Japan Transcity Corporation

Consolidated Financial Statements

March 31, 2015 and 2014

KPMG

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, 2015 and 2014, and the consolidated statements of income, 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, 2015 and 2014, 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, 2015 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, 2015
Nagoya, Japan

Japan Transcity Corporation and Consolidated Subsidiaries
Consolidated Balance Sheets
March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Current assets:			
Cash and cash equivalents (Note 3)	¥ 11,653	¥ 12,648	$ 97,108
Short-term investments (Notes 3 and 4)	40	48	334
Trade receivables (Note 3)	13,767	13,404	114,725
Allowance for doubtful accounts	(15)	(17)	(125)
	13,752	13,387	114,600
Inventories	90	99	750
Deferred tax assets (Note 10)	411	374	3,425
Other current assets	2,109	1,974	17,575
Total current assets	28,055	28,530	233,792
Property and equipment:			
Land (Note 5)	31,234	30,065	260,283
Buildings and structures (Note 5)	52,862	47,609	440,517
Machinery and equipment	12,889	11,882	107,408
Vehicles and vessels	6,694	6,685	55,784
Construction in progress	270	2,353	2,250
Total property and equipment	103,949	98,594	866,242
Less accumulated depreciation	(52,865)	(49,263)	(440,542)
Net property and equipment	51,084	49,331	425,700
Investments and other assets:			
Investment securities (Notes 3 and 4)	7,930	6,268	66,083
Investments in unconsolidated subsidiaries and affiliates	6,236	5,804	51,967
Employee retirement benefit asset (Note 6)	4,254	2,961	35,450
Deferred tax assets (Note 10)	602	653	5,017
Lease deposits	551	505	4,591
Other assets	1,507	1,512	12,558
Allowance for doubtful accounts	(16)	(16)	(133)
Total investments and other assets	21,064	17,687	175,533
Total assets	¥ 100,203	¥ 95,548	$ 835,025

See accompanying Notes to Consolidated Financial Statements.

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Current liabilities:			
Short-term borrowings (Notes 3 and 5)	¥ 2,467	¥ 2,594	$ 20,558
Current maturities of long-term debt (Notes 3 and 5)	8,242	1,278	68,683
Trade payables (Note 3)	8,234	7,728	68,617
Accrued expenses	1,649	1,594	13,742
Income taxes payable	311	734	2,592
Other current liabilities	2,382	3,277	19,850
Total current liabilities	23,285	17,205	194,042
Long-term liabilities:			
Long-term debt (Notes 3 and 5)	14,440	21,062	120,333
Employee retirement benefit liability (Note 6)	1,811	1,839	15,092
Guarantee deposits received (Notes 3 and 5)	3,148	3,401	26,233
Deferred tax liabilities for revaluation	4,118	4,545	34,317
Deferred tax liabilities (Note 10)	2,615	1,607	21,792
Accrued severance indemnities for directors	14	19	116
Other long-term liabilities	696	764	5,800
Total long-term liabilities	26,842	33,237	223,683
Total liabilities	50,127	50,442	417,725
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	70,233
Capital surplus	6,733	6,733	56,109
Retained earnings	32,771	30,509	273,091
Less treasury stock, at cost: 2,824,885 shares in 2015 and 2,817,101 shares in 2014	(1,107)	(1,104)	(9,225)
Total shareholders' equity	46,825	44,566	390,208
Accumulated other comprehensive income:			
Net unrealized gains on available-for-sale securities	2,335	1,198	19,458
Land revaluation decrement	(1,075)	(1,503)	(8,958)
Foreign currency translation adjustment	434	134	3,617
Retirement benefit adjustment (Note 6)	73	(362)	608
Total accumulated other comprehensive income	1,767	(533)	14,725
Minority interests	1,484	1,073	12,367
Total net assets	50,076	45,106	417,300
Total liabilities and net assets	¥ 100,203	¥ 95,548	$ 835,025

Japan Transcity Corporation and Consolidated Subsidiaries
Consolidated Statements of Income
For the Years Ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Operating revenue (Note 12)	¥ 92,497	¥ 88,607	$ 770,808
Operating costs and expenses			
(Notes 6 and 9)	89,390	84,969	744,916
Operating income	3,107	3,638	25,892
Other income (expenses):			
Interest and dividend income	401	353	3,341
Interest expenses	(241)	(257)	(2,008)
Equity in net earnings of unconsolidated subsidiaries and affiliates	543	493	4,525
(Loss) gain on sale or disposal of property and equipment	(3)	17	(25)
Others, net	243	157	2,025
	943	763	7,858
Income before income taxes and minority interests	4,050	4,401	33,750
Income taxes:			
Current	1,044	1,371	8,700
Deferred	98	256	817
Total income taxes	1,142	1,627	9,517
Income before minority interests	2,908	2,774	24,233
Less minority interests in net income of consolidated subsidiaries	118	88	983
Net income	¥ 2,790	¥ 2,686	$ 23,250

	Yen		U.S. dollars
Per share:			
Net income	¥ 43.37	¥ 41.75	$ 0.36
Cash dividends (Note 7)	9.50	9.00	0.08

See accompanying Notes to Consolidated Financial Statements.

