Japan Transcity Corporation

Consolidated Financial Statements

March 31, 2013 and 2012

KPMG AZSA LLC

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, 2013 and 2012, 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, 2013 and 2012, 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, 2013 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 30, 2013
Nagoya, Japan

Japan Transcity Corporation and Consolidated Subsidiaries
Consolidated Balance Sheets
March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Current assets:			
Cash and cash equivalents (Note 3)	¥ 9,875	¥ 10,789	$ 105,053
Short-term investments (Notes 3, 4 and 5)	136	316	1,447
Trade receivables (Note 3)	13,832	14,044	147,149
Allowance for doubtful accounts	(16)	(19)	(170)
	13,816	14,025	146,979
Inventories	123	131	1,309
Deferred tax assets (Note 10)	450	453	4,787
Other current assets	2,042	2,014	21,723
Total current assets	26,442	27,728	281,298
Property and equipment (Note 5):			
Land	29,656	30,121	315,489
Buildings and structures	49,155	47,605	522,926
Machinery and equipment	12,952	12,392	137,787
Vehicles and vessels	6,585	6,561	70,053
Construction in progress	75	396	798
Total property and equipment	98,423	97,075	1,047,053
Less accumulated depreciation	(50,897)	(49,471)	(541,457)
Net property and equipment	47,526	47,604	505,596
Investments and other assets:			
Investment securities (Notes 3, 4 and 5)	5,936	4,884	63,149
Investments in unconsolidated subsidiaries and affiliates	5,338	4,935	56,787
Deferred tax assets (Note 10)	658	665	7,000
Lease deposits	667	1,022	7,096
Other assets	4,311	3,409	45,861
Allowance for doubtful accounts	(17)	(15)	(181)
Total investments and other assets	16,893	14,900	179,712
Total assets	¥ 90,861	¥ 90,232	$ 966,606

See accompanying Notes to Consolidated Financial Statements.

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Current liabilities:			
Short-term borrowings (Notes 3 and 5)	¥ 2,741	¥ 2,841	$ 29,160
Current maturities of long-term debt (Notes 3 and 5)	4,374	7,721	46,532
Trade payables (Note 3)	7,374	7,941	78,447
Accrued expenses	1,602	1,606	17,042
Income taxes payable	373	842	3,968
Other current liabilities	2,019	1,987	21,479
Total current liabilities	18,483	22,938	196,628
Long-term debt (Notes 3 and 5)	17,788	15,257	189,234
Employee retirement benefit liability (Note 6)	1,470	1,564	15,638
Guarantee deposits received (Note 3)	3,547	3,668	37,734
Deferred tax liabilities for revaluation	4,619	4,619	49,138
Deferred tax liabilities (Note 10)	1,410	871	15,000
Accrued severance indemnities for directors	14	23	149
Other long-term liabilities	697	629	7,415
Total liabilities	48,028	49,569	510,936
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	89,659
Capital surplus	6,733	6,733	71,628
Retained earnings	28,160	26,833	299,574
Less treasury stock, at cost: 2,805,264 shares in 2013 and 2,801,393 shares in 2012	(1,100)	(1,099)	(11,702)
Total shareholders' equity	42,221	40,895	449,159
Accumulated other comprehensive income:			
Net unrealized gains on available-for-sale securities	930	270	9,893
Land revaluation decrement	(1,367)	(1,367)	(14,542)
Foreign currency translation adjustment	(95)	(223)	(1,010)
Total accumulated other comprehensive income	(532)	(1,320)	(5,659)
Minority interests	1,144	1,088	12,170
Total net assets	42,833	40,663	455,670
Total liabilities and net assets	¥ 90,861	¥ 90,232	$ 966,606

Japan Transcity Corporation and Consolidated Subsidiaries
Consolidated Statements of Income
For the Years Ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Operating revenue (Note 13)	¥ 84,698	¥ 83,449	$ 901,043
Operating costs and expenses			
(Notes 6 and 9)	81,582	79,350	867,894
Operating income	3,116	4,099	33,149
Other income (expenses):			
Interest and dividend income	465	343	4,947
Interest expenses	(298)	(356)	(3,170)
Equity in net earnings of unconsolidated subsidiaries and affiliates	510	556	5,426
Loss on sale or disposal of property and equipment	(17)	(25)	(181)
Impairment loss on fixed assets (Note 2(i))	(648)	(8)	(6,894)
Others, net	185	90	1,968
	197	600	2,096
Income before income taxes and minority interests	3,313	4,699	35,245
Income taxes:			
Current	1,133	1,498	12,053
Deferred	186	135	1,979
Total income taxes	1,319	1,633	14,032
Income before minority interests	1,994	3,066	21,213
Less minority interests in net income of consolidated subsidiaries	88	65	936
Net income	¥ 1,906	¥ 3,001	$ 20,277

	Yen		U.S. dollars
Per share:			
Net income:			
-Basic	¥ 29.63	¥ 46.50	$ 0.32
Cash dividends	9.00	9.00	0.10

See accompanying Notes to Consolidated Financial Statements.

