Japan Transcity Corporation

Consolidated Financial Statements

March 31, 2012 and 2011

Independent Auditor's Report

To the Board of Directors of Japan Transcity Corporation:

We have audited the accompanying consolidated financial statements of Japan Transcity Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2012 and 2011, and the consolidated income statements, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Japan Transcity Corporation and its consolidated subsidiaries as at March 31, 2012 and 2011, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2012 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC
July 25, 2012
Nagoya, Japan

Japan Transcity Corporation and Consolidated Subsidiaries
Consolidated Balance Sheets
March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Current assets:			
Cash and cash equivalents (Note 3)	¥ 10,789	¥ 11,457	$ 131,573
Short-term investments (Notes 3, 4 and 5)	316	431	3,854
Trade receivables (Note 3)	14,044	12,543	171,268
Allowance for doubtful accounts	(19)	(17)	(232)
	14,025	12,526	171,036
Inventories	131	96	1,598
Deferred tax assets (Note 10)	453	477	5,524
Other current assets	1,814	1,453	22,122
Total current assets	27,528	26,440	335,707
Property and equipment (Note 5):			
Land	30,121	30,138	367,329
Buildings and structures	47,605	47,714	580,549
Machinery and equipment	12,392	11,945	151,122
Vehicles and vessels	6,561	6,857	80,012
Construction in progress	396	-	4,830
Total property and equipment	97,075	96,654	1,183,842
Less accumulated depreciation	(49,471)	(48,332)	(603,305)
Net property and equipment	47,604	48,322	580,537
Investments and other assets:			
Investment securities (Notes 3, 4 and 5)	4,884	5,104	59,561
Investments in unconsolidated subsidiaries and affiliates	4,935	4,396	60,183
Deferred tax assets (Note 10)	665	639	8,110
Lease deposits	1,022	956	12,463
Other assets	3,609	2,655	44,012
Allowance for doubtful accounts	(15)	(14)	(183)
Total investments and other assets	15,100	13,736	184,146
Total assets	¥ 90,232	¥ 88,498	$ 1,100,390

See accompanying Notes to Consolidated Financial Statements.

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Current liabilities:			
Short-term borrowings (Notes 3 and 5)	¥ 2,841	¥ 3,751	$ 34,646
Current maturities of long-term debt (Notes 3 and 5)	7,721	885	94,159
Trade payables (Note 3)	7,941	7,504	96,842
Accrued expenses	1,606	1,612	19,585
Income taxes payable	842	705	10,268
Other current liabilities	1,987	1,429	24,232
Total current liabilities	22,938	15,886	279,732
Long-term debt (Notes 3 and 5)	15,257	22,833	186,061
Employee retirement benefit liability (Note 6)	1,564	1,666	19,073
Guarantee deposits received (Note 3)	3,668	3,807	44,732
Deferred tax liabilities for revaluation	4,619	5,277	56,329
Deferred tax liabilities (Note 10)	871	773	10,622
Accrued severance indemnities for directors and corporate auditors	23	40	280
Other long-term liabilities	629	579	7,671
Total liabilities	49,569	50,861	604,500
Commitments and contingent liabilities (Notes 8 and 9)			
Net assets (Note 7):			
Shareholders' equity:			
Common stock: 240,000,000 shares authorized and 67,142,417 shares issued	8,428	8,428	102,780
Capital surplus	6,733	6,734	82,110
Retained earnings	26,833	24,339	327,232
Less treasury stock, at cost: 2,801,393 shares in 2012 and 2,446,140 shares in 2011	(1,099)	(1,015)	(13,402)
Total shareholders' equity	40,895	38,486	498,720
Accumulated other comprehensive income:			
Net unrealized gains on available-for-sale securities	270	267	3,293
Land revaluation decrement	(1,367)	(2,024)	(16,671)
Foreign currency translation adjustment	(223)	(158)	(2,720)
Total accumulated other comprehensive income	(1,320)	(1,915)	(16,098)
Minority interests	1,088	1,066	13,268
Total net assets	40,663	37,637	495,890
Total liabilities and net assets	¥ 90,232	¥ 88,498	$ 1,100,390

Japan Transcity Corporation and Consolidated Subsidiaries
Consolidated Statements of Income
For the Years Ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Operating revenue (Note 13)	¥ 83,449	¥ 80,854	$ 1,017,671
Operating costs and expenses (Notes 6 and 9)	79,350	77,001	967,683
Operating income	4,099	3,853	49,988
Other income (expenses):			
Interest and dividend income	343	196	4,183
Interest expenses	(356)	(378)	(4,341)
Equity in net earnings of unconsolidated subsidiaries and affiliates	556	561	6,780
Loss on sale or disposal of property and equipment	(25)	(179)	(305)
Impairment loss on fixed assets (Note 2(i))	(8)	(79)	(98)
Other, net	90	(113)	1,098
	600	8	7,317
Income before income taxes and minority interests	4,699	3,861	57,305
Income taxes:			
Current	1,498	1,241	18,268
Deferred	135	125	1,647
Total income taxes	1,633	1,366	19,915
Income before minority interests	3,066	2,495	37,390
Less minority interests in net income of consolidated subsidiaries	65	68	792
Net income	¥ 3,001	¥ 2,427	$ 36,598

	Yen		U.S. dollars
Per share:			
Net income:			
-Basic	¥ 46.50	¥ 37.43	$ 0.57
Cash dividends	9.00	8.50	0.11

See accompanying Notes to Consolidated Financial Statements.

Japan Transcity Corporation and Consolidated Subsidiaries
Consolidated Statements of Comprehensive Income
For the Years Ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Income before minority interests	¥ 3,066	¥ 2,495	$ 37,390
Other comprehensive income:			
Net unrealized gains on available-for-sale securities	2	(378)	25
Land revaluation decrement	658	-	8,024
Foreign currency translation adjustment	(99)	(57)	(1,207)
Share of other comprehensive income of associates accounted for using equity method	(5)	(0)	(61)
Total other comprehensive income (Note 11)	556	(435)	6,781
Comprehensive income	¥ 3,622	¥ 2,060	$ 44,171
Comprehensive income attributable to:			
Owners of the Company	¥ 3,597	¥ 2,004	$ 43,866
Minority interests	25	56	305

See accompanying Notes to Consolidated Financial Statements.