Japan Transcity Corporation and Consolidated Subsidiaries
Consolidated Statements of Comprehensive Income
For the Years Ended March 31, 2015 and 2014

	Millions of yen				Thousands of U.S. dollars	
	2015		2014		2015	
Income before minority interests	¥	2,908	¥	2,774	$	24,233
Other comprehensive income (Note 11):						
Net unrealized gains on available-for-sale securities		1,142		270		9,517
Land revaluation decrement		427		-		3,558
Foreign currency translation adjustment		395		302		3,292
Retirement benefit adjustment		435		-		3,625
Share of other comprehensive income of associates accounted for using equity method		12		13		100
Total other comprehensive income		2,411		585		20,092
Comprehensive income	¥	5,319	¥	3,359	$	44,325
Comprehensive income attributable to:						
Owners of the Company	¥	5,090	¥	3,200	$	42,417
Minority interests		229		159		1,908

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, 2015 and 2014

		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	Retirement benefit adjustment	Total accumulated other comprehensive income	Minority interests	Total net assets
		Millions of yen											
Balance at April 1, 2013	67,142,417	¥ 8,428	¥ 6,733	¥ 28,160	¥ (1,100)	¥ 42,221	¥ 930	¥ (1,367)	¥ (95)	¥ -	¥ (532)	¥ 1,144	¥ 42,833
Net income for the year	-	-	-	2,686	-	2,686	-	-	-	-	-	-	2,686
Cash dividends	-	-	-	(579)	-	(579)	-	-	-	-	-	-	(579)
Change of scope of consolidation	-	-	-	106	-	106	-	-	-	-	-	-	106
Purchase of treasury stock and fractional shares, net	-	-	-	-	(4)	(4)	-	-	-	-	-	-	(4)
Reversal of land revaluation decrement	-	-	-	136	-	136	-	-	-	-	-	-	136
Net changes other than shareholders' equity	-	-	-	-	-	-	268	(136)	229	(362)	(1)	(71)	(72)
Balance at March 31, 2014	67,142,417	8,428	6,733	30,509	(1,104)	44,566	1,198	(1,503)	134	(362)	(533)	1,073	45,106
Cumulative effects of changes in accounting policies (Note 2(k))	-	-	-	51	-	51	-	-	-	-	-	-	51
Restated balance	-	8,428	6,733	30,560	(1,104)	44,617	1,198	(1,503)	134	(362)	(533)	1,073	45,157
Net income for the year	-	-	-	2,790	-	2,790	-	-	-	-	-	-	2,790
Cash dividends	-	-	-	(579)	-	(579)	-	-	-	-	-	-	(579)
Purchase of treasury stock and fractional shares, net	-	-	-	-	(3)	(3)	-	-	-	-	-	-	(3)
Net changes other than shareholders' equity	-	-	-	-	-	-	1,137	428	300	435	2,300	411	2,711
Balance at March 31, 2015	67,142,417	¥ 8,428	¥ 6,733	¥ 32,771	¥ (1,107)	¥ 46,825	¥ 2,335	¥ (1,075)	¥ 434	¥ 73	¥ 1,767	¥ 1,484	¥ 50,076

	Thousands of U.S. dollars											
Balance at March 31, 2014	$ 70,233	$ 56,109	$ 254,241	$ (9,200)	$ 371,383	$ 9,983	$ (12,525)	$ 1,117	$ (3,017)	$ (4,442)	$ 8,942	$ 375,883
Cumulative effects of changes in accounting policies (Note 2(k))	-	-	425	-	425	-	-	-	-	-	-	425
Restated balance	70,233	56,109	254,666	(9,200)	371,808	9,983	(12,525)	1,117	(3,017)	(4,442)	8,942	376,308
Net income for the year	-	-	23,250	-	23,250	-	-	-	-	-	-	23,250
Cash dividends	-	-	(4,825)	-	(4,825)	-	-	-	-	-	-	(4,825)
Purchase of treasury stock and fractional shares, net	-	-	-	(25)	(25)	-	-	-	-	-	-	(25)
Net changes other than shareholders' equity	-	-	-	-	-	9,475	3,567	2,500	3,625	19,167	3,425	22,592
Balance at March 31, 2015	$ 70,233	$ 56,109	$ 273,091	$ (9,225)	$ 390,208	$ 19,458	$ (8,958)	$ 3,617	$ 608	$ 14,725	$ 12,367	$ 417,300

See accompanying Notes to Consolidated Financial Statements.

Japan Transcity Corporation and Consolidated Subsidiaries
Consolidated Statements of Cash Flows
For the Years Ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 4,050	¥ 4,401	$ 33,750
Adjustments for:			
Depreciation	2,834	2,661	23,617
Net change in employee retirement benefit asset/liability	(595)	(779)	(4,958)
Loss (gain) on sale or disposal of property and equipment	3	(17)	25
Decrease in trade receivables	431	694	3,592
Decrease (increase) in inventories	10	(11)	83
(Decrease) increase in trade payables	(308)	171	(2,567)
Others, net	(1,094)	(472)	(9,117)
Sub-total	5,331	6,648	44,425
Interest and dividend received	607	532	5,058
Interest paid	(241)	(275)	(2,008)
Income taxes paid	(1,528)	(1,012)	(12,733)
Net cash provided by operating activities	4,169	5,893	34,742
Cash flows from investing activities:			
Increase in property and equipment and intangible assets	(3,979)	(3,412)	(33,159)
Decrease in property and equipment and intangible assets	32	301	267
Decrease in short-term investments	12	278	100
Payments for sales of investments in subsidiaries resulting in change in scope of consolidation	-	(96)	-
Others, net	(195)	241	(1,625)
Net cash used in investing activities	(4,130)	(2,688)	(34,417)
Cash flows from financing activities:			
Increase in long-term debt	1,100	4,550	9,167
Repayment of long-term debt	(1,409)	(4,376)	(11,742)
Decrease in short-term borrowings	(147)	(223)	(1,225)
Purchase of treasury stock and fractional shares, net	(3)	(4)	(25)
Dividends paid	(579)	(579)	(4,825)
Others, net	(268)	(246)	(2,233)
Net cash used in financing activities	(1,306)	(878)	(10,883)
Effect of exchange rate changes on cash and cash equivalents	272	267	2,266
Net (decrease) increase in cash and cash equivalents	(995)	2,594	(8,292)
Cash and cash equivalents at beginning of year	12,648	9,875	105,400
Increase in cash and cash equivalents upon inclusion of additional subsidiaries on consolidation	-	179	-
Cash and cash equivalents at end of year	¥ 11,653	¥ 12,648	$ 97,108

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 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, 2015, which was approximately ¥120 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, 2015 and 2014 were as follows.