Japan Transcity Corporation and Consolidated Subsidiaries
Consolidated Statements of Comprehensive Income
For the Years Ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Income before minority interests	¥ 1,994	¥ 3,066	$ 21,213
Other comprehensive income:			
Net unrealized gains on available-for-sale securities	668	2	7,106
Land revaluation decrement	-	658	-
Foreign currency translation adjustment	181	(99)	1,925
Share of other comprehensive income of associates accounted for using equity method	12	(5)	128
Total other comprehensive income (Note 11)	861	556	9,159
Comprehensive income	¥ 2,855	¥ 3,622	$ 30,372
Comprehensive income attributable to:			
Owners of the Company	¥ 2,694	¥ 3,597	$ 28,659
Minority interests	161	25	1,713

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, 2013 and 2012

		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 April 1, 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
Net income for the year	-	-	-	1,906	-	1,906	-	-	-	-	-	1,906
Cash dividends	-	-	-	(579)	-	(579)	-	-	-	-	-	(579)
Purchase of treasury stock and fractional shares, net	-	-	-	-	(1)	(1)	-	-	-	-	-	(1)
Net changes other than shareholders' equity	-	-	-	-	-	-	660	-	128	788	56	844
Balance at March 31, 2013	67,142,417	¥ 8,428	¥ 6,733	¥ 28,160	¥ (1,100)	¥ 42,221	¥ 930	¥ (1,367)	¥ (95)	¥ (532)	¥ 1,144	¥ 42,833
		Thousands of U.S. dollars										
Balance at March 31, 2012		$ 89,659	$ 71,628	$ 285,457	$ (11,691)	$ 435,053	$ 2,872	$ (14,542)	$ (2,372)	$ (14,042)	$ 11,574	$ 432,585
Net income for the year		-	-	20,277	-	20,277	-	-	-	-	-	20,277
Cash dividends		-	-	(6,160)	-	(6,160)	-	-	-	-	-	(6,160)
Purchase of treasury stock and fractional shares, net		-	-	-	(11)	(11)	-	-	-	-	-	(11)
Net changes other than shareholders' equity		-	-	-	-	-	7,021	-	1,362	8,383	596	8,979
Balance at March 31, 2013		$ 89,659	$ 71,628	$ 299,574	$ (11,702)	$ 449,159	$ 9,893	$ (14,542)	$ (1,010)	$ (5,659)	$ 12,170	$ 455,670

See accompanying Notes to Consolidated Financial Statements.

Japan Transcity Corporation and Consolidated Subsidiaries
Consolidated Statements of Cash Flows
For the Years Ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 3,313	¥ 4,699	$ 35,245
Adjustments for:			
Depreciation	2,638	2,583	28,064
Net reversal of employee retirement benefit liability	(96)	(101)	(1,021)
Loss on sale or disposal of property and equipment	17	25	181
Impairment loss on fixed assets	648	8	6,894
Decrease (Increase) in trade receivables	274	(1,521)	2,915
Decrease (Increase) in inventories	8	(35)	85
(Decrease) Increase in trade payables	(655)	448	(6,968)
Increase in prepaid pension cost	(624)	(520)	(6,639)
Others, net	(1,342)	(714)	(14,277)
Sub-total	4,181	4,872	44,479
Interest and dividend received	604	432	6,425
Interest paid	(297)	(341)	(3,160)
Income taxes paid	(1,597)	(1,360)	(16,989)
Net cash provided by operating activities	2,891	3,603	30,755
Cash flows from investing activities:			
Increase in property and equipment and intangible assets	(2,624)	(1,940)	(27,915)
Decrease in property and equipment and intangible assets	147	40	1,564
Decrease in short-term investments	185	116	1,968
Others, net	133	(46)	1,415
Net cash used in investing activities	(2,159)	(1,830)	(22,968)
Cash flows from financing activities:			
Increase in long-term debt	6,900	-	73,405
Repayment of long-term debt	(7,722)	(734)	(82,149)
Decrease in short-term borrowings	(100)	(910)	(1,064)
Purchase of treasury stock and fractional shares, net	(1)	(85)	(11)
Dividends paid	(579)	(549)	(6,160)
Others, net	(318)	(138)	(3,383)
Net cash used in financing activities	(1,820)	(2,416)	(19,362)
Effect of exchange rate changes on cash and cash equivalents	174	(25)	1,851
Net decrease in cash and cash equivalents	(914)	(668)	(9,724)
Cash and cash equivalents at beginning of year	10,789	11,457	114,777
Cash and cash equivalents at end of year	¥ 9,875	¥ 10,789	$ 105,053

See accompanying 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, has not been 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, 2013, which was approximately ¥94 to U.S. $1.00. Such 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 certain unconsolidated subsidiaries and significant affiliates are accounted for using the equity method. Investments in unconsolidated subsidiaries and affiliates not accounted for using 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 numbers of consolidated subsidiaries, unconsolidated subsidiaries and affiliates for the years ended March 31, 2013 and 2012 were as follows.