Japan Transcity Corporation and Consolidated Subsidiaries
Consolidated Statements of Changes in Net Assets
For the Years Ended March 31, 2012 and 2011

		Shareholders' equity					Accumulated other comprehensive income					
	Number of shares of common stock 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 accumulated other comprehensive income	Minority interests	Total net assets
		Millions of yen										
Balance at March 31, 2010	67,142,417	¥ 8,428	¥ 6,735	¥ 22,458	¥ (944)	¥ 36,677	¥ 642	¥ (2,019)	¥ (110)	¥ (1,487)	¥ 1,022	¥ 36,212
Net income for the year	-	-	-	2,427	-	2,427	-	-	-	-	-	2,427
Cash dividends	-	-	-	(551)	-	(551)	-	-	-	-	-	(551)
Purchase of treasury stock and fractional shares, net	-	-	(1)	-	(71)	(72)	-	-	-	-	-	(72)
Reversal of land revaluation decrement	-	-	-	5	-	5	-	-	-	-	-	5
Net changes other than shareholders' equity	-	-	-	-	-	-	(375)	(5)	(48)	(428)	44	(384)
Balance at March 31, 2011	67,142,417	8,428	6,734	24,339	(1,015)	38,486	267	(2,024)	(158)	(1,915)	1,066	37,637
Net income for the year	-	-	-	3,001	-	3,001	-	-	-	-	-	3,001
Cash dividends	-	-	-	(549)	-	(549)	-	-	-	-	-	(549)
Change of scope of equity method	-	-	-	42	-	42	-	-	-	-	-	42
Purchase of treasury stock and fractional shares, net	-	-	(1)	-	(84)	(85)	-	-	-	-	-	(85)
Net changes other than shareholders' equity	-	-	-	-	-	-	3	657	(65)	595	22	617
Balance at March 31, 2012	67,142,417	¥ 8,428	¥ 6,733	¥ 26,833	¥ (1,099)	¥ 40,895	¥ 270	¥ (1,367)	¥ (223)	¥ (1,320)	¥ 1,088	¥ 40,663
		Thousands of U.S. dollars										
Balance at March 31, 2011		$ 102,780	$ 82,122	$ 296,817	$ (12,378)	$ 469,341	$ 3,256	$ (24,683)	$ (1,927)	$ (23,354)	$ 13,000	$ 458,987
Net income for the year		-	-	36,598	-	36,598	-	-	-	-	-	36,598
Cash dividends		-	-	(6,695)	-	(6,695)	-	-	-	-	-	(6,695)
Change of scope of equity method			-	512	-	512	-	-	-	-	-	512
Purchase of treasury stock and fractional shares, net		-	(12)	-	(1,024)	(1,036)	-	-	-	-	-	(1,036)
Net changes other than shareholders' equity		-	-	-	-	-	37	8,012	(793)	7,256	268	7,524
Balance at March 31, 2012		$ 102,780	$ 82,110	$ 327,232	$ (13,402)	$ 498,720	$ 3,293	$ (16,671)	$ (2,720)	$ (16,098)	$ 13,268	$ 495,890

See accompanying Notes to Consolidated Financial Statements.

Japan Transcity Corporation and Consolidated Subsidiaries
Consolidated Statements of Cash Flows
For the Years Ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 4,699	¥ 3,861	$ 57,305
Adjustments for:			
Depreciation	2,583	2,880	31,500
Net reversal of employee retirement benefit liability	(101)	(186)	(1,232)
Loss on sale or disposal of property and equipment	25	179	305
Impairment loss on fixed assets	8	79	98
Increase in trade receivables	(1,521)	(315)	(18,549)
Increase in inventories	(35)	(0)	(427)
Increase in trade payables	448	435	5,463
Increase in prepaid pension cost	(520)	(456)	(6,341)
Other, net	(714)	(831)	(8,707)
Sub-total	4,872	5,646	59,415
Interest and dividend received	432	280	5,268
Interest paid	(341)	(380)	(4,159)
Income taxes paid	(1,360)	(1,364)	(16,585)
Net cash provided by operating activities	3,603	4,182	43,939
Cash flows from investing activities:			
Increase in property and equipment and intangible assets	(1,940)	(1,360)	(23,659)
Decrease in property and equipment and intangible assets	40	26	488
Decrease (Increase) in short-term investments	116	(39)	1,415
Other, net	(46)	(58)	(561)
Net cash used in investing activities	(1,830)	(1,431)	(22,317)
Cash flows from financing activities:			
Increase in long-term debt	-	2,500	-
Repayment of long-term debt	(734)	(3,599)	(8,951)
Decrease in short-term borrowings	(910)	(307)	(11,098)
Purchase of treasury stock and fractional shares, net	(85)	(72)	(1,036)
Dividends paid	(549)	(551)	(6,695)
Other, net	(138)	(112)	(1,683)
Net cash used in financing activities	(2,416)	(2,141)	(29,463)
Effect of exchange rate changes on cash and cash equivalents	(25)	(31)	(305)
Net increase in cash and cash equivalents	(668)	579	(8,146)
Cash and cash equivalents at beginning of year	11,457	10,878	139,719
Cash and cash equivalents at end of year	¥ 10,789	¥ 11,457	$ 131,573

See accompanying Notes to Consolidated Financial Statements.

Japan Transcity Corporation and Consolidated Subsidiaries
Notes to Consolidated Financial Statements

1. Basis of 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 Instrument and Exchange Law of Japan and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accounts of the Company's overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. The accompanying consolidated financial statements have been restructured and translated into English from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instrument and Exchange Law of Japan. Certain supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

Comparative figures have been reclassified to conform to the current year's presentation.

The translation of the Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2012, which was approximately ¥82 to U.S. $1.00. The translation should not be construed as a representation 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.

2. Summary of Significant Accounting Policies

(a) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and its significant subsidiaries. Investments in significant unconsolidated subsidiaries and affiliates are accounted for by the equity method. Investments in unconsolidated subsidiaries and affiliates not accounted for by the equity method are stated at cost. Differences between the acquisition cost of investments in subsidiaries and the underlying equity in their net assets, adjusted based on the fair value at the time of acquisition, are principally deferred as goodwill and amortized over five years or recognized as gain on negative goodwill.

The number of consolidated subsidiaries, unconsolidated subsidiaries and affiliates for the years ended March 31, 2012 and 2011 was as follows:

	2012	2011
Consolidated subsidiaries:		
Domestic	24	24
Overseas	3	3
Unconsolidated subsidiaries and affiliates accounted for by the equity method	8	6
Unconsolidated subsidiaries stated at cost	14	14
Affiliates stated at cost	4	5

All intercompany accounts and transactions have been eliminated on consolidation.

The accompanying consolidated financial statements include the accounts of overseas consolidated subsidiaries (three subsidiaries in 2012 and 2011). These overseas consolidated subsidiaries close their books at December 31, three months earlier than the Company and the domestic consolidated subsidiaries. The Company consolidated the overseas subsidiaries' financial statements as of their year-end. Significant transactions for the period between the subsidiaries' year-end and the Company's year-end are adjusted for on consolidation.

(Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements)
The "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (Practical Issues Task Force ("PITF") No. 18) requires that accounting policies and procedures applied by a parent company and its subsidiaries to similar transactions and events under similar circumstances should, in principle, be unified for the preparation of the consolidated financial statements. PITF No. 18, however, as a tentative measure, allows a parent company to prepare consolidated financial statements using foreign subsidiaries' financial statements prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles. In this case, adjustments for the following five items are required in the consolidation process so that their impact on net income is accounted for in accordance with Japanese GAAP unless the impact is immaterial.