	2015	2014
Consolidated subsidiaries:		
Domestic	24	23
Overseas	5	5
Unconsolidated subsidiaries and affiliates accounted for using the equity method	9	9
Unconsolidated subsidiaries stated at cost	13	12
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 (five subsidiaries in 2015 and 2014, respectively). 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 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" issued by the Accounting Standards Board of Japan ("ASBJ") (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 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, net of applicable income taxes, are reported as accumulated other comprehensive income. 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 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 amounted to ¥100 million ($833 thousand) at March 31, 2015 and 2014.

(h) Accounting for leases

Assets of finance leases that transfer ownership of the leased property to the lessee are depreciated using the same method for property.
Assets of finance leases that do not transfer ownership of the leased property to lessee 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) is zero.
Prior to April 1, 2008, the Company's domestic consolidated subsidiary 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.
The Company and its domestic consolidated subsidiaries have adopted ASBJ Statement No. 13, entitled the “Accounting Standard for Lease Transactions,” and ASBJ Guidance No. 16, entitled the “Guidance on Accounting Standard for Lease Transactions.” The accounting standard requires that all finance lease transactions be treated as capital leases. As permitted, finance leases which do not transfer ownership of leased property to the lessee that 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.

(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 effects, was recorded as land revaluation decrement account included in accumulated other comprehensive income in the accompanying consolidated balance sheets. At March 31, 2015 and 2014, 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 ¥8,868 million ($73,900 thousand) and ¥8,898 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 retirement benefit obligation using the actuarial appraisal approach and the value of pension plan assets available for benefits at the fiscal year-end.
Actuarial differences arising from changes in the retirement 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 10 years, a period within the remaining service years of the employees, measured from the year after such differences arise. Past service cost is amortized using the straight-line method over 10 years, measured from the year in which such cost arises.
Some consolidated subsidiaries provide accrued retirement benefits for their employees mainly at the amounts of the projected benefit obligations calculated by the simplified method.

Effective from the year ended March 31, 2014, the Company and its domestic consolidated subsidiaries have applied the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, revised on May 17, 2012 ("Statement No. 26")) and the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, revised on May 17, 2012 ("Guidance No. 25")), with the exceptions of Article 35 of Statement No. 26 and Article 67 of Guidance No. 25, and, accordingly, actuarial differences and past service costs that are yet to be recognized have been recognized and the difference between retirement benefit obligations and plan assets has been recognized as employee retirement benefit liability. In accordance with Article 37 of Statement No. 26, this accounting change has not been retrospectively applied to the consolidated financial statements in prior years, and the effect of the change in accounting policies arising from initial application has been recognized as retirement benefit adjustment in accumulated other comprehensive income. As a result of the application, employee retirement benefit asset in the amount of ¥2,961 million and employee retirement benefit liability in the amount of ¥1,839 million have been recognized and a credit balance of accumulated other comprehensive income of ¥362 million was recorded at March 31, 2014.

Effective from the year ended March 31, 2015, the Company and its domestic consolidated subsidiaries adopted Article 35 of Statement No. 26 and Article 67 of Guidance No. 25 and have changed the determination of retirement benefit obligations and current service costs. In addition, the Company and its domestic consolidated subsidiaries have changed the method of attributing expected retirement benefits to periods from the straight-line basis to the benefit formula basis and the method of determining the discount rate from a method determined based on the period approximate to the expected average remaining service years of the eligible employees to a method determined using a single weighted average discount rate reflecting the estimated timing and amount of benefit payment. In accordance with Article 37 of Statement No. 26, this accounting change has not been retrospectively applied to the consolidated financial statements in prior years, and the effect of the change in accounting policies arising from initial application has been recognized as an adjustment to the beginning balance of retained earnings as of April 1, 2014.
As a result of the application, employee retirement benefit asset was ¥32 million ($267 thousand) less and employee retirement benefit liability ¥110 million ($917 thousand) less, and retained earnings were ¥51 million ($425 thousand) more than the amounts that would have been reported without the change at the beginning of the current fiscal year. In addition, operating income and income before income taxes and minority interests were ¥51 million ($425 thousand) less, respectively, for the year ended March 31, 2015 than the amounts that would have been reported without the change.

(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 promulgation 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

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. 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, 2015 or 2014 due to the lack of any dilutive shares.

(r) Yet to be applied accounting standard

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

(Accounting standard for business combination)
ASBJ issued revised ASBJ Statement No. 21, entitled the “Accounting Standard for Business Combinations,” revised ASBJ Guidance No. 10, entitled the “Guidance on Accounting Standard for Business Combinations and Business Divestitures,” and revised ASBJ Statement No. 22, entitled the “Accounting Standard for Consolidated Financial Statements,” on September 13, 2013. Under these revised accounting standards, the accounting treatment for changes in a parent's ownership interest in a subsidiary when the parent retains control over the subsidiary through additional acquisition of shares therein and for acquisition-related costs were amended. In addition, the presentation method of net income was amended, “minority interests” was amended to “non-controlling interest,” and transitional provisions for accounting treatments were defined.
The Company expects to apply these revised accounting standards and guidance from the beginning of the fiscal year ending March 31, 2016. However, the transitional provisions for accounting treatments will be applied for business combination performed on or after the beginning of the fiscal year ending March 31, 2016. The Company is currently in the process of assessing the impact of these standards on the consolidated financial statements.

3. Fair values of financial instruments

(a) Qualitative information on financial instruments:

① Policies for using financial instruments
The fund operation of the Company is limited to short-term deposits, and the Company raises fund 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 fund of the Japan Transcity Group as a whole.

