Consolidated Financial Statements

VT HOLDINGS CO., LTD.

Year Ended March 31, 2019

1. Overview of Operating Results

(1) Overview of Operating Results for the Current Fiscal Year

1) Overview of financial results

The domestic new car sales market remained largely flat for standard-sized vehicles, but remained strong for light motor vehicles. As a result, the number of new cars sold in Japan increased by 1.2% year-on-year for the current fiscal year.

With regard to our Group's core business, the Automobile Sales-Related Business, domestic sales remained relatively strong mainly due to a positive impact of the release of Honda's new models and the robust sales of Nissan's e-POWER models and electronic cars. In overseas, the Group was able to add sales of three companies in Spain that the Company newly acquired to make them its subsidiaries during the period from the previous fiscal year to the second quarter of the current fiscal year. Consequently, the number of sales of new and used cars reached 101,591 units, increased by 6,461 units or 6.8% as compared to the previous fiscal year.

The Housing-related Business was on an upward trend both for orders and deliveries of property for sale.

On the other hand, the Company recorded an impairment loss of ¥945 million ($8,515 thousand) (an impairment loss of goodwill of ¥619 million ($5,579 thousand) and a write-down of non-current assets of ¥326 million ($2,936 thousand)) of three of the subsidiaries as an extraordinary loss due to the deterioration of the subsidiaries' financial position resulting from the lower operating results than the business plan.

Consequently, the consolidated revenue, operating profit, profit before tax, and profit attributable to owners of parent were ¥218,848 million ($1,971,422 thousand) (8.5% increase from the previous fiscal year), ¥6,936 million ($62,480 thousand) (7.2% decrease from the previous fiscal year), ¥6,630 million ($59,725 thousand) (11.2% decrease from the previous fiscal year), and ¥3,767 million ($33,937 thousand) (19.7% decrease from the previous fiscal year), respectively.

2) Business overview by segment

[Automobile Sales-Related Business]

The new car business achieved a year-on-year increase in the number of units sold. Specifically, the Group including the overseas subsidiaries posted new car sales of 44,861 units (increase of 13.3% year-on-year), which include domestic sales of 6,757 Honda cars (increase of 11.2% year-on-year) and 17,587 Nissan cars (increase of 31.8% year-on-year as a result of our focused efforts of creating a customer base). However, the business recorded a year-on-year decrease in profit despite an increase in sales. This is because we primarily focused on an increase in the number of units sold partly for the purpose of increasing the number of customers under management going forward, resulting in a decrease in profit margin per new car.

The used car business achieved year-on-year increases in both sales and profit. The Group including overseas subsidiaries posted used car sales of 56,730 units (increase of 2.1% year-on-year), which include export sales of 7,033 units (increase of 8.6% year-on-year).

The service business recorded profit growth, with a focus on increases in car inspections/JCI inspections, repair orders and commissions received by existing companies and newly consolidated subsidiaries, despite a slight decline in revenue.

In car rental business, sales and profit increased from the previous fiscal year owing to the steady operations of car rental shops launched in the previous fiscal year as well as existing shops.

As a result, the Automobile Sales-Related Business recorded an increase in sales but a decrease in profit with revenue of ¥209,308 million ($1,885,491 thousand) (increased by 8.7% year-on-year) and operating profit of ¥5,030 million ($45,308 thousand) (decreased by 11.1% year-on-year).

While there were Nissan's scandals including the arrest of its former chairman Carlos Ghosn and additional recalls arising from non-compliance in the completion inspection process during the third quarter of the current fiscal year saw, we have so far succeeded in minimizing the impact of those scandals on our sales.

[Housing-related Business]

The condominium business continued to enjoy strong demand for condominiums backed by lower mortgage rates and continuation of the home mortgage tax reduction. However, the condominium market has faced difficulties represented by a rise in sales prices of condominiums due to an increase in construction costs resulting from a labor shortage and a hike in prices of construction materials, and a rise in prices of project sites.

Under such circumstances, the condominium business achieved robust performance in terms of orders received and deliveries of completed projects by focusing on location selections and appropriate sales prices of properties with thorough marketing activities. During the current fiscal year, the business sold 288 units of nine newly built condominiums, signed contracts for 243 units including completed units (compared with 163 units for the previous fiscal year) and delivered 199 units (compared with 178 units for the previous fiscal year).