(a) Goodwill not subject to amortization
(b) Actuarial gains and losses of defined-benefit retirement plans recognized outside profit or loss
(c) Capitalized expenditures for research and development activities
(d) Fair value measurement of investment properties and revaluation of property, plant and equipment and intangible assets
(e) Accounting for net income attributable to minority interests

The accounts of overseas consolidated subsidiaries were prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles, with adjustments for the specified five items.

(New accounting standard for equity method of accounting for investments)
Effective April 1, 2010, The Company adopted the "Accounting standard for Equity Method of Accounting for Investments" (Accounting Standards Board of Japan ("ASBJ") Statement No. 16, March 10, 2008 and "Practical Solution on Unification of Accounting Policies Applied to Associates for Using the Equity Method" (PITF No. 24, March 10, 2008). In accordance with this application, the Company made necessary adjustments in preparing the consolidated financial statement. The adoption of this standard did not have a material effect on income or loss for the year ended March 31, 2011.

(New accounting standard for business combination)
Effective April 1, 2011 the Company adopted the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, December 26, 2008), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, December 26, 2008) and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, December 26, 2008).

(b) Cash equivalents

The Japan Transcity Group considers cash equivalents to be highly liquid debt instruments purchased with an original maturity of three months or less.

(c) Investments and marketable securities

The Japan Transcity Group classifies certain investments in debt and equity securities as “held-to-maturity”, “trading” or “available-for-sale”, the classification of which determines the respective accounting method as stipulated by the accounting standard for financial instruments. Marketable securities with available market quotations for available-for-sale securities are stated at fair value and net unrealized gains or losses on these securities are reported as a component of net assets, net of applicable income taxes. Gains and losses on the disposition of available-for-sale securities are computed based on the moving-average method. Non-marketable securities without available market quotations for available-for-sale securities are carried at cost determined by the moving-average method. Adjustments in carrying values of individual securities are charged to income through write-downs when a decline in value is deemed other than temporary.

(d) Accounting for derivatives

Derivatives are valued at fair value if hedge accounting is not appropriate or where there is no hedging designation, and the gains or losses on the derivatives are recognized in current earnings. According to the special treatment permitted by the accounting standard for financial instruments, hedging interest rate swaps are accounted for on an accrual basis and recorded net of interest expenses generated from the hedged borrowings if certain conditions are met.

(e) Inventories

Inventories consisted of supplies and other. Supplies are stated at cost, using the moving-average method.

(f) Allowance for doubtful accounts

An allowance for doubtful accounts is provided at the aggregate amount of estimated credit loss based on an individual financial review of certain doubtful or troubled receivables and a general reserve for other receivables calculated based on historical loss experience for a certain past period.

(g) Property and equipment, and depreciation (except for leases)

Property and equipment, including significant renewals and additions, are stated at cost, and are depreciated principally by the declining-balance method at rates based on the estimated useful life of the asset. Buildings acquired on and after April 1, 1998 are depreciated by the straight-line method.
Expenditures on maintenance and repairs are charged to operating income as incurred.
The capital gains directly offset against the acquisition costs of tangible fixed assets to obtain tax benefits were ¥100 million ($1,220 thousand) for the year ended March 31, 2012 and 2011.

(h) Accounting for leases

Prior to April 1, 2008, the Company and its domestic consolidated subsidiaries accounted for finance leases which do not transfer ownership of the leased property to the lessee as operating leases with disclosure of certain “as if capitalized” information in the notes to the consolidated financial statements.
On March 31, 2007, the ASBJ issued Statement No. 13, “Accounting Standard for Lease Transactions” and Guidance No. 16, “Guidance on Accounting Standard for Lease Transactions”. The new accounting standards require that all finance lease transactions be treated as capital leases. Assets of finance leases are depreciated over the lease term using the straight-line method with the assumption that residual value is zero (or a guaranteed residual value when this is set by agreement). As permitted, finance leases which commenced prior to April 1, 2008 and have been

accounted for as operating leases continue to be accounted for as operating leases with disclosure of certain “as if capitalized” information.

(i) Accounting standard for impairment of fixed assets

The Company and its domestic consolidated subsidiaries adopted the “Accounting Standard for Impairment of Fixed Assets” issued by the Business Accounting Council of Japan and the related practical guidance issued by ASBJ. 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. Impairment loss is to be recognized in the income statement by reducing the carrying amount of the impaired asset or group of assets to the recoverable amount, measured as the higher of the asset’s net selling price or 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. For the purpose of recognition and measurement of impairment loss, fixed assets other than idle or unused property are principally grouped into cash-generating units such as regional business divisions. For the year ended March 31, 2011, the Japan Transcity Group recognized impairment loss as follows:

	Millions of Yen
Buildings and structures to be disposed	¥ 4
Machinery and equipment to be disposed	75
	¥ 79

The impairment loss for the year ended March 31, 2012 was not disclosed because the amount was immaterial.

(j) Revaluation of land

In accordance with the Law Concerning Revaluation of Land (“Law”), the Company elected a one-time revaluation to restate the cost of land used for the Company’s business at values rationally reassessed effective on March 31, 2002, reflecting adjustments for land shape and other factors and based on municipal property tax bases. According to the Law, an amount equivalent to the tax effect on the difference between the original book value and the reassessed value is recorded as deferred tax liability for revaluation account. The rest of the difference, net of the tax effect and minority interests portion, is recorded as a component of the net assets section in the land revaluation decrement account in the accompanying consolidated balance sheets. At March 31, 2012 and 2011, the difference between the carrying value of land used for the Company’s business after reassessment and the current market value at the fiscal year-end amounted to ¥8,616 million ($105,073 thousand) and ¥8,203 million, respectively.

(k) Employee retirement benefits

Employees who terminate their service with the Japan Transcity Group are entitled to retirement benefits generally determined by current basic rates of pay, length of service and conditions under which the termination occurs.

In accordance with the accounting standard for employee retirement benefits, the Japan Transcity Group recognizes retirement benefits for employees, including pension cost and related liability, based on actuarial present value of projected benefit obligation using the actuarial appraisal approach and the value of pension plan assets available for benefits at the fiscal year-ends. Unrecognized actuarial differences arising from changes in the projected benefit obligation or pension plan assets resulting from previous assumptions to the extent not anticipated and from changes in the assumptions are amortized on a straight-line basis over ten years, a period within the remaining service years of the employees, from the year after which they arise. Unrecognized prior service cost is amortized using the straight-line method over ten years from the year in which it occurs.

(l) Accrued severance indemnities for directors and corporate auditors

Some domestic consolidated subsidiaries may pay severance indemnities to directors and corporate auditors, which are subject to the approval of the shareholders. Some domestic consolidated subsidiaries have provided for the full amount of the liabilities for directors' and corporate auditors' severance indemnities at the respective balance sheet dates.