	2013	2012
Consolidated subsidiaries:		
Domestic	24	24
Overseas	3	3
Unconsolidated subsidiaries and affiliates accounted for using the equity method	8	8
Unconsolidated subsidiaries stated at cost	14	14
Affiliates stated at cost	4	4

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 2013 and 2012). These overseas consolidated subsidiaries close their books at December 31, which is three months earlier than the closing of the books of the Company or its domestic consolidated subsidiaries. The Company consolidated its overseas subsidiaries' financial statements as of their year-end date. Significant transactions for the period between the subsidiaries' year-end date and the Company's year-end date have been 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) generally requires that accounting policies and procedures applied by a parent company and its subsidiaries to similar transactions and events under similar circumstances, be unified for the preparation of the consolidated financial statements. As a tentative measure, however, PITF No. 18 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 such 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 the Company's overseas consolidated subsidiaries were prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles, with adjustments having been made for the five items specified above as needed.

(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" securities for the purpose of determining the applicable accounting method as stipulated by the accounting standard for financial instruments. Marketable available-for-sale securities with available market quotations 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 or losses on the disposition of available-for-sale securities are computed based on the moving-average method. Non-marketable available-for-sale securities without available market quotations 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. Under 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 consist of supplies and others. Supplies are stated at cost, using the moving-average method.

(f) Allowance for doubtful accounts

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

(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 using the declining-balance method at rates based on the estimated useful life of the asset. Buildings acquired on or after April 1, 1998 are depreciated using 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 ($1,064 thousand) for the year ended March 31,2013 and 2012.

(Change in accounting policies with amendment of respective law or regulation that is not distinguishable from change in accounting estimates)
From the year ending March 31, 2013, in accordance with the amendment of the Corporate Tax Law of Japan, the Company and its domestic consolidated subsidiaries have changed its depreciation method for property and equipment. Assets acquired on or after April 1, 2012 have been depreciated using the method prescribed in the amended Corporate Tax Law of Japan. Such change did not have a material effect on Operating income or Income before taxes and minority interests.

(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, provided they disclosed certain “as if capitalized” information in the notes to the consolidated financial statements.
On March 31, 2007, the Accounting Standards Board of Japan (“ASBJ”) issued Statement No. 13, entitled the “Accounting Standard for Lease Transactions”, and Guidance No. 16, entitled the “Guidance on Accounting Standard for Lease Transactions”. The new accounting standard requires 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 the residual value (or guaranteed residual value when set by agreement) be zero. 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 such provided that certain “as if capitalized” information thereof have been disclosed.

(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 related practical guidance issued by ASBJ. The standard requires that a fixed asset be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such asset may not be recoverable. Impairment loss is to be recognized in the income statement by reducing the carrying amount of an impaired asset or group of assets to the recoverable amount, measured at the higher of the 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 separate from those of other groups of assets. 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 and the like. With respect to a certain golf club, the recoverable amount was measured based on the value in use calculated using discounted future cash flows by an interest rate of 3.67 %. For the year ended March 31, 2013, the Japan Transcity Group recognized impairment loss as follows.

	Millions of Yen	Thousands of U.S. Dollars
Buildings and structures	¥ 199	$ 2,117
Land	449	4,777
	¥ 648	$ 6,894

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

(j) Revaluation of land

In accordance with the Law Concerning Revaluation of Land (the "Revaluation 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. In accordance with the Revaluation Law, an amount equivalent to the tax effect on the difference between the original book value and the reassessed value was recorded as deferred tax liability under the revaluation account. The remaining difference, net of the tax effect and minority interests' portions, was recorded as a component of the net assets under land revaluation decrement account in the accompanying consolidated balance sheets. At March 31, 2013 and 2012, the differences 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 ¥8,842 million ($94,064 thousand) and ¥8,616 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 has occurred.

In accordance with the accounting standard for employee retirement benefits, the Japan Transcity Group recognizes retirement benefits for employees, including pension costs and related liabilities, based on the 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-end. Unrecognized actuarial differences arising from changes in the projected benefit obligation or pension plan assets not anticipated under previous assumptions or from changes in the assumptions themselves are amortized on a straight-line basis over ten years, a period within the remaining service years of the employees, measured from the year after such differences arise. Unrecognized prior service cost is amortized using the straight-line method over ten years, measured from the year in which such cost arises.

(l) Accrued severance indemnities for directors

Some domestic consolidated subsidiaries may pay severance indemnities to directors, which are subject to the approval of the shareholders. Some domestic consolidated subsidiaries have provided for the full amounts of liabilities for directors' 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 assets and liabilities 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 have been reported as foreign currency translation adjustments under 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 as future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carry-forwards. 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, and such taxes are included in operating costs and expenses.

(p) Appropriation 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. Unless there exist anti-dilutive effects, diluted net income per share is computed assuming that convertible bonds were converted at the time of issue. 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 was not presented as of March 31, 2013 or 2012 due to the lack of any dilutive shares.

(r) 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" (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 made from the fiscal year beginning on April 1, 2011.

(s) Yet to be applied accounting standard

The following standard and guidance have been issued but not yet adopted under the accompanying consolidated financial statements.