The detached house business was on an upward trend as a whole, albeit slight regional variations. The business also endeavored to increase orders from commercial facilities for corporate customers such as automobile dealers.

Consequently, the Housing-related Business recorded increases in both sales and profit with revenue of ¥9,348 million ($84,205 thousand) (increased by 4.6% year-on-year) and operating profit of ¥955 million ($8,607 thousand) (increased by 24.7% year-on-year).

3) Forecasts for the next fiscal year

Although the global economy has remained firm, attention should be drawn to increasing uncertainties such as concerns over protectionism and block economy and geopolitical risks.

The outlook of the Japanese economy is believed to remain uncertain partly because of concerns over exporters' future performance and increasingly constrained consumer spending ahead of a further consumption tax hike in 2019.

Whereas a temporary rush in demand before the consumption tax hike is expected in the domestic car sales market, it is anticipated that the situation will continue to bear close watching as the market may shrink even more after the tax increase.

Under these circumstances, we will strive to expand our business via M&A while taking measures to further increase new car sales of each Group company, improve customer satisfaction and bolster the revenue base of the used car sales business and the service business.

The exchange rate assumptions for our forecasts are ¥144.99 per GBP, ¥124.56 per EUR, ¥78.68 per AUD and ¥7.62 per ZAR.

Accordingly, the consolidated forecasts for the year ending March 2020 are as follows: revenue of ¥225.0 billion ($2,026,844 thousand), operating profit of ¥8.3 billion ($74,768 thousand), profit before tax of ¥8.0 billion ($72,066 thousand) and profit attributable to owners of parent of ¥4.7 billion ($42,339 thousand).

As the Company announced in the "Notice Regarding Voluntary Adoption of International Financial Reporting Standards (IFRS)" dated March 18, 2019, the consolidated forecasts for the year ending March 31, 2020 were calculated under IFRS instead of Japanese GAAP that the Company previously adopted.

* The aforementioned business forecasts are estimates made by the management based on information currently available and include risks and uncertainties. Actual business performance may significantly vary from those business forecasts due to various factors. Critical factors that may affect actual performance include economic conditions, market trends, and the foreign exchange rate for yen that surround business domains of the Company, its consolidated subsidiaries and equity-method associates.

Financial Information

1 Preparation of the Consolidated Financial Statements and Non-consolidated Financial Statements

(1) The consolidated financial statements of the Company are prepared in accordance with International Financial Reporting Standards ("IFRS") pursuant to the provisions of Article 93 of the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ministry of Finance Order No. 28 of 1976). Figures presented in the consolidated financial statements, etc. less than one million yen are rounded off to the nearest million yen.

(2) The non-consolidated financial statements of the Company are prepared in accordance with the Regulation on Terminology, Forms, and Preparation Methods of Financial Statements (Ministry of Finance Order No. 59 of 1963; hereinafter the "Regulation on Financial Statements").

Of the comparative information in non-consolidated financial statements for the fiscal year under review (from April 1, 2018, to March 31, 2019), any information related to Article 8-12, paragraph (2), item (ii) and Article 8-12, paragraph (3) of Regulation on Financial Statements, which has been revised in compliance with the "Cabinet Office Order Partially Amending the Regulation on Financial Statements," is prepared as per pre-revision Regulation on Financial Statements in accordance with Article 2, paragraph (2) of supplementary provisions of the Cabinet Office Order.

The Company is qualified as a company submitting financial statements prepared in accordance with special provisions and prepares the financial statements in accordance with the provision of Article 127 of the Regulation on Financial Statements.

Figures presented in the non-consolidated financial statements, etc. less than one million yen are rounded down.

2 Note on Independent Audit

In accordance with the provisions of Article 193-2, paragraph (1) of the Financial Instruments and Exchange Act, the consolidated financial statements and the non-consolidated financial statements of the Company for the fiscal year ended March 31, 2019 were audited by Tokai Audit Corporation.

3 Special Efforts to Ensure the Appropriateness of the Consolidated Financial Statements and Development of a System for Appropriate Preparation of the Consolidated Financial Statements in Accordance with IFRS

The Company is making special efforts to ensure the appropriateness of consolidated financial statements, and developing a system for the appropriate preparation of consolidated financial statements, in accordance with IFRS. The content thereof is as follows:

(1) To develop a system for ensuring correct understanding of accounting standards, etc. and appropriate responses to any changes in accounting standards, etc., the Company has joined the Financial Accounting Standards Foundation and attends seminars, etc. held by the foundation, audit corporations and others.

