2,710	21,104
Total current liabilities	24,645	16,708	214,305
<b>Long-term debt</b>	16,891	25,634	146,878
<b>Employee retirement benefit liability</b>	3,302	3,872	28,713
<b>Guarantee deposits received</b>	4,323	4,381	37,591
<b>Deferred tax liabilities for revaluation</b>	5,281	5,281	45,922
<b>Accrued severance indemnities for directors and corporate auditors</b>	368	489	3,200
<b>Other long-term liabilities</b>	1,039	1,228	9,035
Total liabilities	55,849	57,593	485,644
<b>Net assets:</b>			
Common stock	8,428	8,428	73,287
Capital surplus	6,738	6,738	58,591
Retained earnings	19,316	18,253	167,965
Less, treasury stock, at cost	(416)	(138)	(3,617)
Total shareholders' equity	34,066	33,281	296,226
Valuation and translation adjustments	1,159	1,628	10,078
Minority interests	1,443	1,350	12,548
Total net assets	36,668	36,259	318,852
<b>Total liabilities and net assets</b>	¥ 92,517	¥ 93,852	\$ 804,496

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

For the Six Months Ended September 30, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
<b>Operating revenue</b> (Note 5)	¥ 42,605	¥ 41,415	\$ 370,479
<b>Operating costs and expenses</b> (Note 5)	<u>40,353</u>	<u>39,065</u>	<u>350,896</u>
Operating income	2,252	2,350	19,583
<b>Other income (expenses):</b>			
Interest and dividend income	105	88	913
Interest expenses	(216)	(198)	(1,878)
Equity in net earnings of unconsolidated subsidiaries and affiliates	138	114	1,200
Other, net	<u>(4)</u>	<u>6</u>	<u>(35)</u>
	<u>23</u>	<u>10</u>	<u>200</u>
Income before income taxes and minority interests	2,275	2,360	19,783
<b>Income taxes:</b>			
Current	736	653	6,400
Deferred	<u>118</u>	<u>240</u>	<u>1,026</u>
Total income taxes	854	893	7,426
<b>Less, minority interests in net income of consolidated subsidiaries</b>	<u>57</u>	<u>97</u>	<u>496</u>
Net income	<u>¥ 1,364</u>	<u>¥ 1,370</u>	<u>\$ 11,861</u>
<b>Per share:</b>	Yen		U.S. Dollars
Net income :			
-Basic	¥ 20.44	¥ 20.52	\$ 0.18
-Diluted	19.38	19.42	0.17
Cash dividends	4.00	4.00	0.03

See accompanying Notes to Consolidated Financial Statements.

**Japan Transcity Corporation and Consolidated Subsidiaries**  
**Consolidated Statements of Changes in Net Assets (Unaudited)**  
For the Six Months Ended September 30, 2007 and 2006

	Shareholders' equity						Valuation and translation adjustments					Minority interests	Total net assets
	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 valuation and translation adjustments			
Millions of Yen													
<b>Balance at March 31, 2006</b>	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)	
Purchase of treasury stock and fractional shares, net	-	-	-	-	(98)	(98)	-	-	-	-	-	(98)	
Net changes other than shareholders' equity	-	-	-	-	-	-	(651)	-	8	(643)	66	(577)	
<b>Balance at September 30, 2006</b>	67,019,610	¥ 8,411	¥ 6,720	¥ 17,279	¥ (126)	¥ 32,284	¥ 3,816	¥ (2,018)	¥ (1)	¥ 1,797	¥ 1,267	¥ 35,348	
Millions of U.S. Dollars													
<b>Balance at March 31, 2007</b>	67,142,417	¥ 8,428	¥ 6,738	¥ 18,253	¥ (138)	¥ 33,281	¥ 3,589	¥ (2,018)	¥ 57	¥ 1,628	¥ 1,350	¥ 36,259	
Net income for the period	-	-	-	1,364	-	1,364	-	-	-	-	-	1,364	
Cash dividends	-	-	-	(301)	-	(301)	-	-	-	-	-	(301)	
Purchase of treasury stock and fractional shares, net	-	-	-	-	(278)	(278)	-	-	-	-	-	(278)	
Net changes other than shareholders' equity	-	-	-	-	-	-	(534)	-	65	(469)	93	(376)	
<b>Balance at September 30, 2007</b>	67,142,417	¥ 8,428	¥ 6,738	¥ 19,316	¥ (416)	¥ 34,066	¥ 3,055	¥ (2,018)	¥ 122	¥ 1,159	¥ 1,443	¥ 36,668	
Thousands of U.S. Dollars													
<b>Balance at March 31, 2007</b>	\$ 73,287	\$ 58,591	\$ 158,722	\$ (1,200)	\$ 289,400	\$ 31,209	\$ (17,548)	\$ 496	\$ 14,157	\$ 11,739	\$ 315,296		
Net income for the period	-	-	11,861	-	11,861	-	-	-	-	-	-	11,861	
Cash dividends	-	-	(2,618)	-	(2,618)	-	-	-	-	-	-	(2,618)	
Purchase of treasury stock and fractional shares, net	-	-	-	(2,417)	(2,417)	-	-	-	-	-	-	(2,417)	
Net changes other than shareholders' equity	-	-	-	-	-	(4,644)	-	565	(4,079)	809	(3,270)		
<b>Balance at September 30, 2007</b>	\$ 73,287	\$ 58,591	\$ 167,965	\$ (3,617)	\$ 296,226	\$ 26,565	\$ (17,548)	\$ 1,061	\$ 10,078	\$ 12,548	\$ 318,852		