ASBJ issued ASBJ statement No.26, entitled the "Accounting Standard for Retirement Benefits", and ASBJ Guidance No.25, entitled the "Guidance on Accounting Standard for Retirement Benefit", on May 17, 2012, which replaced the previous standard and related practical guidance on the same matter. The revised standard amends the treatment of unrecognized actuarial differences and prior service costs and the determination of retirement benefit obligations and current service costs and enhances disclosures from the viewpoint of improvements to financial reporting and international convergence. The revised standard will become partially effective from the end of the fiscal year beginning April 1, 2014. The Company is currently in the process of assessing the impact of the revised standard on the consolidated financial statements.

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 speculative purpose.

② Details of financial instruments, risks and risk management system

Trade receivables (notes and accounts) carry a credit risk of trading partners. In response to such risk, pursuant to internal regulations of the Company, the due dates and balances of such receivables are managed appropriately for each counterparty and the credit risks of main trading partners are identified every half year.

Although investments in securities are exposed to market price fluctuation risk, the Company stays abreast of the fair values of shares of companies with which the Company has business relationships on a regular basis.

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 operational dealings and long-term debt fund capital investment.

Loans with variable interest rates 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 and the like, in the normal course of business to reduce its own exposure to fluctuations in interest rates. Evaluating the effectiveness of the hedge has not been required because of the exceptional treatment of interest rate swaps.

Guarantee deposits received consist mainly of deposit 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 Japan Transcity Group as a whole.

③ Supplemental information on fair values

The marketable prices of contract amounts of derivative instruments under note 3 (Fair Values of Financial Instruments) have not been presented.

(b) Fair values of financial instruments

The book values of financial instruments included in the consolidated balance sheet and their fair values at March 31, 2013 and 2012 were as follows. Some financial instruments were excluded because it was extremely difficult to identify their fair values.

	Consolidated balance sheet amounts	Fair value	Difference
	Millions of yen		
At March 31, 2013:			
(1) Cash and cash equivalents	¥ 9,875	¥ 9,875	¥ -
(2) Short-term investments	136	136	-
(3) Trade receivables	13,832	13,832	-
(4) Investment securities			
Marketable securities	5,469	5,469	-
Total assets	¥ 29,312	¥ 29,312	¥ -
(1) Trade payables	¥ 7,374	¥ 7,374	¥ -
(2) Short-term borrowings	2,741	2,741	-
(3) Long-term debt	22,162	22,103	(59)
Total liabilities	¥ 32,277	¥ 32,218	¥ (59)
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

	Consolidated balance sheet amounts	Fair value	Difference
	Thousands of U.S. dollars		
At March 31, 2013:			
(1) Cash and cash equivalents	$ 105,053	$ 105,053	$ -
(2) Short-term investments	1,447	1,447	-
(3) Trade receivables	147,149	147,149	-
(4) Investment securities			
Marketable securities	58,181	58,181	-
Total assets	$ 311,830	$ 311,830	$ -
(1) Trade payables	$ 78,447	$ 78,447	$ -
(2) Short-term borrowings	29,160	29,160	-
(3) Long-term debt	235,766	235,138	(628)
Total liabilities	$ 343,373	$ 342,745	$ (628)

Note 1. Method of calculating the fair values 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 approximate the 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, see Note 4.

Liabilities

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

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

(3) Long-term debt

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

Derivatives

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

② Derivative transactions to which hedge accounting was applied: the contract amounts or amounts equivalent to the principal set forth in the contracts as of the consolidated closing date were as follows.

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Contract amount	¥ 10,274	¥ 17,528	$ 109,298
Contract amount due after one year	8,236	10,478	87,617
Fair value	(147)	(201)	(1,564)

Method of hedge accounting applied: exceptional treatment for interest rate swap

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

Hedged item: long-term debt

The Company used prices presented by the applicable financial institutions.

Note 2. Financial instruments whose fair values could not be reliably determined

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Non-marketable securities (*1)	¥ 467	¥ 615	$ 4,968
Guarantee deposits received (*2)	¥ 3,547	¥ 3,668	$ 37,734
Derivative relating to earthquakes (*3)	¥ 17	¥ 17	$ 181

(*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 flows cannot be estimated. Therefore, they were excluded from item (4) (Investment securities) above..

(*2) It is extremely difficult to determine the fair values of guarantee deposits received because their scheduled redemption amounts 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 ($3,191 thousand) at both March 31, 2013 and 2012. As the fair value for such a contract was not considered determinable, such 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 periods

	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	
	2013		2012		2013	
Cash and cash equivalents	¥ 9,875	¥ -	¥ 10,789	¥ -	$ 105,053	$ -
Short-term investments	136	-	316	-	1,447	-
Trade receivables	13,832	-	14,044	-	147,149	-
Total	¥ 23,843	¥ -	¥ 25,149	¥ -	$ 253,649	$ -

4. Investments

At March 31, 2013 and 2012, short-term investments consisted of time deposits with an original maturity of more than three months.
At March 31, 2013 and 2012, investment securities consisted of the following.

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Marketable securities:			
Equity securities	¥ 5,460	¥ 4,262	$ 58,085
Other	9	7	96
	5,469	4,269	58,181
Other non-marketable securities	467	615	4,968
	¥ 5,936	¥ 4,884	$ 63,149

Marketable investment securities classified as available-for-sale securities are stated at fair value with unrealized gains and losses excluded from current earnings and reported as net amount within net assets until realized. At March 31, 2013 and 2012, gross unrealized gains and losses for marketable securities classified as available-for-sale securities were as follows.