(2) For the adoption of IFRS, the Company keeps up with the latest accounting standards by obtaining press releases and standards published by the International Accounting Standards Board as needed. To prepare appropriate consolidated financial statements, etc. under IFRS, the Company has developed accounting policies of the Group and the accounting principle in accordance with IFRS and performs accounting procedures based on these policies.

1 Consolidated Financial Statements, etc.

(1) Consolidated Financial Statements

1) Consolidated Statement of Financial Position

	Notes	As of March 31, 2019	As of March 31, 2018	IFRS transition date (April 1, 2017)	As of March 31, 2019
		Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars
Assets					
Current assets					
Cash and cash equivalents	7	7,514	7,640	6,755	67,691
Trade and other receivables	8,34	19,381	19,544	17,050	174,584
Other financial assets	9,34	235	5	28	2,115
Inventories	10	36,686	39,134	29,531	330,477
Other current assets	11	3,525	4,670	4,413	31,751
Total current assets		67,341	70,993	57,777	606,617
Non-current assets					
Property, plant and equipment	12	41,536	39,513	36,879	374,165
Goodwill	13	12,554	13,179	13,287	113,093
Intangible assets	13	513	586	625	4,619
Investment property	14	7,127	7,178	6,490	64,201
Investments accounted for using equity method	6,16	4,053	3,942	3,251	36,514
Other financial assets	9,34	7,381	7,709	6,667	66,494
Deferred tax assets	17	827	852	714	7,454
Other non-current assets	11	144	160	181	1,302
Total non-current assets		74,137	73,121	68,096	667,842
Total assets		141,478	144,113	125,873	1,274,459

	Notes	As of March 31, 2019	As of March 31, 2018	IFRS transition date (April 1, 2017)	As of March 31, 2019
		Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars
Liabilities and equity					
Liabilities					
Current liabilities					
Bonds and borrowings	18,34	17,711	18,653	16,420	159,543
Trade and other payables	20,34	45,356	46,633	37,648	408,573
Other financial liabilities	18,34	3,607	4,017	3,351	32,489
Income taxes payable		937	1,546	745	8,444
Contract liabilities	26	8,694	7,911	5,814	78,318
Other current liabilities	23	2,378	2,279	2,141	21,422
Total current liabilities		78,683	81,039	66,119	708,789
Non-current liabilities					
Bonds and borrowings	18,34	10,321	11,381	12,755	92,976
Other financial liabilities	18,34	5,213	5,742	5,556	46,955
Provisions	22	458	417	381	4,123
Deferred tax liabilities	17	1,876	1,901	1,700	16,898
Other non-current liabilities	23	1,461	1,399	1,375	13,161
Total non-current liabilities		19,328	20,839	21,766	174,113
Total liabilities		98,011	101,878	87,886	882,902
Equity					
Share capital	24	4,297	4,297	4,297	38,711
Capital surplus	24	2,843	2,841	2,833	25,609
Treasury shares	24	(272)	(272)	(99)	(2,452)
Other components of equity		330	620	137	2,972
Retained earnings	24	32,846	31,559	28,285	295,883
Total equity attributable to owners of parent		40,044	39,045	35,454	360,722
Non-controlling interests		3,423	3,190	2,533	30,835
Total equity		43,467	42,235	37,987	391,557
Total liabilities and equity		141,478	144,113	125,873	1,274,459

2) Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income

Consolidated Statement of Profit or Loss

	Notes	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Revenue	6,26	218,848	201,621	1,971,422
Cost of sales		183,782	167,525	1,655,540
Gross profit		35,066	34,096	315,882
Selling, general and administrative expenses	27	27,566	26,212	248,323
Other income	28	620	465	5,582
Other expenses	28	1,184	875	10,661
Operating profit		6,936	7,473	62,480
Finance income	29	104	180	939
Finance costs	29	591	398	5,321
Share of profit of investments accounted for using equity method	16	181	208	1,627
Profit before tax		6,630	7,463	59,725
Income tax expense	17	2,509	2,303	22,605
Profit		4,121	5,160	37,121
Profit attributable to				
Owners of parent		3,767	4,690	33,937
Non-controlling interests		353	469	3,184
Profit		4,121	5,160	37,121