*Note: The number of authorized common shares at March 31, 2007 and September 30, 2007 was 240,000,000 shares, respectively.  
The number of shares of treasury stock at March 31, 2007 and September 30, 2007 was 275,911 shares and 803,756 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, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
<b>Cash flows from operating activities:</b>			
Income before income taxes and minority interests	¥ 2,275	¥ 2,360	\$ 19,783
Adjustments for:			
Depreciation	1,394	1,331	12,122
Net reversal for employee retirement benefit liability	(569)	(437)	(4,948)
Increase in prepaid pension cost	(300)	-	(2,609)
Increase in trade receivables	(137)	(489)	(1,191)
(Increase) decrease in inventories	(1)	26	(9)
Decrease in trade payables	(315)	(626)	(2,739)
Other, net	(634)	229	(5,513)
Sub-total	1,713	2,394	14,896
Interest and dividend received	144	129	1,252
Interest paid	(213)	(191)	(1,852)
Income taxes paid	(482)	(1,394)	(4,192)
Net cash provided by operating activities	1,162	938	10,104
<b>Cash flows from investing activities:</b>			
Increase in property and equipment and intangibles	(1,489)	(1,064)	(12,948)
Decrease in short-term investments	600	6	5,218
Other, net	55	5	478
Net cash used in investing activities	(834)	(1,053)	(7,252)
<b>Cash flows from financing activities:</b>			
Repayment of long-term debt	(575)	(359)	(5,000)
Decrease in short-term borrowings	(10)	(26)	(87)
Dividends paid	(301)	(301)	(2,618)
Other, net	(283)	(99)	(2,460)
Net cash used in financing activities	(1,169)	(785)	(10,165)
Effect of exchange rate changes on cash and cash equivalents	54	15	469
Net decrease in cash and cash equivalents	(787)	(885)	(6,844)
Cash and cash equivalents at beginning of period	12,946	14,332	112,574
Cash and cash equivalents at end of period	¥ 12,159	¥ 13,447	\$ 105,730

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, 2007 and 2006 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 Financial Instruments and Exchange Law of Japan and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan for interim reporting, which are different in certain respects as to 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 Financial Instruments and Exchange Law of Japan and submitted to the Director of Kanto Finance Bureau of Japan.

The translation of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing approximate exchange rate at September 30, 2007, which was ¥115 to U.S. \$1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

**(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, 2007 and 2006 was as follows:

	<u>2007</u>	<u>2006</u>
Consolidated subsidiaries	27	27
Unconsolidated subsidiaries and affiliates, accounted for by the equity method	5	5
Unconsolidated subsidiaries, stated at cost	14	13
Affiliates, stated at cost	4	4

The accompanying consolidated financial statements included the accounts of overseas consolidated subsidiaries (three subsidiaries in 2007 and 2006). Overseas consolidated subsidiaries adopt accounting principles generally accepted in their countries, and no adjustments to conform to accounting principles generally accepted in Japan have been made to their financial statements on consolidation as allowed under accounting principles generally accepted in Japan.

**(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, 2007. There were no changes in accounting policies that were applied in the accompanying consolidated financial statements for the six months ended September 30, 2007 from those for the year ended March 31, 2007, except for the following paragraphs.

(Change in depreciation method)

In accordance with the amendment of the Corporate Tax Law of Japan, effective April 1, 2007, the Company and its domestic consolidated subsidiaries changed the depreciation method of property and equipment acquired on and after April 1, 2007 to the method based on the amended Corporate Tax Law of Japan. As a result, operating income and income before income taxes and minority interests for the six months ended September 30, 2007 decreased by ¥27 million (\$235 thousand), respectively, as compared with the previous accounting method.

(Additional information)

As for the property and equipment acquired before April 1, 2007, from the current six months ended September 30, 2007, their residual value are depreciated over five years using the straight-line method after the fiscal year in which the depreciable limit is reached. This change resulted in decreases in operating income by ¥55 million (\$478 thousand) and income before income taxes and minority interests by ¥60 million (\$522 thousand), respectively.