(m) Translation of foreign currency accounts

Receivables, payables and securities other than stocks of subsidiaries and certain other securities, are translated into Japanese yen at year-end exchange rates. Transactions in foreign currencies are recorded at the prevailing exchange rates on the transaction dates. Resulting translation gains or losses are included in current earnings.
For financial statement items of overseas consolidated subsidiaries, all asset and liability accounts are translated into Japanese yen by applying the exchange rates in effect at the fiscal year-end. All income and expense accounts are translated at the average rates of exchange prevailing during the fiscal year. Translation differences are reported as foreign currency translation adjustment in a component of net assets in the accompanying consolidated balance sheets.

(n) Income taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carryforwards. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date.

(o) Enterprise taxes

The Japan Transcity Group records enterprise taxes based on the "added value" and "capital" amounts when levied as size-based corporate taxes for local government enterprise taxes, which are included in selling, general and administrative expenses.

(p) Appropriations of retained earnings

Cash dividends are recorded in the fiscal year when a proposed appropriation of retained earnings is approved by the Board of Directors and/or shareholders.

(q) Per share data

Basic net income per share is computed by dividing income available to common shareholders by the weighted-average number of shares of common stock outstanding during the fiscal year. Diluted net income per share is computed assuming that convertible bonds were converted at the time of issue unless having anti-dilutive effects. Cash dividends per share for each fiscal year in the accompanying consolidated statements of income represent dividends declared by the Company as applicable to the respective years. Diluted net income per share is not presented as of March 31, 2012 and 2011 due to not having any dilutive shares.

(r) Accounting standard for asset retirement obligations

In March 2008, the ASBJ published a new accounting standard for asset retirement obligations, ASBJ

Statement No. 18, “Accounting Standard for Asset Retirement Obligations”, and ASBJ Guidance No. 21, “Guidance on Accounting Standard for Asset Retirement Obligations” effective for years beginning on or after April 1, 2010. Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The adoption of this standard did not have a material effect on operating income, and income before income tax and minority interests decreased by ¥49 million for the year ended March 31, 2011.

(s) Consolidated Statements of Comprehensive Income

(Additional information)
Effective March 31, 2011, the Company adopted the “Accounting Standard for Presentation of Comprehensive Income” (ASBJ Statement No. 25 on June 30, 2010) and “Revised Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, revised on June 20, 2010).
As a result, the Company has presented the consolidated statement of comprehensive income in the consolidated financial statements for the fiscal year ended March 31, 2011.

(t) Consolidated Statements of income

With the application of the “Cabinet Office Ordinance Revising the Regulations on Financial Statements” (Cabinet Office Ordinance No. 5 on March 24, 2009) under the “Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22 on December 26, 2008),” the account item “Income before minority interests” was included from the fiscal year ended March 31, 2011.

(u) Accounting Standard for Accounting Changes and Error Corrections

(Additional information)
The Company and its consolidated domestic subsidiaries adopted the “Accounting Standard for Accounting Changes and Error Corrections” (Accounting Standards Board of Japan (“ASBJ”) Statement No.24 issued on December 4, 2009) and “Guidance on Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Guidance No. 24, issued on December 4, 2009) for accounting changes and corrections of prior period errors which are made from the fiscal year beginning on April 1, 2011.

3. Fair values of financial instruments

(a) Qualitative information on financial instruments

① Policies for using financial instruments
The capital operation of the Company is limited to short-term deposits and the Company raises capital through bank loans and bond issuances. Derivative instruments are mainly used to hedge against variable interest rate risk and to compensate a loss when an earthquake occurs, and are not used for speculation.

② Details of financial instruments, risks, and risk management system
Trade receivables (notes and accounts) carry a credit risk of trading partners. Regarding the said risk, pursuant to internal regulations of the Company, the due dates and balances are managed appropriately for each counterparty and the credit risks of the main trading partners are identified every half year.
Although investments in securities are exposed to market price fluctuation risk, the Company regularly understands the fair values of shares of companies with which the Company has business relationships.
Trade payables (notes and accounts) are due within one year.
With regard to loans payable, short-term borrowings are mainly used to raise capital for operating dealings and long-term debt fund capital investment.

Loans with a variable interest rate involve the risk of interest rate fluctuation. For hedging purposes, the Japan Transcity Group is a party to derivative instruments such as interest rate swap contracts in the normal course of business to reduce its own exposure to fluctuations in interest rates. The method of evaluating the effectiveness of the hedge is omitted because of the exceptional treatment of interest rate swaps.

Guarantee deposits received is mainly deposited money for golf club memberships.

The Company enters into derivative contracts with financial institutions of high creditworthiness to reduce credit risk.

The Japan Transcity Group controls liquidity risk associated with operating payables and loans by cash management systems which control the capital of the group unitary.

③ Supplemental information on fair values

Contract amounts of derivative instruments in "Fair value of financial instruments" do not show its own marketable price.

(b) Fair values of financial instruments

Book values of the financial instruments included in the consolidated balance sheet and their values at March 31, 2012 and 2011 are as follows. Some financial instruments are excluded because it is extremely difficult to identify their fair values.

	Consolidated balance sheet amounts	Fair value	Difference
		Millions of yen	
At March 31, 2012:			
(1) Cash and cash equivalents	¥ 10,789	¥ 10,789	¥ -
(2) Short-term investments	316	316	-
(3) Trade receivables	14,044	14,044	-
(4) Investment securities			
Marketable securities	4,269	4,269	-
Total assets	¥ 29,418	¥ 29,418	¥ -
(1) Trade payables	¥ 7,941	¥ 7,941	¥ -
(2) Short-term borrowings	2,841	2,841	-
(3) Long-term debt	22,978	23,032	54
Total liabilities	¥ 33,760	¥ 33,814	¥ 54
At March 31, 2011:			
(1) Cash and cash equivalents	¥ 11,457	¥ 11,457	¥ -
(2) Short-term investments	431	431	-
(3) Trade receivables	12,543	12,543	-
(4) Investment securities			
Marketable securities	4,302	4,302	-
Total assets	¥ 28,733	¥ 28,733	¥ -
(1) Trade payables	¥ 7,504	¥ 7,504	¥ -
(2) Short-term borrowings	3,751	3,751	-
(3) Long-term debt	23,718	23,718	0
Total liabilities	¥ 34,973	¥ 34,973	¥ 0

	Consolidated balance sheet amounts		Fair value		Difference	
	Thousands of U.S. dollars					
At March 31, 2012:						
(1) Cash and cash equivalents	$	131,573	$	131,573	$	-
(2) Short-term investments		3,854		3,854		-
(3) Trade receivables		171,268		171,268		-
(4) Investment securities						
Marketable securities		52,061		52,061		-
Total assets	$	358,756	$	358,756	$	-
(1) Trade payables	$	96,842	$	96,842	$	-
(2) Short-term borrowings		34,646		34,646		-
(3) Long-term debt		280,220		280,878		658
Total liabilities	$	411,708	$	412,366	$	658

Note 1. Method of calculating fair value of financial instruments and other matters concerning securities and derivatives.

Assets

(1) Cash and cash equivalents, (2) Short-term investments and (3) Trade receivables

The carrying values of cash and cash equivalents, short-term investments and trade receivable are approximate fair values because of their short maturities.