	Notes	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Earnings per share		Yen	Yen	U.S. dollars
Basic earnings per share	31	32.10	39.87	0.29
Diluted earnings per share		–	–	–

Consolidated Statement of Comprehensive Income

	Notes	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Profit		4,121	5,160	37,121
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Financial assets measured at fair value through other comprehensive income	30	(255)	701	(2,295)
Share of other comprehensive income of investments accounted for using equity method	16,30	(2)	4	(22)
Total of items that will not be reclassified to profit or loss		(257)	705	(2,317)
Items that may be reclassified to profit or loss				
Exchange differences on translation of foreign operations	30	(327)	501	(2,946)
Share of other comprehensive income of investments accounted for using equity method	16,30	(3)	8	(24)
Total of items that may be reclassified to profit or loss		(330)	509	(2,970)
Other comprehensive income, net of tax		(587)	1,215	(5,287)
Comprehensive income		3,534	6,374	31,834
Comprehensive income attributable to				
Owners of parent		3,218	5,868	28,989
Non-controlling interests		316	507	2,845
Comprehensive income		3,534	6,374	31,834

3) Consolidated Statement of Changes in Equity

Fiscal year ended March 31, 2019

	Notes	Equity attributable to owners of parent					
					Other components of equity		
		Share capital	Capital surplus	Treasury shares	Exchange differences on translation of foreign operations	Share acquisition rights	Financial assets measured at fair value through other comprehensive income
		Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance at April 1, 2018		4,297	2,841	(272)	477	143	–
Profit							
Other comprehensive income					(291)		(258)
Total comprehensive income		–	–	–	(291)	–	(258)
Change in scope of consolidation					1		
Changes in ownership interest in subsidiaries			(0)		2		
Forfeiture of share acquisition rights	33		2			(2)	
Transfer to retained earnings							258
Purchase of treasury shares	24			(0)			
Dividends	25						
Total transactions with owners		–	2	(0)	3	(2)	258
Balance at March 31, 2019		4,297	2,843	(272)	189	141	–

	Notes	Equity attributable to owners of parent			Non-controlling interests	Total
		Other components of equity				
		Total	Retained earnings	Total		
		Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance at April 1, 2018		620	31,559	39,045	3,190	42,235
Profit		–	3,767	3,767	353	4,121
Other comprehensive income		(549)		(549)	(38)	(587)
Total comprehensive income		(549)	3,767	3,218	316	3,534
Change in scope of consolidation		1	8	9	8	17
Changes in ownership interest in subsidiaries		2		2	(43)	(41)
Forfeiture of share acquisition rights	33	(2)		–		–
Transfer to retained earnings		258	(258)	–		–
Purchase of treasury shares	24	–		(0)		(0)
Dividends	25	–	(2,230)	(2,230)	(49)	(2,278)
Total transactions with owners		259	(2,480)	(2,219)	(83)	(2,302)
Balance at March 31, 2019		330	32,846	40,044	3,423	43,467

Fiscal year ended March 31, 2018

		Equity attributable to owners of parent					
					Other components of equity		
	Notes	Share capital	Capital surplus	Treasury shares	Exchange differences on translation of foreign operations	Share acquisition rights	Financial assets measured at fair value through other comprehen-sive income
		Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance at April 1, 2017		4,297	2,833	(99)	–	137	–
Profit							
Other comprehensive income					476		701
Total comprehensive income		–	–	–	476	–	701
Change in scope of consolidation					1		
Changes in ownership interest in subsidiaries			(0)				
Forfeiture of share acquisition rights	33		10			(10)	
Transfer to retained earnings							(701)
Purchase of treasury shares	24		(1)	(174)			
Dividends	25						
Share-based payment transactions	33					15	
Total transactions with owners		–	9	(174)	1	5	(701)
Balance at March 31, 2018		4,297	2,841	(272)	477	143	–

		Equity attributable to owners of parent				
		Other components of equity				
	Notes	Total	Retained earnings	Total	Non-controlling interests	Total
		Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance at April 1, 2017		137	28,285	35,454	2,533	37,987
Profit		–	4,690	4,690	469	5,160
Other comprehensive income		1,177		1,177	37	1,215
Total comprehensive income		1,177	4,690	5,868	507	6,374
Change in scope of consolidation		1		1	176	176
Changes in ownership interest in subsidiaries		–		(0)	(0)	(0)
Forfeiture of share acquisition rights	33	(10)		–		–
Transfer to retained earnings		(701)	701	–		–
Purchase of treasury shares	24	–		(175)		(175)
Dividends	25	–	(2,118)	(2,118)	(25)	(2,142)
Share-based payment transactions	33	15		15		15
Total transactions with owners		(695)	(1,417)	(2,277)	151	(2,126)
Balance at March 31, 2018		620	31,559	39,045	3,190	42,235