## **2. Contingent Liabilities**

At September 30, 2007 and March 31, 2007, the Japan Transcity Group was contingently liable for guarantees of indebtedness principally of affiliates in the amounts of ¥1,201 million (\$10,443 thousand) and ¥1,349 million, respectively.

## **3. Subsequent Event**

On November 13, 2007, the Board of Directors of the Company declared interim cash dividends of ¥4 per share to shareholders of record as of September 30, 2007, which amounted to ¥265 million (\$2,304 thousand) in aggregate.



#### 4. 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, 2007 and 2006 was as follows:

	Integrated logistics services	Others	Total	Elimination	Consolidated
	Millions of Yen				
For the six months ended September 30, 2007:					
Operating revenue:					
External customers	¥ 41,891	¥ 714	¥ 42,605	¥ -	¥ 42,605
Inter-segment sales	14	625	639	(639)	-
Total operating revenue	41,905	1,339	43,244	(639)	42,605
Operating costs and expenses	39,738	1,285	41,023	(670)	40,353
Operating income	¥ 2,167	¥ 54	¥ 2,221	¥ 31	¥ 2,252
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 costs and expenses	38,404	1,382	39,786	(721)	39,065
Operating income	¥ 2,192	¥ 140	¥ 2,332	¥ 18	¥ 2,350
Thousands of U.S. Dollars					
For the six months ended September 30, 2007:					
Operating revenue:					
External customers	\$ 364,270	\$ 6,209	\$ 370,479	\$ -	\$ 370,479
Inter-segment sales	121	5,435	5,556	(5,556)	-
Total operating revenue	364,391	11,644	376,035	(5,556)	370,479
Operating costs and expenses	345,548	11,174	356,722	(5,826)	350,896
Operating income	\$ 18,843	\$ 470	\$ 19,313	\$ 270	\$ 19,583

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

#### (Change in depreciation method)

As disclosed in Note 1(c), the Company and its domestic consolidated subsidiaries changed the depreciation method of property and equipment acquired on and after April 1, 2007 to the method based on the amended Corporate Tax Law of Japan. This accounting change principally resulted in a decrease in operating income for "Integrated logistics services" segment, as compared with the previous accounting method.

#### (Additional information)

As also described in Note 1(c), as for the property and equipment acquired before April 1, 2007, from the current six months ended September 30, 2007, their residual value are depreciated over five years using the straight-line method after the fiscal year in which the depreciable limit is reached. As a result, for the six months ended September 30, 2007, operating income for the "Integrated logistics services" segment and for the "Others" segment decreased by ¥48 million (\$417 thousand) and ¥7 million (\$61 thousand), respectively.

## 5. Condensed Financial Statements of Japan Transcity Corporation (Parent)

Presented below are the condensed non-consolidated balance sheets, non-consolidated statements of income and changes in net assets 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, 2007 (unaudited)	March 31, 2007	September 30, 2007 (unaudited)
<b>Current assets:</b>			
Cash and cash equivalents	¥ 8,812	¥ 10,510	\$ 76,626
Short-term investments	38	38	330
Trade receivables, net of allowance for doubtful accounts	14,073	13,866	122,374
Inventories	16	26	139
Other current assets	2,062	1,981	17,931
Total current assets	25,001	26,421	217,400
<b>Property and equipment, at cost</b>	66,965	66,131	582,304
Less, accumulated depreciation	(28,986)	(28,439)	(252,052)
Net property and equipment	37,979	37,692	330,252
<b>Investments and other assets:</b>			
Investment securities	8,703	9,557	75,678
Investments in and long-term loans to subsidiaries and affiliates	3,507	3,499	30,496
Lease deposits	841	891	7,313
Other assets	1,728	1,442	15,026
Allowance for doubtful accounts	(49)	(50)	(426)
Total investments and other assets	14,730	15,339	128,087
Total assets	¥ 77,710	¥ 79,452	\$ 675,739