(4) Investment securities

The fair values of listed equity shares in investment securities are based on quoted market prices. For matters concerning securities according to the purpose for which they are held, please see Note 4.

Liabilities

(1) Trade payables and (2) Short-term borrowings

The carrying values of trade payables and short-term borrowings are approximate fair values because of their short maturities.

(3) Long-term debt

The fair value of long-term debt is computed on the basis of the total amount of principal and interest discounted at the interest rate applicable to new loans carrying the same conditions.

Derivatives

① Derivative transactions to which hedge accounting is not applied: Not applicable.

② Derivative transactions to which hedge accounting is applied: The contract amount or amount equivalent to the principal set forth in the contract as of the consolidated closing date are as follows:

	Millions of yen				Thousands of U.S. dollars	
	2012		2011		2012	
Contract amount	¥	17,528	¥	17,860	$	213,756
Contract amount due after one year		10,478		17,844		127,780
Fair value		(201)		(263)		(2,451)

Method of hedge accounting: Exceptional treatment of interest rate swap

Type of derivative transaction: Interest rate swap (fixed rate payment, floating rate receipt)

Hedged item: Long-term debt

The Company uses the price presented by financial institution.

Note 2. Financial instruments whose fair value cannot be reliably determined.

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Non-marketable securities (*1)	¥ 615	¥ 802	$ 7,500
Guarantee deposits received (*2)	¥ 3,668	¥ 3,807	$ 44,732
Derivative relating to earthquakes (*3)	¥ 17	¥ 14	$ 207

(*1) It is extremely difficult to determine the fair values of non-marketable securities because they do not have quoted market prices and their future cash flow cannot be estimated. Therefore, they are excluded from (4) Investment securities.

(*2) It is extremely difficult to determine the fair values of guarantee deposits received because their scheduled redemption cannot be estimated.

(*3) During the year ended March 31, 2007, the Company entered into a derivative contract relating to earthquakes for hedging purposes. The outstanding contract amount was ¥300 million ($3,659 thousand) at March 31, 2012 and 2011, respectively. As the fair value for such a contract is not considered determinable, that derivative contract has not been accounted for at fair value.

Note 3. Scheduled redemption amounts after the consolidated closing date for monetary claims and securities with maturity period.

	Due in one year or less	Due after one year	Due in one year or less	Due after one year	Due in one year or less	Due after one year
	Millions of yen				Thousands of U.S. dollars	
	2012		2011		2012	
Cash and cash equivalents	¥ 10,789	¥ -	¥ 11,457	¥ -	$ 131,573	$ -
Short-term investments	316	-	431	-	3,854	-
Trade receivables	14,044	-	12,543	-	171,268	-
Total	¥ 25,149	¥ -	¥ 24,431	¥ -	$ 306,695	$ -

4. Investments

At March 31, 2012 and 2011, short-term investments consisted of time deposits with an original maturity of more than three months.

At March 31, 2012 and 2011, investment securities consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Marketable securities:			
Equity securities	¥ 4,262	¥ 4,282	$ 51,976
Other	7	20	85
	4,269	4,302	52,061
Other non-marketable securities	615	802	7,500
	¥ 4,884	¥ 5,104	$ 59,561

Marketable investment securities classified as available-for-sale are stated at fair value with unrealized gains and losses excluded from the current earnings and reported as a net amount within the net assets account until realized. At March 31, 2012 and 2011, gross unrealized gains and losses for marketable securities classified as available-for-sale were as follows:

	Cost	Gross unrealized gains	Gross unrealized losses	Fair and carrying value
	Millions of yen			
Available-for-sale securities at March 31, 2012:				
Equity securities	¥ 3,776	¥ 823	¥ (337)	¥ 4,262
Other	9	-	(2)	7
	¥ 3,785	¥ 823	¥ (339)	¥ 4,269
Available-for-sale securities at March 31, 2011:				
Equity securities	¥ 3,758	¥ 871	¥ (347)	¥ 4,282
Other	22	-	(2)	20
	¥ 3,780	¥ 871	¥ (349)	¥ 4,302

	Cost	Gross unrealized gains	Gross unrealized losses	Fair and carrying value
	Thousands of U.S. dollars			
Available-for-sale securities at March 31, 2012:				
Equity securities	$ 46,049	$ 10,037	$ (4,110)	$ 51,976
Other	109	-	(24)	85
	$ 46,158	$ 10,037	$ (4,134)	$ 52,061

5. Short-term Borrowings and Long-term Debt

At March 31, 2012 and 2011, short-term borrowings consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Short-term bank loans and bank overdrafts with interest rates ranging from 0.33% to 0.94% per annum at March 31, 2012:			
Unsecured	¥ 2,841	¥ 3,751	$ 34,646

At March 31, 2012 and 2011, long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Long-term loans from banks and other financial institutions due through 2022 with interest rates ranging from 0.87% to 6.50% per annum at March 31, 2012:			
Collateralized	¥ 318	¥ 348	$ 3,878
Unsecured	22,660	23,370	276,342
	22,978	23,718	280,220
Less current maturities	(7,721)	(885)	(94,159)
	¥ 15,257	¥ 22,833	$ 186,061

The aggregate annual maturities of long-term debt at March 31, 2012 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2013	¥ 7,721	$ 94,159
2014	4,221	51,476
2015	1,123	13,695
2016	7,962	97,098
2017	463	5,646
2018 and thereafter	1,488	18,146
	¥ 22,978	$ 280,220

The aggregate annual maturities of long-term lease obligations at March 31, 2012 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2013	¥ 182	$ 2,220
2014	155	1,890
2015	109	1,329
2016	83	1,012
2017	48	585
2018 and thereafter	29	354
	¥ 606	$ 7,390

At March 31, 2012 and 2011, the following assets were pledged as collateral:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Time deposits included in short-term investments	¥ 12	¥ 32	$ 146
Buildings and structures	603	649	7,354
Investment securities	-	12	-

As is customary in Japan, substantially all loans from banks (including short-term loans) are made under general agreements which provide that, at the request of the relevant bank, the Japan Transcity Group is required to provide collateral or guarantors (or additional collateral or guarantors, as appropriate) with respect to the loans and that all assets pledged as collateral under such agreements will be applicable to all present and future indebtedness to the bank concerned. The Japan Transcity Group has not received such requests. The general agreements further provide that the banks have the right, as indebtedness matures or becomes due prematurely by reason of default thereon, to offset deposits at the banks against indebtedness due to the banks.