Fiscal year ended March 31, 2019

	Notes	Equity attributable to owners of parent					
					Other components of equity		
		Share capital	Capital surplus	Treasury shares	Exchange differences on translation of foreign operations	Share acquisition rights	Financial assets measured at fair value through other comprehensive income
		Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
Balance at April 1, 2018		38,711	25,594	(2,452)	4,297	1,286	–
Profit							
Other comprehensive income					(2,621)		(2,328)
Total comprehensive income		–	–	–	(2,621)	–	(2,328)
Change in scope of consolidation					6		
Changes in ownership interest in subsidiaries			(2)		19		
Forfeiture of share acquisition rights	33		17			(17)	
Transfer to retained earnings							2,328
Purchase of treasury shares	24			(0)			
Dividends	25						
Total transactions with owners		–	15	(0)	25	(17)	2,328
Balance at March 31, 2019		38,711	25,609	(2,452)	1,702	1,270	–

	Notes	Equity attributable to owners of parent			Non-controlling interests	Total
		Other components of equity				
		Total	Retained earnings	Total		
		Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
Balance at April 1, 2018		5,584	284,288	351,724	28,740	380,464
Profit		–	33,937	33,937	3,184	37,121
Other comprehensive income		(4,948)		(4,948)	(339)	(5,287)
Total comprehensive income		(4,948)	33,937	28,989	2,845	31,834
Change in scope of consolidation		6	71	78	73	151
Changes in ownership interest in subsidiaries		19		17	(384)	(367)
Forfeiture of share acquisition rights	33	(17)		–		–
Transfer to retained earnings		2,328	(2,328)	–		–
Purchase of treasury shares	24	–		(0)		(0)
Dividends	25	–	(20,086)	(20,086)	(439)	(20,525)
Total transactions with owners		2,337	(22,342)	(19,991)	(750)	(20,741)
Balance at March 31, 2019		2,972	295,883	360,722	30,835	391,557

4) Consolidated Statement of Cash Flows

	Notes	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Cash flows from operating activities				
Profit before tax		6,630	7,463	59,725
Depreciation and amortization		5,631	4,965	50,726
Impairment losses		945	600	8,515
Interest and dividend income		(92)	(105)	(828)
Interest expenses		360	364	3,240
Foreign exchange loss (gain)		15	(0)	137
Share of loss (profit) of investments accounted for using equity method		(181)	(208)	(1,627)
Loss (gain) on sale of non-current assets		(4)	6	(39)
Loss on retirement of non-current assets		51	85	458
Decrease (increase) in trade receivables		(822)	(428)	(7,401)
Decrease (increase) in inventories		1,431	(7,282)	12,886
Increase (decrease) in trade payables		621	5,388	5,590
Increase (decrease) in contract liabilities		811	2,067	7,306
Increase (decrease) in accrued consumption taxes		1,027	624	9,253
Other		(73)	128	(662)
Subtotal		16,349	13,665	147,278
Interest and dividends received		154	149	1,384
Interest paid		(329)	(362)	(2,967)
Income taxes refund (paid)		(3,027)	(2,102)	(27,268)
Net cash provided by (used in) operating activities		13,147	11,351	118,427
Cash flows from investing activities				
Payments into time deposits		(98)	(60)	(886)
Proceeds from withdrawal of time deposits		189	–	1,703
Purchase of property, plant and equipment		(7,605)	(6,660)	(68,507)
Proceeds from sale of property, plant and equipment		2,273	1,669	20,474
Purchase of intangible assets		(164)	(73)	(1,482)
Purchase of investment securities		–	(516)	0
Proceeds from sale of investment securities		14	18	127
Proceeds from (payments for) acquisition of subsidiaries		–	200	0
Proceeds from (payments for) sale of subsidiaries		(102)	–	(918)
Payments for loans receivable		(190)	(59)	(1,710)
Collection of loans receivable		101	104	906
Payments of leasehold deposits and guarantee deposits		(138)	(118)	(1,243)
Proceeds from collection of leasehold deposits and guarantee deposits		106	87	951
Other		(25)	(15)	(226)
Net cash provided by (used in) investing activities		(5,640)	(5,424)	(50,810)