	Cost		Gross unrealized gains		Gross unrealized losses		Fair and carrying value	
	Millions of yen							
Available-for-sale securities at March 31, 2013:								
Equity securities	¥	3,945	¥	1,740	¥	(225)	¥	5,460
Other		9		-		(0)		9
	¥	3,954	¥	1,740	¥	(225)	¥	5,469
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

	Cost		Gross unrealized gains		Gross unrealized losses		Fair and carrying value	
	Thousands of U.S. dollars							
Available-for-sale securities at March 31, 2013:								
Equity securities	$	41,968	$	18,511	$	(2,394)	$	58,085
Other		96		-		(0)		96
	$	42,064	$	18,511	$	(2,394)	$	58,181

5. Short-term Borrowings and Long-term Debt

At March 31, 2013 and 2012, short-term borrowings consisted of the following.

	Millions of yen				Thousands of U.S. dollars	
	2013		2012		2013	
Short-term bank loans and bank overdrafts with interest rates ranging from 0.31% to 0.85% per annum at March 31, 2013:						
Unsecured	¥	2,741	¥	2,841	$	29,160

At March 31, 2013 and 2012, long-term debt consisted of the following.

	Millions of yen				Thousands of U.S. dollars	
	2013		2012		2013	
Long-term loans from banks and other financial institutions due through 2022 with interest rates ranging from 0.627% to 6.50% per annum at March 31, 2012:						
Collateralized	¥	287	¥	318	$	3,053
Unsecured		21,875		22,660		232,713
		22,162		22,978		235,766
Less portions with current maturities		(4,374)		(7,721)		(46,532)
	¥	17,788	¥	15,257	$	189,234

The aggregate amounts of long-term debt due annually at March 31, 2013 were as follows.

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2014	¥ 4,374	$ 46,532
2015	1,276	13,574
2016	8,113	86,308
2017	612	6,511
2018	462	4,915
2019 and thereafter	7,325	77,926
	¥ 22,162	$ 235,766

The aggregate amounts of long-term lease obligations due annually at March 31, 2013 were as follows.

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2014	¥ 236	$ 2,511
2015	184	1,957
2016	157	1,670
2017	121	1,287
2018	46	489
2019 and thereafter	15	160
	¥ 759	$ 8,074

At March 31, 2013 and 2012, the following assets were pledged as collateral.

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Time deposits included in short-term investments	¥ 13	¥ 12	$ 138
Buildings and structures	556	603	5,915

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 guarantees (and additional collateral or guarantees, as appropriate) with respect to loans and that all assets pledged as collateral under such agreements will be used as collateral for all present and future indebtedness to the bank concerned. The Japan Transcity Group has not yet 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 such banks against indebtedness due to such 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 under certain pension funds organized by third parties.
The following table reconciles the benefit liability and net periodic retirement benefit expense as at and for the years ended March 31, 2013 and 2012.

	Millions of yen				Thousands of U.S dollars	
	2013		2012		2013	
Reconciliation of benefit liability:						
Projected benefit obligation	¥	10,247	¥	10,506	$	109,011
Less fair values of pension plan assets at end of year		(10,029)		(9,251)		(106,692)
		218		1,255		2,319
Unrecognized actuarial differences (losses)		(1,294)		(1,673)		(13,766)
Unrecognized prior service cost of retroactive benefits granted by the pension plan amendment		177		237		1,883
Accrued retirement and severance benefits		(899)		(181)		(9,564)
Prepaid pension cost		2,369		1,745		25,202
Net amount of employee retirement benefit liability recognized in the consolidated balance sheets	¥	1,470	¥	1,564	$	15,638

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

	Millions of yen				Thousands of U.S dollars	
	2013		2012		2013	
Components of net periodic retirement benefit expense:						
Service cost	¥	428	¥	466	$	4,553
Interest cost		172		189		1,830
Expected return on pension plan assets		(166)		(171)		(1,766)
Amortization of actuarial differences		165		279		1,755
Amortization of prior service cost		(60)		(60)		(638)
Net periodic retirement benefit expense	¥	539	¥	703	$	5,734

Major assumptions used in the calculation of the above information for the years ended March 31, 2013 and 2012 were as follows.

	2013	2012
Method to attribute projected benefits to periods of service	Straight-line method	Straight-line method
Discount rate	1.4%	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 “Corporate Law”) became effective on May 1, 2006, replacing the former Japanese Commercial Code. The Corporate Law is generally applicable to events and transactions occurring after April 30, 2006 and for fiscal years ending after such 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 prices of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Corporate Law, in cases where a dividend distribution of surplus is made, the smaller of the 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. The legal earnings reserve has been included in retained earnings in the accompanying consolidated balance sheets.

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

At both March 31, 2013 and 2012, capital surplus principally consisted of additional paid-in capital. In addition, retained earnings included the legal earnings reserve of the Company in the amount of ¥1,200 million ($12,766 thousand) at both March 31, 2013 and 2012.