③ Supplemental information on fair values:

The contract amounts of derivative instruments under Note 3 (Fair Values of Financial Instruments) do not necessarily represent the market risk in themselves.

(b) Fair values of financial instruments:

The carrying values of financial instruments included in the consolidated balance sheet and their fair values at March 31, 2015 and 2014 were as follows. Some financial instruments were excluded because it was extremely difficult to identify their fair values.

	Carrying value	Fair value Millions of yen	Difference
At March 31, 2015:			
(1) Cash and cash equivalents	¥ 11,653	¥ 11,653	¥ -
(2) Short-term investments	40	40	-
(3) Trade receivables	13,767	13,767	-
(4) Investment securities			
Marketable securities	7,517	7,517	-
Total assets	¥ 32,977	¥ 32,977	¥ -
(1) Trade payables	¥ 8,234	¥ 8,234	¥ -
(2) Short-term borrowings	2,467	2,467	-
(3) Long-term debt	22,682	22,698	16
Total liabilities	¥ 33,383	¥ 33,399	¥ 16
At March 31, 2014:			
(1) Cash and cash equivalents	¥ 12,648	¥ 12,648	¥ -
(2) Short-term investments	48	48	-
(3) Trade receivables	13,404	13,404	-
(4) Investment securities			
Marketable securities	5,894	5,894	-
Total assets	¥ 31,994	¥ 31,994	¥ -
(1) Trade payables	¥ 7,728	¥ 7,728	¥ -
(2) Short-term borrowings	2,594	2,594	-
(3) Long-term debt	22,340	22,156	(184)
Total liabilities	¥ 32,662	¥ 32,478	¥ (184)

	Carrying value	Fair value	Difference
		Thousands of U.S. dollars	
At March 31, 2015:			
(1) Cash and cash equivalents	$ 97,108	$ 97,108	$ -
(2) Short-term investments	334	334	-
(3) Trade receivables	114,725	114,725	-
(4) Investment securities			
Marketable securities	62,642	62,642	-
Total assets	$ 274,809	$ 274,809	$ -
(1) Trade payables	$ 68,617	$ 68,617	$ -
(2) Short-term borrowings	20,558	20,558	-
(3) Long-term debt	189,016	189,150	134
Total liabilities	$ 278,191	$ 278,325	$ 134

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 their 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 their 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 fiscal year-end date were as follows.

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Contract amount (*1)	¥ 9,500	¥ 10,066	$ 79,167
Contract amount due after one year included in (*1)	2,000	9,500	16,667
Fair value	(60)	(97)	(500)

(Note) 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 fair value is measured in reference to the price obtained from the applicable financial institutions.

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Non-marketable securities (*1)	¥ 413	¥ 374	$ 3,441
Guarantee deposits received (*2)	3,148	3,401	26,233
Derivative relating to earthquakes (*3)	17	17	142

(*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 ($2,500 thousand) at both March 31, 2015 and 2014. 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 fiscal year-end 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	
	2015		2014		2015	
Cash and cash equivalents	¥ 11,653	¥ -	¥ 12,648	¥ -	$ 97,108	$ -
Short-term investments	40	-	48	-	334	-
Trade receivables	13,767	-	13,404	-	114,725	-
Total	¥ 25,460	¥ -	¥ 26,100	¥ -	$ 212,167	$ -

4. Investments

At March 31, 2015 and 2014, short-term investments consisted of time deposits with an original maturity of more than three months.

At March 31, 2015 and 2014, investment securities consisted of the following.

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Marketable securities:			
Equity securities	¥ 7,507	¥ 5,885	$ 62,559
Other	10	9	83
	7,517	5,894	62,642
Other non-marketable securities	413	374	3,441
	¥ 7,930	¥ 6,268	$ 66,083

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, 2015 and 2014, 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, 2015:				
Equity securities	¥ 3,992	¥ 3,607	¥ (92)	¥ 7,507
Other	9	1	-	10
	¥ 4,001	¥ 3,608	¥ (92)	¥ 7,517
Available-for-sale securities at March 31, 2014:				
Equity securities	¥ 3,957	¥ 2,095	¥ (167)	¥ 5,885
Other	9	-	-	9
	¥ 3,966	¥ 2,095	¥ (167)	¥ 5,894

	Cost	Gross unrealized gains	Gross unrealized losses	Fair and carrying value
	Thousands of U.S. dollars			
Available-for-sale securities at March 31, 2015:				
Equity securities	$ 33,267	$ 30,058	$ (766)	$ 62,559
Other	75	8	-	83
	$ 33,342	$ 30,066	$ (766)	$ 62,642

5. Short-term Borrowings, Long-term Debt and Collateral

At March 31, 2015 and 2014, short-term borrowings consisted of the following.

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Short-term bank loans and bank overdrafts with interest rates ranging from 0.28% to 5.60% per annum at March 31, 2015:			
Unsecured	¥ 2,467	¥ 2,594	$ 20,558

At March 31, 2015 and 2014, long-term debt consisted of the following.

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Long-term loans from banks and other financial institutions due through 2022 with interest rates ranging from 0.443% to 2.0% per annum at March 31, 2015:			
Collateralized	¥ -	¥ 257	$ -
Unsecured	22,682	22,083	189,016
	22,682	22,340	189,016
Less portions with current maturities	(8,242)	(1,278)	(68,683)
	¥ 14,440	¥ 21,062	$ 120,333

The aggregate amounts of long-term debt due annually at March 31, 2015 were as follows.

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2016	¥ 8,242	$ 68,683
2017	1,743	14,525
2018	560	4,666
2019	1,742	14,517
2020	6,070	50,583
2021 and thereafter	4,325	36,042
	¥ 22,682	$ 189,016

The aggregate amounts of long-term lease obligations, which were other current liabilities and other long-term liabilities, due annually at March 31 were as follows.