6. Employee Retirement Benefits

The Company has defined benefit retirement plans. Some of the consolidated subsidiaries have similar retirement benefit plans. In addition, two consolidated subsidiaries have a defined contribution pension plan in certain pension funds organized by others.
The following table reconciles the benefit liability and net periodic retirement benefit expense as at or for the years ended March 31, 2012 and 2011:

	Millions of yen 2012	Millions of yen 2011	Thousands of U.S dollars 2012
Reconciliation of benefit liability:			
Projected benefit obligation	¥ 10,506	¥ 11,249	$ 128,122
Less fair value of pension plan assets at end of year	(9,251)	(9,411)	(112,817)
	1,255	1,838	15,305
Unrecognized actuarial differences (loss)	(1,673)	(1,695)	(20,402)
Unrecognized prior service cost of retroactive benefits granted by the pension plan amendment	237	298	2,890
Accrued retirement and severance benefits	(181)	441	(2,207)
Prepaid pension cost	1,745	1,225	21,280
Net amount of employee retirement benefit liability recognized on the consolidated balance sheets	¥ 1,564	¥ 1,666	$ 19,073

Note: Projected benefit obligation of certain consolidated subsidiaries was calculated using the simplified calculation method as permitted by the accounting standard for employee retirement benefits.

	Millions of yen 2012	Millions of yen 2011	Thousands of U.S dollars 2012
Components of net periodic retirement benefit expense:			
Service cost	¥ 466	¥ 495	$ 5,683
Interest cost	189	202	2,305
Expected return on pension plan assets	(171)	(174)	(2,085)
Amortization of actuarial differences	(60)	(60)	(732)
Amortization of prior service cost	279	319	3,402
Net periodic retirement benefit expense	¥ 703	¥ 782	$ 8,573

Major assumptions used in the calculation of the above information for the years ended March 31, 2012 and 2011 were as follows:

	2012	2011
Method to attribute the projected benefits to the periods of service	Straight-line method	Straight-line method
Discount rate	2.0%	2.0%
Expected rate of return on pension plan assets	2.0%	2.0%
Amortization of actuarial differences	10 years	10 years
Amortization of prior service cost	10 years	10 years

7. Net Assets

The Japanese Corporate Law (“the Law”) became effective on May 1, 2006, replacing the former Japanese Commercial Code. The Law is generally applicable to events and transactions occurring after April 30, 2006 and for fiscal years ending after that date.

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Law, in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Law, legal earnings reserve and additional paid-in capital can be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting. Additional paid-in capital and legal earnings reserve may not be distributed as dividends. All additional paid-in-capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

At March 31, 2012 and 2011, respectively, capital surplus principally consisted of additional paid-in capital. In addition, retained earnings included legal earnings reserve of the Company in the amount of ¥1,200 million ($14,634 thousand) at March 31, 2012 and 2011, respectively.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with Japanese laws and regulations.

During the year ended March 31, 2012, the Company paid interim dividends of ¥4.00 per share. In addition, at the annual shareholders' meeting held on June 28, 2012, the shareholders approved cash dividends of ¥5.00 per share, amounting to ¥322 million ($3,927 thousand). These appropriations have not been accrued in the consolidated financial statements as of March 31, 2012 as such appropriations are recognized in the period in which they are approved by the shareholders.

8. Contingent Liabilities

At March 31, 2012 and 2011, the Japan Transcity Group was contingently liable for guarantees of indebtedness of others in the amounts of ¥538 million ($6,561 thousand) and ¥803 million, respectively. Such amounts included the guarantees of indebtedness of 50% owned affiliates in the amount of ¥188 million ($2,293 thousand) and ¥438 million at March 31, 2012 and 2011, respectively.

9. Lease Commitments

The Japan Transcity Group leases, as lessee, land and buildings to be used for office spaces and warehouses principally under long-term cancelable or non-cancelable operating lease agreements. The Japan Transcity Group also leases computer equipment, other equipment and vehicles under leases which are not generally cancelable.

Total rental and lease expenses, including cancelable and non-cancelable leases, for the years ended March 31, 2012 and 2011 were ¥6,762 million ($82,463 thousand) and ¥6,512 million, respectively. For the years ended March 31, 2012 and 2011, the lease expenses for non-cancelable lease agreements which were categorized as financing leases amounted to ¥370 million ($4,512 thousand) and ¥447 million, respectively.

The aggregate future minimum payments for non-cancelable operating leases and financing leases, including the imputed interest, at March 31, 2012 and 2011 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	2012		2011		2012	
Operating leases:						
Due within one year	¥	1,027	¥	705	$	12,524
Due after one year		2,696		1,784		32,878
	¥	3,723	¥	2,489	$	45,402
Financing leases (Contracted before March 31, 2008):						
Due within one year	¥	322	¥	376	$	3,927
Due after one year		806		1,130		9,829
	¥	1,128	¥	1,506	$	13,756

10. Income Taxes

The tax effects of temporary differences that gave rise to a significant portion of the deferred tax assets and liabilities at March 31, 2012 and 2011 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	2012		2011		2012	
Deferred tax assets:						
Enterprise tax accruals	¥	66	¥	57	$	805
Accrued bonuses to employees		370		405		4,512
Employee retirement benefit liability		805		1,125		9,817
Accrued severance indemnities for directors and corporate auditors		9		17		110
Long-term accounts payable		49		77		598
Intercompany capital gains		279		272		3,402
Net operating loss carryforwards		175		204		2,134
Impairment loss on fixed assets		1,065		1,217		12,988
Other		351		370		4,280
		3,169		3,744		38,646
Less valuation allowance		(1,367)		(1,585)		(16,671)
Deferred tax assets		1,802		2,159		21,975
Deferred tax liabilities:						
Deferred capital gain		993		1,169		12,110
Unrealized gains on available-for-sale securities		174		212		2,122
Other		388		435		4,731
Deferred tax liabilities		1,555		1,816		18,963
Net deferred tax assets	¥	247	¥	343	$	3,012

At March 31, 2012 and 2011, deferred tax assets and liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Deferred tax assets:			
Current	¥ 453	¥ 477	$ 5,524
Non-current	665	639	8,110
Deferred tax liabilities:			
Non-current	871	773	10,622

In assessing the realizability of deferred tax assets, management of the Japan Transcity Group considers whether some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of the future taxable income during the periods in which those temporary differences become deductible. At March 31, 2012 and 2011 a valuation allowance was provided to reduce the deferred tax assets to the extent that management believes that the deferred tax assets were realizable.

A reconciliation of the difference between the Japanese statutory effective tax rate and the actual effective income tax rate on pre-tax income reflected in the accompanying consolidated statements of income for the year ended March 31, 2012 and 2011 was as follows:

	Percentage of pre-tax income	
	2012	2011
Japanese statutory effective tax rate	40.1%	40.1%
Increase (decrease) due to:		
Permanently non-deductible expenses	1.1	1.2
Tax exempt income	(2.2)	(1.9)
Local minimum taxes per capita levy	0.8	1.0
Equity in net earnings of unconsolidated subsidiaries and affiliates	(4.7)	(5.8)
Other	(0.4)	0.8
Actual effective income tax rate	34.7%	35.4%

Adjustment of deferred tax assets and liabilities due to change of income tax rate
Following the promulgation on December 2, 2011 of the "Act for Partial Revision of Income Tax Act, etc. for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures" and the "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake", the effective statutory tax rate used to measure deferred tax assets and liabilities in the consolidated fiscal year (only those expected to be settled or realized on or after April 1, 2012) is changed from the previous consolidated fiscal year's rate of 40.1% to 37.5% for temporary differences expected to be resolved during the period from April 1, 2012 to March 31, 2015, and to 35.1% for temporary differences expected to be resolved on or after April 1, 2015.
As a result of these changes, deferred tax liabilities (net of deferred tax assets) decreased by ¥46 million ($561 thousand), income taxes-deferred decreased by ¥22 million ($268 thousand) and net unrealized gains on available-for-sale securities increased by ¥24 million ($293 thousand).
Deferred tax liabilities for revaluation decreased by and land revaluation difference increased by ¥658 million ($8,024 thousand) respectively.