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, 2013, the Company paid interim dividends of ¥4.00 per share. In addition, at the annual shareholders' meeting held on June 27, 2013, the shareholders approved cash dividends of ¥5.00 per share, amounting to ¥322 million ($3,426 thousand). These appropriations have not yet been accrued in the consolidated financial statements as of March 31, 2013 as such appropriations are recognized in the period in which they are approved by the shareholders.

8. Contingent Liabilities

At March 31, 2013 and 2012, the Japan Transcity Group was contingently liable for guarantees of indebtedness of others in the amounts of ¥467 million ($4,968 thousand) and ¥538 million, respectively. Such amounts included guarantees of indebtedness of 50%-owned affiliates in the amounts of ¥50 million ($532 thousand) and ¥188 million at March 31, 2013 and 2012, 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.

For the years ended March 31, 2013 and 2012, lease expenses under non-cancelable lease agreements which were categorized as finance leases entered into before March 31, 2008 amounted to ¥317 million ($3,372 thousand) and ¥370 million, respectively.

The aggregate future minimum payments for non-cancelable operating leases and finance leases, including imputed interest, at March 31, 2013 and 2012 were as follows.

	Millions of yen				Thousands of U.S. dollars	
	2013		2012		2013	
Operating leases:						
Due within one year	¥	1,032	¥	1,027	$	10,979
Due after one year		2,797		2,696		29,755
	¥	3,829	¥	3,723	$	40,734
Finance leases (entered into before March 31, 2008):						
Due within one year	¥	271	¥	322	$	2,883
Due after one year		534		806		5,681
	¥	805	¥	1,128	$	8,564

10. Income Taxes

The tax effects of temporary differences that gave rise to a significant portion of deferred tax assets and liabilities at March 31, 2013 and 2012 were as follows.

	Millions of yen				Thousands of U.S. dollars	
	2013		2012		2013	
Deferred tax assets:						
Enterprise tax accruals	¥	32	¥	66	$	340
Accrued bonuses to employees		369		370		3,926
Employee retirement benefit liability		564		805		6,000
Accrued severance indemnities for directors		5		9		53
Long-term accounts payable		40		49		425
Intercompany capital gains		275		279		2,926
Net operating loss carry-forwards		244		175		2,596
Impairment loss on fixed assets		1,288		1,065		13,702
Others		373		351		3,968
		3,190		3,169		33,936
Less valuation allowance		(1,598)		(1,367)		(17,000)
Deferred tax assets		1,592		1,802		16,936
Deferred tax liabilities:						
Deferred capital gain		952		993		10,128
Unrealized gains on available-for-sale securities		535		174		5,691
Others		407		388		4,330
Deferred tax liabilities		1,894		1,555		20,149
Net deferred tax assets(liabilities)	¥	(302)	¥	247	$	(3,213)

At March 31, 2013 and 2012, deferred tax assets and liabilities were as follows.

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Deferred tax assets:			
Current	¥ 450	¥ 453	$ 4,787
Non-current	658	665	7,000
Deferred tax liabilities:			
Non-current	1,410	871	15,000

In assessing the realizability of deferred tax assets, management of the Japan Transcity Group considers whether part or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. At March 31, 2013 and 2012, a valuation allowance was provided to reduce the deferred tax assets to amounts management believed would be realizable.

Reconciliations for the differences 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 years ended March 31, 2013 and 2012 were as follows.

	Percentage of pre-tax income	
	2013	2012
Japanese statutory effective tax rate	37.5%	40.1%
Increase (decrease) due to:		
Permanently non-deductible expenses	1.6	1.1
Tax exempt income	(3.9)	(2.2)
Local minimum taxes per capita levy	1.2	0.8
Equity in net earnings of unconsolidated subsidiaries and affiliates	(5.8)	(4.7)
Valuation allowance	7.0	(0.5)
Others	2.2	0.1
Actual effective income tax rate	39.8%	34.7%

Adjustment of deferred tax assets and liabilities due to change in 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 (excepted to be settled or realized on or after April 1, 2012) in the consolidated fiscal year was 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, income taxes-deferred decreased by ¥22 million and net unrealized gains on available-for-sale securities increased by ¥24 million .
Deferred tax liabilities for revaluation decreased, and the land revaluation difference increased, each by ¥658 million.

11. Comprehensive income

The amounts reclassified to net income (loss) in the current period that were recognized in other comprehensive income in the current or previous periods and the tax effects for each component of other comprehensive income for the years ended March 31, 2013 and 2012 were as follows.