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2016	¥ 286	$ 2,384
2017	253	2,108
2018	167	1,392
2019	79	658
2020	26	217
2021 and thereafter	4	33
	¥ 815	$ 6,792

At March 31, 2015 and 2014, the following assets were pledged as collateral.

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Buildings and structures	¥ -	¥ 509	$ -

In addition to the above, at March 31, 2015 and 2014, land of ¥795 million ($6,625 thousand) was ready for the pledges subject to the security of the guarantee deposits received of ¥100 million ($833 thousand).

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 defined benefit plans to which the simplified method is applied. In addition, some consolidated subsidiaries have a defined contribution pension plan under certain pension funds organized by third parties.
The following table reconciles the benefit liability (asset) and net periodic retirement benefit expense as at and for the year ended March 31, 2015 and 2014.

Defined benefit plans excepting those to which the simplified method has been applied:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Movement in retirement benefit obligations:			
Balance at beginning of the year	¥ 7,861	¥ 8,277	$ 65,508
Cumulative effects of changes in accounting policies	(78)	-	(650)
Restated balance	7,783	-	64,858
Service cost	346	305	2,884
Interest cost	65	117	542
Actuarial differences	220	39	1,833
Benefits paid	(458)	(876)	(3,817)
Other	3	(1)	25
Balance at end of the year	¥ 7,959	¥ 7,861	$ 66,325

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Movement in plan assets:			
Balance at beginning of the year	¥ 9,951	¥ 9,009	$ 82,925
Expected return on plan assets	80	127	667
Actuarial differences	845	679	7,042
Contributions paid by the employer	927	920	7,725
Benefits paid	(447)	(783)	(3,725)
Other	1	(1)	8
Balance at end of the year	¥ 11,357	¥ 9,951	$ 94,642

	Millions of yen				Thousands of U.S. dollars	
	2015		2014		2015	
Reconciliation from retirement benefit obligations and plan assets to liability (asset) for retirement benefits:						
Funded retirement benefit obligations	¥	7,140	¥	7,022	$	59,500
Plan assets		(11,357)		(9,951)		(94,642)
	¥	(4,217)	¥	(2,929)	$	(35,142)
Unfunded retirement benefit obligations		819		839		6,825
Total net liability (asset) for employee retirement benefit at end of the year	¥	(3,398)	¥	(2,090)	$	(28,317)
Employee retirement benefit liability		832		849		6,933
Employee retirement benefit asset		(4,230)		(2,939)		(35,250)
Total net liability (asset) for retirement benefits at end of the year	¥	(3,398)	¥	(2,090)	$	(28,317)

	Millions of yen				Thousands of U.S. dollars	
	2015		2014		2015	
Retirement benefit costs:						
Service cost	¥	346	¥	305	$	2,884
Interest cost		65		117		542
Expected return on plan assets		(80)		(127)		(667)
Actuarial differences amortization		90		(20)		750
Past service costs amortization		(49)		(60)		(409)
Total retirement benefit costs for the year	¥	372	¥	215	$	3,100

	Millions of yen				Thousands of U.S. dollars	
	2015		2014		2015	
Retirement benefit adjustment, before taxes, included in other comprehensive income:						
Actuarial differences	¥	(715)	¥	-	$	(5,959)
Past service costs		50		-		417
Total balance at end of the year	¥	(665)	¥	-	$	(5,542)

	Millions of yen				Thousands of U.S. dollars	
	2015		2014		2015	
Retirement benefit adjustment, before taxes, included in accumulated other comprehensive income:						
Actuarial differences that are yet to be recognized	¥	(43)	¥	672	$	(358)
Past service costs that are yet to be recognized		(68)		(118)		(567)
Total balance at end of the year	¥	(111)	¥	554	$	(925)

Plan assets

	2015	2014
(1) Plan assets:		
Bonds	13%	9%
Equity securities	35%	35%
General account	9%	15%
Commingled funds	30%	29%
Other	13%	12%
Total	100%	100%

At March 31, 2015 and 2014, assets under the retirement benefit trust set up for corporate pension plans accounted for 34% and 35% of the total plan assets, respectively.

Both at March 31, 2015 and 2014, commingled funds consisted of bonds (65%) and equity securities (35%).

(2) Long-term expected rate of return:
Current and target asset allocations and historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

Principal actuarial assumptions at March 31, 2015 and 2014 (expressed as weighed averages)

	2015	2014
Discount rate	0.6%	1.4%
Long-term expected rate of return	0.8%	1.4%

Defined benefit plans to which the simplified method has been applied:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Movement in liability for retirement benefits:			
Balance at beginning of the year	¥ 967	¥ 947	$ 8,058
Retirement benefit costs	158	157	1,317
Benefits paid	(91)	(42)	(758)
Contributions paid by employer	(96)	(96)	(800)
Other	17	1	142
Balance at end of the year	¥ 955	¥ 967	$ 7,959

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Reconciliation from retirement benefit obligations and plan assets to liability (asset) for retirement benefits:			
Funded retirement benefit obligations	¥ 1,934	¥ 1,884	$ 16,117
Plan assets	(1,182)	(1,104)	(9,850)
	¥ 752	¥ 780	$ 6,267
Unfunded retirement benefit obligations	203	187	1,692
Total net liability (asset) for employee retirement benefit at end of the year	¥ 955	¥ 967	$ 7,959
Employee retirement benefit liability	979	990	8,159
Employee retirement benefit asset	(24)	(23)	(200)
Total net liability (asset) for retirement benefit at end of the year	¥ 955	¥ 967	$ 7,959

Total retirement benefit costs for the fiscal year ended March 31, 2015 and 2014 based on the simplified method

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
	¥ 158	¥ 157	$ 1,317

Defined contribution plan:
For the years ended March 31, 2015 and 2014, the required contribution amount of the consolidated subsidiaries to the defined contribution plan was ¥49 million ($408 thousand) and ¥46 million, respectively.