11. Comprehensive income

Amounts reclassified to net income (loss) in the current period that were recognized in other comprehensive income in the current or previous periods and tax effects for each component of other comprehensive income are as follows:

	Millions of yen		Thousands of U.S. dollars	
Net unrealized gains on available-for-sale securities				
Increase (Decrease) during the year	¥	(37)	$	(451)
Reclassification adjustments to profit or loss	¥	-	$	-
Sub-total, before tax	¥	(37)	$	(451)
Tax (expense) or benefit	¥	39	$	476
Sub-total, net of tax	¥	2	$	25
Land revaluation decrement				
Tax (expense) or benefit	¥	658	$	8,024
Foreign currency translation adjustment				
Increase (Decrease) during the year	¥	(99)	$	(1,207)
Share of other comprehensive income of associates accounted for using equity method				
Increase (Decrease) during the year	¥	(5)	$	(61)
Total other comprehensive income	¥	556	$	6,781

12. Related Party Transaction

ASBJ Statement No. 11, “Accounting Standard for Related Party Disclosures” and ASBJ Guidance No. 13, “Guidance on Accounting Standard for Related Party Disclosures” issued by the Accounting Standards Board of Japan on October 17, 2006, require certain additional related party disclosures. Pursuant to their accounting standards, information on Chubu Coal Center Co., Ltd. is disclosed for the year ended March 31, 2012 and 2011.

	Millions of yen				Thousands of U.S. dollars	
	2012		2011		2012	
Total current assets	¥	702	¥	711	$	8,561
Total fixed assets	¥	10,512	¥	10,209	$	128,195
Total current liabilities	¥	2,705	¥	2,618	$	32,988
Total fixed liabilities	¥	2,587	¥	2,877	$	31,549
Total net assets	¥	5,922	¥	5,425	$	72,219
Operating revenue	¥	3,409	¥	3,227	$	41,573
Income before income taxes	¥	1,138	¥	1,064	$	13,878
Net income	¥	678	¥	635	$	8,268

13. Segment Information

1. General information about reportable segments

The reportable segments are constituent business units of the Japan Transcity Group for which separate financial information is obtained, and they are examined regularly by the Board of Directors to evaluate business performance. The Japan Transcity group carry on mainly integrated logistics services that consist of warehousing, coastal shipping, trucking and international multimodal transportation. Therefore the Japan Transcity group's reported segment is "Integrated logistics services".

2. Basis of measurement about reported segment profit, segment assets and other material items

The principle of the accounting for the segment is presented on an operating income basis. Intersegment operating revenues or transfer amounts is based on the market price.

3. Information about reported segment profit, segment assets and other material items

Information by segment for years ended March 31, 2012 and 2011 was as follows:

	Integrated logistics services	Others	Total	Adjustment	Consolidated
	Millions of yen				
For the year ended March 31, 2012:					
Operating revenue:					
External customers	¥ 82,324	¥ 1,125	¥ 83,449	¥ -	¥ 83,449
Intersegment sales	25	1,085	1,110	(1,110)	-
Total operating revenue	82,349	2,210	84,559	(1,110)	83,449
Operating income	¥ 4,008	¥ 71	¥ 4,079	¥ 20	¥ 4,099
Identifiable assets	¥ 88,740	¥ 2,819	¥ 91,559	¥ (1,327)	¥ 90,232
Depreciation	2,519	64	2,583	-	2,583
Investments in affiliates accounted for by the equity method	4,465	-	4,465	-	4,465
Capital expenditures	2,414	94	2,508	-	2,508
Impairment loss on fixed assets	8	-	8	-	8
Amortization of negative goodwill	19	-	19	-	19
Negative goodwill	14	-	14	-	14
For the year ended March 31, 2011:					
Operating revenue:					
External customers	¥ 79,784	¥ 1,070	¥ 80,854	¥ -	¥ 80,854
Intersegment sales	25	1,194	1,219	(1,219)	-
Total operating revenue	79,809	2,264	82,073	(1,219)	80,854
Operating income	¥ 3,734	¥ 222	¥ 3,956	¥ (103)	¥ 3,853
Identifiable assets	¥ 87,217	¥ 2,398	¥ 89,615	¥ (1,117)	¥ 88,498
Depreciation	2,827	53	2,880	-	2,880
Investments in affiliates accounted for by the equity method	3,924	-	3,924	-	3,924
Capital expenditures	1,533	91	1,624	-	1,624
Impairment loss on fixed assets	79	-	79	-	79
Amortization of negative goodwill	22	-	22	-	22
Negative goodwill	33	-	33	-	33

	Integrated logistics services		Others		Total		Adjustment		Consolidated
	Thousands of U.S. dollars								
For the year ended March 31, 2012:									
Operating revenue:									
External customers	$	1,003,951	$	13,720	$	1,017,671	$	-	$ 1,017,671
Intersegment sales		305		13,231		13,536		(13,536)	-
Total operating revenue		1,004,256		26,951		1,031,207		(13,536)	1,017,671
Operating income	$	48,878	$	866	$	49,744	$	244	$ 49,988
Identifiable assets	$	1,082,195	$	34,378	$	1,116,573	$	(16,183)	$ 1,100,390
Depreciation		30,720		780		31,500		-	31,500
Investments in affiliates accounted for by the equity method		54,451		-		54,451		-	54,451
Capital expenditures		29,439		1,146		30,585		-	30,585
Impairment loss on fixed assets		98		-		98		-	98
Amortization of negative goodwill		232		-		232		-	232
Negative goodwill		171		-		171		-	171

(Additional information)

Effective April 1, 2010, the Company adopted the "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17 on March 27, 2009) and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No.20, issued on March 21, 2008).

(Related information)

1. Information about product and service

		Warehousing		Coastal shipping		Trucking		International multimodal transportation		Total
	Millions of yen									
For the year ended March 31, 2012:										
Operating revenue to external customers:		33,109		21,421		17,011		10,783		82,324
For the year ended March 31, 2011:										
Operating revenue to external customers:	¥	30,618	¥	21,130	¥	17,311	¥	10,725	¥	79,784
	Thousands of U.S. dollars									
For the year ended March 31, 2012:										
Operating revenue to external customers:	$	403,768	$	261,232	$	207,451	$	131,500	$	1,003,951

2. Information about geographic areas

(1) Operating revenue

The Company has omitted disclosure of operating revenue because operating revenue to external customers in Japan account for more than 90% of the amount of operating revenue reported in the consolidated statements of income.