	Millions of Yen		Thousands of U.S. Dollars
	September 30, 2007 (unaudited)	March 31, 2007	September 30, 2007 (unaudited)
<b>Current liabilities:</b>			
Short-term borrowings	¥ 4,259	¥ 4,547	\$ 37,035
Current maturities of long-term debt	8,973	713	78,026
Trade payables	8,286	8,350	72,052
Accrued expenses	869	862	7,556
Income taxes payable	450	173	3,913
Deferred tax liabilities	177	203	1,539
Other current liabilities	1,887	2,174	16,409
Total current liabilities	24,901	17,022	216,530
<b>Long-term debt</b>	12,316	20,827	107,096
<b>Employee retirement benefit liability</b>	2,201	2,770	19,139
<b>Deferred tax liabilities for revaluation</b>	5,281	5,281	45,922
<b>Deferred tax liabilities</b>	899	1,078	7,817
<b>Accrued severance indemnities for directors and corporate auditors</b>	320	434	2,783
<b>Other long-term liabilities</b>	246	288	2,139
Total liabilities	46,164	47,700	401,426
<b>Net assets:</b>			
Common stock	8,428	8,428	73,287
Capital surplus	6,738	6,738	58,591
Retained earnings	15,943	15,355	138,635
Less, treasury stock, at cost	(416)	(138)	(3,617)
Total shareholders' equity	30,693	30,383	266,896
Valuation and translation adjustments	853	1,369	7,417
Total net assets	31,546	31,752	274,313
Total liabilities and net assets	¥ 77,710	¥ 79,452	\$ 675,739

**Non-Consolidated Statements of Income (Unaudited)**  
**Japan Transcity Corporation (Parent)**  
For the Six Months Ended September 30, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
<b>Operating revenue</b>	¥ 39,821	¥ 38,477	\$ 346,270
<b>Operating costs and expenses</b>	38,372	36,999	333,670
Operating income	1,449	1,478	12,600
<b>Other income (expenses):</b>			
Interest and dividend income	184	159	1,600
Interest expenses	(163)	(143)	(1,417)
Miscellaneous, net	(1)	12	(9)
	20	28	174
Income before income taxes	1,469	1,506	12,774
<b>Income taxes:</b>			
Current	439	387	3,817
Deferred	141	229	1,226
Total income taxes	580	616	5,043
Net income	¥ 889	¥ 890	\$ 7,731
	Yen		U.S. Dollars
<b>Per share:</b>			
Net income :			
-Basic	¥ 13.32	¥ 13.32	\$ 0.12
-Diluted	12.62	12.60	0.11
Cash dividends	4.00	4.00	0.03

**Non-Consolidated Statements of Changes in Net Assets**  
**Japan Transcity Corporation (Parent)**  
For the Six Months Ended September 30, 2007 and 2006

	Shareholders' equity					Valuation and translation adjustments				Total net assets
	Common stock	Capital surplus	Retained Earnings	Treasury stock	Total shareholder' equity	Net unrealized gains on available-for-sale securities	Land revaluation decrement	Total valuation and translation adjustments		
	Millions of Yen									
<b>Balance at March 31, 2006</b>	¥ 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)	
Purchase of treasury stock and fractional shares, net	-	-	-	(98)	(98)	-	-	-	(98)	
Net changes other than shareholders' equity	-	-	-	-	-	(591)	-	(591)	(591)	
<b>Balance at September 30, 2006</b>	<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>	
<b>Balance at March 31, 2007</b>	¥ 8,428	¥ 6,738	¥ 15,355	¥ (138)	¥ 30,383	¥ 3,387	¥ (2,018)	¥ 1,369	¥ 31,752	
Net income for the period	-	-	889	-	889	-	-	-	889	
Cash dividends	-	-	(301)	-	(301)	-	-	-	(301)	
Purchase of treasury stock and fractional shares, net	-	-	-	(278)	(278)	-	-	-	(278)	
Net changes other than shareholders' equity	-	-	-	-	-	(516)	-	(516)	(516)	
<b>Balance at September 30, 2007</b>	<u>¥ 8,428</u>	<u>¥ 6,738</u>	<u>¥ 15,943</u>	<u>¥ (416)</u>	<u>¥ 30,693</u>	<u>¥ 2,871</u>	<u>¥ (2,018)</u>	<u>¥ 853</u>	<u>¥ 31,546</u>	
	Thousands of U.S. Dollars									
<b>Balance at March 31, 2007</b>	\$ 73,287	\$ 58,591	\$ 133,522	\$ (1,200)	\$ 264,200	\$ 29,452	\$ (17,548)	\$ 11,904	\$ 276,104	
Net income for the period	-	-	7,731	-	7,731	-	-	-	7,731	
Cash dividends	-	-	(2,618)	-	(2,618)	-	-	-	(2,618)	
Purchase of treasury stock and fractional shares, net	-	-	-	(2,417)	(2,417)	-	-	-	(2,417)	
Net changes other than shareholders' equity	-	-	-	-	-	(4,487)	-	(4,487)	(4,487)	
<b>Balance at September 30, 2007</b>	<u>\$ 73,287</u>	<u>\$ 58,591</u>	<u>\$ 138,635</u>	<u>\$ (3,617)</u>	<u>\$ 266,896</u>	<u>\$ 24,965</u>	<u>\$ (17,548)</u>	<u>\$ 7,417</u>	<u>\$ 274,313</u>	