7. Net Assets

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, 2015 and 2014, 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 ($10,000 thousand) at both March 31, 2015 and 2014.

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, 2015, the Company paid interim dividends of ¥4.00 per share. In addition, at the annual shareholders' meeting held on June 26, 2015, the shareholders approved cash dividends of ¥5.50 per share amounting to ¥354 million ($2,950 thousand). These appropriations have not yet been accrued in the consolidated financial statements as of March 31, 2015 as such appropriations are recognized in the period in which they are approved by the shareholders.

8. Contingent Liabilities

At March 31, 2015 and 2014, the Japan Transcity Group was contingently liable for guarantees of indebtedness of others in the amounts of ¥253 million ($2,108 thousand) and ¥306 million, respectively. Such amounts included reserved guarantees of unconsolidated subsidiaries in the amounts of ¥253 million ($2,108 thousand) and ¥279 million at March 31, 2015 and 2014, 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, 2015 and 2014, lease expenses under non-cancelable lease agreements which were categorized as finance leases entered into before March 31, 2008 amounted to ¥219 million ($1,825 thousand) and ¥271 million, respectively.

The aggregate future minimum payments for non-cancelable operating leases and finance leases, including imputed interest, at March 31, 2015 and 2014 were as follows.

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Operating leases:			
Due within one year	¥ 1,056	¥ 1,016	$ 8,800
Due after one year	1,990	1,840	16,583
	¥ 3,046	¥ 2,856	$ 25,383
Finance leases which were entered into before March 31, 2008 and not capitalized:			
Due within one year	¥ 117	¥ 218	$ 975
Due after one year	199	316	1,658
	¥ 316	¥ 534	$ 2,633

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, 2015 and 2014 were as follows.

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Deferred tax assets:			
Enterprise tax accruals	¥ 30	¥ 54	$ 250
Accrued bonuses to employees	343	353	2,859
Employee retirement benefit liability	332	479	2,767
Accrued severance indemnities for directors	5	7	42
Long-term accounts payable	25	27	208
Intercompany capital gains	259	265	2,158
Net operating loss carry-forwards	250	262	2,083
Impairment loss on fixed assets	1,224	1,286	10,200
Others	423	432	3,525
	2,891	3,165	24,092
Less valuation allowance	(1,565)	(1,651)	(13,042)
Deferred tax assets	1,326	1,514	11,050
Deferred tax liabilities:			
Employee retirement benefit asset	307	-	2,558
Deferred capital gain	845	910	7,042
Unrealized gains on available-for-sale securities	1,126	679	9,383
Others	650	505	5,417
Deferred tax liabilities	2,928	2,094	24,400
Net deferred tax liabilities	¥ (1,602)	¥ (580)	$ (13,350)

At March 31, 2015 and 2014, deferred tax assets and liabilities were as follows.

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Deferred tax assets:			
Current	¥ 411	¥ 374	$ 3,425
Non-current	602	653	5,017
Deferred tax liabilities:			
Non-current	2,615	1,607	21,792

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, 2015 and 2014, 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 year ended March 31, 2015 were as follows.

	Percentage of pre-tax income
Japanese statutory effective tax rate	35.1%
Increase (decrease) due to:	
Permanently non-deductible expenses	1.0
Tax exempt income	(4.6)
Local minimum taxes per capita levy	1.0
Effect of elimination of dividend income from subsidiaries for consolidation purpose	3.1
Equity in net earnings of unconsolidated subsidiaries and affiliates	(4.7)
Valuation allowance	(2.1)
Others	(0.6)
Actual effective income tax rate	28.2%

Reconciliation for the year ended March 31, 2014 was not disclosed because the difference was immaterial.

Adjustment of deferred tax assets and liabilities due to change in income tax rate:
Following the promulgation on March 31, 2015 of the "Act for Partial Revision of Income Tax Act" and "Act for Partial Revision of Local Tax Act", the effective statutory tax rate used to measure deferred tax assets and liabilities (excepted to be settled or realized on or after April 1, 2015) in the consolidated fiscal year was changed from the previous consolidated fiscal year's rate of 35.1% to 32.6% for temporary differences expected to be resolved during the period from April 1, 2015 to March 31, 2016, and to 31.8% for temporary differences expected to be resolved on or after April 1, 2016. As a result of the change, deferred tax liabilities, net of deferred tax assets, were ¥213 million ($1,775 thousand) less, net unrealized gains on available-for-sale securities ¥112 million ($933 thousand) more, and retirement benefit adjustment ¥3 million ($25 thousand) more at March 31, 2015 than the amounts that would have been reported without the change.
Deferred income taxes for the year ended March 31, 2015 were ¥98 million ($817 thousand) less than the amounts that would have been reported without the change. Deferred tax liabilities for revaluation were ¥427 million ($3,558 thousand) less and land revaluation decrement was the same amount more at March 31, 2015 than the amounts that would have been reported without the change.

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, 2015 and 2014 were as follows.

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Net unrealized gains on available-for-sale securities			
Increase (decrease) during the year	¥ 1,588	¥ 417	$ 13,233
Reclassification adjustments to profit or loss	-	-	-
Sub-total, before tax	1,588	417	13,233
Tax (expense) or benefit	(446)	(147)	(3,716)
Sub-total, net of tax	1,142	270	9,517
Land revaluation decrement			
Tax (expense) or benefit	427	-	3,558
Foreign currency translation adjustment			
Increase (decrease) during the year	395	302	3,292
Retirement benefit adjustment			
Increase (decrease) during the year	624	-	5,200
Reclassification adjustments to profit or loss	41	-	342
Sub-total, before tax	665	-	5,542
Tax (expense) or benefit	(230)	-	(1,917)
Sub-total, net of tax	435	-	3,625
Share of other comprehensive income of affiliates accounted for using equity method			
Increase (decrease) during the year	12	13	100
Total other comprehensive income	¥ 2,411	¥ 585	$ 20,092

12. 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(k) (Employee retirement benefits), the Company and its domestic consolidated subsidiaries have changed the method for calculating retirement benefit obligation and service cost.