(2) Property, plant and equipment

The Company has omitted disclosure of property, plant and equipment because property, plant and equipment in Japan account for more than 90% of the amount of property, plant and equipment reported in the consolidated balance sheets.

3. Information about major customers

Information on operating revenue with major customers for the year ended March 31, 2012 was as follows:

Customer's name	Relevant reportable segment	Millions of Yen	Thousands of U.S. Dollars
Aeon Global SCM Co., Ltd.	Integrated logistics services	¥ 8,583	$ 104,671

The Company has not disclosed information about major customers for the year ended March 31, 2011 because no customer had contributed 10% or more to operating revenue in the consolidated statements of income.

(Gains arising from negative goodwill)

The Company has omitted information by segment on gains arising from negative goodwill due to the negligible importance of this information.

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

Presented below are the condensed nonconsolidated balance sheets, nonconsolidated statements of income and changes in net assets of Japan Transcity Corporation, the parent company.

Nonconsolidated Balance Sheets (Unaudited)
Japan Transcity Corporation (Parent)

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Current assets:			
Cash and cash equivalents	¥ 9,225	¥ 9,466	$ 112,500
Short-term investments	3	37	36
Trade receivables, net of allowance for doubtful accounts	13,313	11,953	162,354
Inventories	16	20	195
Deferred tax assets	255	275	3,110
Other current assets	1,645	1,371	20,061
Total current assets	24,457	23,122	298,256
Property and equipment, at cost	74,035	73,695	902,866
Less accumulated depreciation	(34,069)	(33,231)	(415,476)
Net property and equipment	39,966	40,464	487,390
Investments and other assets:			
Investment securities	4,494	4,686	54,805
Investments in and long-term loans to subsidiaries and affiliates	4,085	3,915	49,817
Lease deposits	981	921	11,963
Other assets	3,590	2,553	43,780
Allowance for doubtful accounts	(613)	(254)	(7,475)
Total investments and other assets	12,537	11,821	152,890
Total assets	¥ 76,960	¥ 75,407	$ 938,536

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Current liabilities:			
Short-term borrowings	¥ 7,553	¥ 7,248	$ 92,110
Current maturities of long-term debt	5,992	572	73,073
Trade payables	8,278	7,834	100,951
Accrued expenses	763	775	9,305
Income taxes payable	518	503	6,329
Other current liabilities	1,645	1,355	20,061
Total current liabilities	24,749	18,287	301,829
Long-term debt	13,761	19,603	167,817
Employee retirement benefit liability	532	664	6,488
Deferred tax liabilities for revaluation	4,619	5,277	56,329
Deferred tax liabilities	806	705	9,829
Other long-term liabilities	548	490	6,671
Total liabilities	45,015	45,026	548,963
Net assets:			
Shareholder's equity:			
Common stock	8,428	8,428	102,780
Capital surplus	6,733	6,734	82,110
Retained earnings	18,977	17,996	231,427
Less treasury stock, at cost	(1,099)	(1,015)	(13,402)
Total shareholders' equity	33,039	32,143	402,915
Accumulated losses from valuation adjustment:			
Net unrealized gains on available-for-sale securities	273	262	3,329
Land revaluation decrement	(1,367)	(2,024)	(16,671)
Total accumulated losses from valuation adjustment	(1,094)	(1,762)	(13,342)
Total net assets	31,945	30,381	389,573
Total liabilities and net assets	¥ 76,960	¥ 75,407	$ 938,536

Nonconsolidated Statements of Income (Unaudited)
Japan Transcity Corporation (Parent)
For the Years Ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Operating revenue	¥ 78,199	¥ 75,771	$ 953,646
Operating costs and expenses	75,453	73,184	920,158
Operating income	2,746	2,587	33,488
Other income (expenses):			
Interest and dividend income	474	307	5,781
Interest expenses	(305)	(314)	(3,720)
Miscellaneous, net	(300)	(516)	(3,659)
	(131)	(523)	(1,598)
Income before income taxes	2,615	2,064	31,890
Income taxes:			
Current	937	830	11,427
Deferred	148	122	1,805
Total income taxes	1,085	952	13,232
Net income	¥ 1,530	¥ 1,112	$ 18,658

	Yen		U.S. dollars
Per share:			
Net income:			
-Basic	¥ 23.70	¥ 17.15	$ 0.29
Cash dividends	9.00	8.50	0.11

Nonconsolidated Statements of Changes in Net Assets (Unaudited)
Japan Transcity Corporation (Parent)
For the Years Ended March 31, 2012 and 2011

	Shareholders' equity					Accumulated (losses) gains from valuation adjustment			
	Common stock	Capital surplus	Retained Earnings	Treasury stock	Total shareholder's equity	Net unrealized gains on available-for-sale securities	Land revaluation decrement	Total accumulated losses from valuation adjustment	Total net assets
	Millions of yen								
Balance at March 31, 2010	¥ 8,428	¥ 6,735	¥ 17,430	¥ (944)	¥ 31,649	¥ 621	¥ (2,019)	¥ (1,398)	¥ 30,251
Net income for the year	-	-	1,112	-	1,112	-	-	-	1,112
Cash dividends	-	-	(551)	-	(551)	-	-	-	(551)
Purchase of treasury stock and fractional shares, net	-	(1)	-	(71)	(72)	-	-	-	(72)
Reversal of Land revaluation decrement		-	5	-	5				5
Net changes other than shareholders' equity	-	-		-	-	(359)	(5)	(364)	(364)
Balance at March 31, 2011	¥ 8,428	¥ 6,734	¥ 17,996	¥ (1,015)	¥ 32,143	¥ 262	¥ (2,024)	¥ (1,762)	¥ 30,381
Net income for the year	-	-	1,530	-	1,530	-	-	-	1,530
Cash dividends	-	-	(549)	-	(549)	-	-	-	(549)
Purchase of treasury stock and fractional shares, net	-	(1)	-	(84)	(85)	-	-	-	(85)
Net changes other than shareholders' equity	-	-	-	-	-	11	657	668	668
Balance at March 31, 2012	¥ 8,428	¥ 6,733	¥ 18,977	¥ (1,099)	¥ 33,039	¥ 273	¥ (1,367)	¥ (1,094)	¥ 31,945
	Thousands of U.S. dollars								
Balance at March 31, 2011	$ 102,780	$ 82,122	$ 219,464	$ (12,378)	$ 391,988	$ 3,195	$ (24,683)	$ (21,488)	$ 370,500
Net income for the year	-	-	18,658	-	18,658	-	-	-	18,658
Cash dividends	-	-	(6,695)	-	(6,695)	-	-	-	(6,695)
Purchase of treasury stock and fractional shares, net	-	(12)	-	(1,024)	(1,036)	-	-	-	(1,036)
Net changes other than shareholders' equity	-	-	-	-	-	134	8,012	8,146	8,146
Balance at March 31, 2012	$ 102,780	$ 82,110	$ 231,427	$ (13,402)	$ 402,915	$ 3,329	$ (16,671)	$ (13,342)	$ 389,573