	Millions of yen				Thousands of U.S. dollars	
	2013		2012		2013	
Net unrealized gains on available-for-sale securities						
Increase (Decrease) during the year	¥	1,031	¥	(37)	$	10,968
Reclassification adjustments to profit or loss	¥	-	¥	-	$	-
Sub-total, before tax	¥	1,031	¥	(37)	$	10,968
Tax (expense) or benefit	¥	(363)	¥	39	$	(3,862)
Sub-total, net of tax	¥	668	¥	2	$	7,106
Land revaluation decrement						
Tax expense (benefit)	¥	-	¥	658	$	-
Foreign currency translation adjustment						
Increase (Decrease) during the year	¥	181	¥	(99)	$	1,925
Share of other comprehensive income of affiliates accounted for using equity method						
Increase (Decrease) during the year	¥	12	¥	(5)	$	128
Total other comprehensive income	¥	861	¥	556	$	9,159

12. Related Party Transaction

ASBJ Statement No. 11, entitled the "Accounting Standard for Related Party Disclosures", and ASBJ Guidance No. 13, entitled the "Guidance on Accounting Standard for Related Party Disclosures" both issued by ASBJ on October 17, 2006, require certain additional related party disclosures. Pursuant thereto, information on Chubu Coal Center Co., Ltd. has been disclosed for the years ended March 31, 2013 and 2012.

	Millions of yen				Thousands of U.S. dollars	
	2013		2012		2013	
Total current assets	¥	665	¥	702	$	7,074
Total fixed assets	¥	10,225	¥	10,512	$	108,777
Total current liabilities	¥	2,680	¥	2,705	$	28,511
Total fixed liabilities	¥	1,938	¥	2,587	$	20,617
Total net assets	¥	6,272	¥	5,922	$	66,723
Operating revenue	¥	3,102	¥	3,409	$	33,000
Income before income taxes	¥	850	¥	1,138	$	9,043
Net income	¥	530	¥	678	$	5,638

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 which are examined regularly by the board of directors to evaluate their business performance. The Japan Transcity Group provides mainly integrated logistics services that consist of warehousing, coastal shipping, trucking and international multimodal transportation. Therefore, the Japan Transcity Group's reported segment is of "Integrated Logistics Services".

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

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

As disclosed under Note 2(g) (Property and equipment, and depreciation (except for leases)), the Company and its domestic consolidated subsidiaries changed the depreciation method for property and equipment acquired on or after April 1, 2012 to the method provided under the amended Corporation Tax Law of Japan. This change did not have a material effect on operating income.

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

Information by segment for the years ended March 31, 2013 and 2012 is as follows.

	Integrated Logistics Services	Others	Total	Adjustment	Consolidated
			Millions of yen		
For the year ended March 31, 2013:					
Operating revenue:					
External customers	¥ 83,653	¥ 1,045	¥ 84,698	¥ -	¥ 84,698
Intersegment sales	26	1,082	1,108	(1,108)	-
Total operating revenue	83,679	2,127	85,806	(1,108)	84,698
Operating income	¥ 3,027	¥ 99	¥ 3,126	¥ (10)	¥ 3,116
Identifiable assets	¥ 89,922	¥ 1,730	¥ 91,652	¥ (791)	¥ 90,861
Depreciation	2,586	52	2,638	-	2,638
Investments in affiliates accounted for using the equity method	4,869	-	4,869	-	4,869
Capital expenditures	3,126	147	3,273	-	3,273
Impairment loss on fixed assets	-	648	648	-	648
Amortization of negative goodwill	7	-	7	-	7
Negative goodwill	7	-	7	-	7
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 using 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

	Integrated Logistics Services	Others	Total	Adjustment	Consolidated
	Thousands of U.S. dollars				
For the year ended March 31, 2013:					
Operating revenue:					
External customers	$ 889,926	$ 11,117	$ 901,043	$ -	$ 901,043
Intersegment sales	276	11,511	11,787	(11,787)	-
Total operating revenue	890,202	22,628	912,830	(11,787)	901,043
Operating income	$ 32,202	$ 1,053	$ 33,255	$ (106)	$ 33,149
Identifiable assets	$ 956,617	$ 18,404	$ 975,021	$ (8,415)	$ 966,606
Depreciation	27,511	553	28,064	-	28,064
Investments in affiliates accounted for using the equity method	51,798	-	51,798	-	51,798
Capital expenditures	33,255	1,564	34,819	-	34,819
Impairment loss on fixed assets	-	6,894	6,894	-	6,894
Amortization of negative goodwill	74	-	74	-	74
Negative goodwill	74	-	74	-	74

Note: For the year ended March 31, 2013, impairment loss on fixed assets arose with respect to the golf club business. This amount was included in “Others” in the above table.

(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, 2013:					
Operating revenue to external customers	¥ 33,958	¥ 21,122	¥ 16,722	¥ 11,851	¥ 83,653
For the year ended March 31, 2012					
Operating revenue to external customers	¥ 33,214	¥ 21,421	¥ 17,011	¥ 10,678	¥ 82,324
	Thousands of U.S. dollars				
For the year ended March 31, 2013					
Operating revenue to external customers	$ 361,255	$ 224,702	$ 177,894	$ 126,075	$ 889,926

2. Information about geographic areas

(1) Operating revenue

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

(2) Property, plant and equipment

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

3. Information about major customers

Information on operating revenue from major customers for the years ended March 31, 2013 and 2012 is as follows.