As a result, operating income for the "Integrated Logistics services" segment decreased by ¥51 million ($425 thousand).

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

Information by segment for the years ended March 31, 2015 and 2014 are as follows.

	Integrated Logistics Services	Others	Total	Adjustment	Consolidated
			Millions of yen		
For the year ended March 31, 2015:					
Operating revenue:					
External customers	¥ 91,452	¥ 1,045	¥ 92,497	¥ -	¥ 92,497
Intersegment sales	26	1,134	1,160	(1,160)	-
Total operating revenue	91,478	2,179	93,657	(1,160)	92,497
Operating income	¥ 2,936	¥ 127	¥ 3,063	¥ 44	¥ 3,107
Identifiable assets	¥ 99,596	¥ 1,799	¥ 101,395	¥ (1,192)	¥ 100,203
Depreciation	2,754	80	2,834	-	2,834
Investments in affiliates accounted for using the equity method	5,827	-	5,827	-	5,827
Capital expenditures	2,934	29	2,963	-	2,963
Amortization of goodwill	14	-	14	-	14
Goodwill	56	-	56	-	56
Amortization of negative goodwill	-	-	-	-	-
For the year ended March 31, 2014:					
Operating revenue:					
External customers	¥ 87,579	¥ 1,028	¥ 88,607	¥ -	¥ 88,607
Intersegment sales	27	1,047	1,074	(1,074)	-
Total operating revenue	87,606	2,075	89,681	(1,074)	88,607
Operating income	¥ 3,512	¥ 93	¥ 3,605	¥ 33	¥ 3,638
Identifiable assets	¥ 94,783	¥ 1,747	¥ 96,530	¥ (981)	¥ 95,549
Depreciation	2,611	50	2,661	-	2,661
Investments in affiliates accounted for using the equity method	5,480	-	5,480	-	5,480
Capital expenditures	4,761	33	4,794	-	4,794
Amortization of goodwill	-	-	-	-	-
Goodwill	-	-	-	-	-
Amortization of negative goodwill	7	-	7	-	7

	Integrated Logistics Services	Others	Total	Adjustment	Consolidated
	Thousands of U.S. dollars				
For the year ended March 31, 2015:					
Operating revenue:					
External customers	$ 762,100	$ 8,708	$ 770,808	$ -	$ 770,808
Intersegment sales	217	9,450	9,667	(9,667)	-
Total operating revenue	762,317	18,158	780,475	(9,667)	770,808
Operating income	$ 24,467	$ 1,058	$ 25,525	$ 367	$ 25,892
Identifiable assets	$ 829,967	$ 14,991	$ 844,958	$ (9,933)	$ 835,025
Depreciation	22,950	667	23,617	-	23,617
Investments in affiliates accounted for using the equity method	48,558	-	48,558	-	48,558
Capital expenditures	24,450	242	24,692	-	24,692
Amortization of goodwill	117	-	117	-	117
Goodwill	467	-	467	-	467
Amortization of negative goodwill	-	-	-	-	-

(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, 2015:					
Operating revenue to external customers	¥ 34,594	¥ 20,362	¥ 18,033	¥ 18,463	¥ 91,452
For the year ended March 31, 2014					
Operating revenue to external customers	¥ 34,597	¥ 21,103	¥ 17,164	¥ 14,715	¥ 87,579
	Thousands of U.S. dollars				
For the year ended March 31, 2015					
Operating revenue to external customers	$ 288,283	$ 169,683	$ 150,275	$ 153,859	$ 762,100

2. Information about geographic areas

(1) Operating revenue

For the year ended March 31, 2014, the Company has omitted the disclosure of operating revenue because operating revenue from external customers in Japan accounted for more than 90% of the amounts of operating revenue reported in the consolidated statements of income.

For the year ended March 31, 2015, operating revenue by geographic area is as follows.

	Japan	Other	Total
	Millions of yen		
For the year ended March 31, 2015:			
Operating revenue	¥ 82,810	¥ 9,687	¥ 92,497
	Thousands of U.S. dollars		
For the year ended March 31, 2015:			
Operating revenue	$ 690,083	$ 80,725	$ 770,808

(2) Property and equipment

The Company has omitted the disclosure of property and equipment because property and equipment in Japan accounted for more than 90% of the amounts of property 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, 2015 and 2014 are as follows.

Customer's name	Relevant reportable segment	Millions of Yen		Thousands of U.S. Dollars
		2015	2014	2015
Aeon Global SCM Co., Ltd.	Integrated logistics services	¥ 9,256	¥ 10,015	$ 77,133

(Gains arising from negative goodwill)

For the year ended March 31, 2014, the Company has omitted information by segment on gains arising from negative goodwill due to the negligible importance of such information.

For the year ended March 31, 2015, the Company has not presented information by segment on gains from negative goodwill due to no occurrence.

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
	2015	2014	2015
Current assets:			
Cash and cash equivalents	¥ 9,407	¥ 10,595	$ 78,391
Short-term investments	5	4	42
Trade receivables, net of allowance for doubtful accounts	12,540	12,669	104,500
Inventories	17	17	142
Deferred tax assets	221	184	1,842
Other current assets	1,845	1,806	15,375
Total current assets	24,035	25,275	200,292
Property and equipment, at cost	79,905	77,972	665,875
Less accumulated depreciation	(37,322)	(35,922)	(311,017)
Net property and equipment	42,583	42,050	354,858
Investments and other assets:			
Investment securities	7,317	5,738	60,975
Investments in and long-term loans to subsidiaries and affiliates	4,867	4,489	40,559
Prepaid pension cost	3,805	3,162	31,708
Lease deposits	418	421	3,483
Other assets	1,386	1,538	11,550
Allowance for doubtful accounts	(1,092)	(932)	(9,100)
Total investments and other assets	16,701	14,416	139,175
Total assets	¥ 83,319	¥ 81,741	$ 694,325

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Current liabilities:			
Short-term borrowings	¥ 8,423	¥ 8,317	$ 70,191
Current maturities of long-term debt	7,950	1,094	66,250
Trade payables	6,428	6,158	53,567
Accrued expenses	799	759	6,658
Income taxes payable	182	565	1,517
Other current liabilities	1,302	2,585	10,850
Total current liabilities	25,084	19,478	209,033
Long-term liabilities:			
Long-term debt	13,075	19,925	108,958
Employee retirement benefit liability	503	507	4,192
Deferred tax liabilities for revaluation	2,235	1,683	18,625
Provision for loss on business of subsidiaries and associates	1,717	1,877	14,308
Deferred tax liabilities	4,118	4,545	34,317
Other long-term liabilities	473	557	3,942
Total long-term liabilities	22,121	29,094	184,342
Total liabilities	47,205	48,572	393,375
Net assets:			
Shareholder's equity:			
Common stock	8,428	8,428	70,233
Capital surplus	6,733	6,733	56,109
Retained earnings	20,925	19,492	174,375
Less treasury stock, at cost	(1,107)	(1,104)	(9,225)
Total shareholders' equity	34,979	33,549	291,492
Accumulated losses from valuation adjustment:			
Net unrealized gains on available-for-sale securities	2,210	1,123	18,416
Land revaluation decrement	(1,075)	(1,503)	(8,958)
Total accumulated losses from valuation adjustment	1,135	(380)	9,458
Total net assets	36,114	33,169	300,950
Total liabilities and net assets	¥ 83,319	¥ 81,741	$ 694,325

Nonconsolidated Statements of Income (Unaudited)
Japan Transcity Corporation (Parent)
For the Years Ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Operating revenue	¥ 81,363	¥ 81,336	$ 678,025
Operating costs and expenses	79,472	78,713	662,267
Operating income	1,891	2,623	15,758
Other income (expenses):			
Interest and dividend income	756	592	6,300
Interest expenses	(221)	(241)	(1,842)
Provision for loss on business of subsidiaries and associates	-	(1,877)	-
Miscellaneous, net	238	(52)	1,984
	773	(1,578)	6,442
Income before income taxes	2,664	1,045	22,200
Income taxes:			
Current	639	940	5,325
Deferred	64	207	533
Total income taxes	703	1,147	5,858
Net income	¥ 1,961	¥ (102)	$ 16,342

	Yen		U.S. dollars
Per share:			
Net income:			
-Basic	¥ 30.48	¥ (1.58)	$ (0.25)
Cash dividends	9.50	9.00	0.08

Nonconsolidated Statements of Changes in Net Assets (Unaudited)
Japan Transcity Corporation (Parent)
For the Years Ended March 31, 2015 and 2014

	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, 2013	¥ 8,428	¥ 6,733	¥ 20,037	¥ (1,100)	¥ 34,098	¥ 873	¥ (1,367)	¥ (494)	¥ 33,604
Net income for the year	-	-	(102)	-	(102)	-	-	-	(102)
Cash dividends	-	-	(579)	-	(579)	-	-	-	(579)
Purchase of treasury stock and fractional shares, net	-	-	-	(4)	(4)	-	-	-	(4)
Reversal of land revaluation decrement	-	-	136	-	136	-	-	-	136
Net changes other than shareholders' equity	-	-	-	-	-	250	(136)	114	114
Balance at March 31, 2014	¥ 8,428	¥ 6,733	¥ 19,492	¥ (1,104)	¥ 33,549	¥ 1,123	¥ (1,503)	¥ (380)	¥ 33,169
Cumulative effects of changes in accounting policies			51		51				51
Restated balance	8,428	6,733	19,543	(1,104)	33,600	1,123	(1,503)	(380)	33,220
Net income for the year	-	-	1,961	-	1,961	-	-	-	1,961
Cash dividends	-	-	(579)	-	(579)	-	-	-	(579)
Purchase of treasury stock and fractional shares, net	-	-	-	(3)	(3)	-	-	-	(3)
Net changes other than shareholders' equity	-	-	-	-	-	1,087	428	1,515	1,515
Balance at March 31, 2015	¥ 8,428	¥ 6,733	¥ 20,925	¥ (1,107)	¥ 34,979	¥ 2,210	¥ (1,075)	¥ 1,135	¥ 36,114
	Thousands of U.S. dollars								
Balance at March 31, 2014	$ 70,233	$ 56,109	$ 162,433	$ (9,200)	$ 279,575	$ 9,358	$ (12,525)	$ (3,167)	$ 276,408
Cumulative effects of changes in accounting policies			425		425				425
Restated balance	70,233	56,109	162,858	(9,200)	280,000	9,358	(12,525)	(3,167)	276,833
Net income for the year	-	-	16,342	-	16,342	-	-	-	16,342
Cash dividends	-	-	(4,825)	-	(4,825)	-	-	-	(4,825)
Purchase of treasury stock and fractional shares, net	-	-	-	(25)	(25)		-	-	(25)
Net changes other than shareholders' equity	-	-	-	-	-	9,058	3,567	12,625	12,625
Balance at March 31, 2015	$ 70,233	$ 56,109	$ 174,375	$ (9,225)	$ 291,492	$ 18,416	$ (8,958)	$ 9,458	$ 300,950