Customer's name	Relevant reportable segment	Millions of Yen		Thousands of U.S. Dollars
		2013	2012	2013
Aeon Global SCM Co., Ltd.	Integrated logistics services	¥ 9,182	¥ 8,583	$ 97,681

(Gains arising from negative goodwill)

The Company has omitted information by segment on gains arising from negative goodwill due to the negligible importance of such 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
	2013	2012	2013
Current assets:			
Cash and cash equivalents	¥ 8,200	¥ 9,225	$ 87,234
Short-term investments	2	3	21
Trade receivables, net of allowance for doubtful accounts	13,335	13,313	141,862
Inventories	15	16	159
Deferred tax assets	243	255	2,585
Other current assets	1,891	1,845	20,117
Total current assets	23,686	24,657	251,978
Property and equipment, at cost	74,911	74,035	796,926
Less accumulated depreciation	(34,849)	(34,069)	(370,734)
Net property and equipment	40,062	39,966	426,192
Investments and other assets:			
Investment securities	5,433	4,494	57,798
Investments in and long-term loans to subsidiaries and affiliates	5,213	4,085	55,457
Lease deposits	627	781	6,670
Other assets	4,233	3,590	45,032
Allowance for doubtful accounts	(732)	(613)	(7,787)
Total investments and other assets	14,774	12,337	157,170
Total assets	¥ 78,522	¥ 76,960	$ 835,340

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Current liabilities:			
Short-term borrowings	¥ 6,856	¥ 7,553	$ 72,936
Current maturities of long-term debt	4,192	5,992	44,595
Trade payables	7,843	8,278	83,436
Accrued expenses	764	763	8,128
Income taxes payable	271	518	2,883
Other current liabilities	1,571	1,645	16,713
Total current liabilities	21,497	24,749	228,691
Long-term debt	16,469	13,761	175,203
Employee retirement benefit liability	481	532	5,117
Deferred tax liabilities for revaluation	4,619	4,619	49,138
Deferred tax liabilities	1,325	806	14,096
Other long-term liabilities	527	548	5,606
Total liabilities	44,918	45,015	477,851
Net assets:			
Shareholder’s equity:			
Common stock	8,428	8,428	89,659
Capital surplus	6,733	6,733	71,628
Retained earnings	20,037	18,977	213,159
Less treasury stock, at cost	(1,100)	(1,099)	(11,702)
Total shareholders' equity	34,098	33,039	362,744
Accumulated losses from valuation adjustment:			
Net unrealized gains on available-for-sale securities	873	273	9,287
Land revaluation decrement	(1,367)	((1,367)	(14,542)
Total accumulated losses from valuation adjustment	(494)	(1,094)	(5,255)
Total net assets	33,604	31,945	357,489
Total liabilities and net assets	¥ 78,522	¥ 76,960	$ 835,340

Nonconsolidated Statements of Income (Unaudited)
Japan Transcity Corporation (Parent)
For the Years Ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Operating revenue	¥ 79,368	¥ 78,199	$ 844,340
Operating costs and expenses	77,119	75,453	820,414
Operating income	2,249	2,746	23,926
Other income (expenses):			
Interest and dividend income	642	474	6,829
Interest expenses	(270)	(305)	(2,872)
Miscellaneous, net	19	(300)	202
	391	(131)	4,159
Income before income taxes	2,640	2,615	28,085
Income taxes:			
Current	794	937	8,447
Deferred	207	148	2,202
Total income taxes	1,001	1,085	10,649
Net income	¥ 1,639	¥ 1,530	$ 17,436

	Yen		U.S. dollars
Per share:			
Net income:			
-Basic	¥ 25.47	¥ 23.70	$ 0.27
Cash dividends	9.00	9.00	0.10

Nonconsolidated Statements of Changes in Net Assets (Unaudited)
Japan Transcity Corporation (Parent)
For the Years Ended March 31, 2013 and 2012

	Shareholders' equity					Accumulated (losses) gains from valuation adjustment			
	Common stock	Capital surplus	Retained Earnings	Treasury stock	Total shareholders' 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 April 1, 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
Net income for the year	-	-	1,639	-	1,639	-	-	-	1,639
Cash dividends	-	-	(579)	-	(579)	-	-	-	(579)
Purchase of treasury stock and fractional shares, net	-	-	-	(1)	(1)	-	-	-	(1)
Net changes other than shareholders' equity	-	-	-	-	-	600	-	600	600
Balance at March 31, 2013	¥ 8,428	¥ 6,733	¥ 20,037	¥ (1,100)	¥ 34,098	¥ 873	¥ (1,367)	¥ (494)	¥ 33,604
	Thousands of U.S. dollars								
Balance at March 31, 2012	$ 89,659	$ 71,628	$ 201,883	$ (11,691)	$ 351,479	$ 2,904	$ (14,542)	$ (11,638)	$ 339,841
Net income for the year	-	-	17,436	-	17,436	-	-	-	17,436
Cash dividends	-	-	(6,160)	-	(6,160)	-	-	-	(6,160)
Purchase of treasury stock and fractional shares, net	-	-	-	(11)	(11)	-	-	-	(11)
Net changes other than shareholders' equity	-	-	-	-	-	6,383		6,383	6,383
Balance at March 31, 2013	$ 89,659	$ 71,628	$ 213,159	$ (11,702)	$ 362,744	$ 9,287	$ (14,542)	$ (5,255)	$ 357,489