	Notes	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Cash flows from financing activities				
Net increase (decrease) in short-term borrowings	32	970	1,311	8,738
Proceeds from long-term borrowings	32	5,404	5,622	48,678
Repayments of long-term borrowings	32	(7,782)	(6,039)	(70,106)
Redemption of bonds	32	(264)	(94)	(2,378)
Purchase of treasury shares		(0)	(175)	(0)
Dividends paid	24	(2,230)	(2,118)	(20,086)
Dividends paid to non-controlling interests		(49)	(25)	(439)
Repayments of lease liabilities	32	(3,672)	(3,570)	(33,075)
Other		(1)	(1)	(11)
Net cash provided by (used in) financing activities		(7,624)	(5,089)	(68,678)
Effect of exchange rate changes on cash and cash equivalents		(8)	46	(69)
Net increase (decrease) in cash and cash equivalents		(125)	885	(1,130)
Cash and cash equivalents at beginning of period	7	7,640	6,755	68,821
Cash and cash equivalents at end of period	7	7,514	7,640	67,691

Notes to Consolidated Financial Statements

1. REPORTING ENTITY

VT HOLDINGS CO., LTD. (the "Company") is a company located in Japan. The address of the Company's registered head office and principal offices are presented on the Company's website (http://www.vt-holdings.co.jp). The Company's consolidated financial statements, which were prepared with the end of the reporting period on March 31, 2019, represent the Company and its subsidiaries (the "Group") as well as the Company's interests in its associates.

The Group's business consists of the Automobile Sales-Related Business and the Housing-related Business. The detail of each business is stated in the note "6. OPERATING SEGMENTS."

2. BASIS OF PREPARATION

(1) Statement of compliance with IFRS and matters related to the first-time adoption

The consolidated financial statements of the Group meet the requirements for a "Specified Company Complying with Designated International Accounting Standards" as prescribed in Article 1-2 of the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ministry of Finance Order No. 28 of 1976), and thus are prepared in accordance with IFRS pursuant to the provisions of Article 93 of the aforementioned Ministry of Finance Order.

The consolidated financial statements were approved on June 26, 2019, by Kazuho Takahashi, President & CEO.

The Group adopted IFRS for the first time in the fiscal year ended March 31, 2019, and the date of transition to IFRS is April 1, 2017.

The Group's accounting policies are in compliance to IFRS effective as of March 31, 2019, with the exception of the IFRS standards that have not been early adopted and the exemptions permitted under IFRS 1 "First-time Adoption of International Financial Reporting Standards" ("IFRS 1").

(2) Basis of measurement

The Group's consolidated financial statements have been prepared on a historical cost basis, except for certain items such as financial instruments that are measured at fair value, as stated in the note "3. SIGNIFICANT ACCOUNTING POLICIES."

(3) Functional currency and presentation currency

The consolidated financial statements of the Group are presented in Japanese yen, which is the functional currency adopted by the Company, and figures less than one million yen are rounded off to the nearest million yen. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥111.01 to $1, the approximate rate of exchange at March 31, 2019. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

Japanese yen figures less than a million yen are rounded off to the nearest million yen. Consequently, the totals shown in the accompanying consolidated financial statements for the years ended March 31, 2019 and 2018 (both in yen and in U.S. dollars), do not necessarily agree with the sum of the individual amounts.

3. SIGNIFICANT ACCOUNTING POLICIES

(1) Basis for consolidation

1) Subsidiaries

Subsidiaries refer to the companies under the control of the Group. The Group considers that it controls a company when it is exposed to or has rights to variable returns arising from its involvement in the company and has an ability to affect those returns through its power over the company.

The financial statements of subsidiaries are included in the consolidated financial statements from the date the Group gains control until the date that control is lost.

If any accounting policies applied by a subsidiary differ from those applied by the Group, adjustments are made to the subsidiary's financial statements where needed. The balances of payables and receivables and internal transactions within the Group as well as unrealized gains or losses arising from internal transactions within the Group are eliminated in preparing the consolidated financial statements.

Comprehensive income of subsidiaries is attributed to owners of parent and non-controlling interests, even if this results in a negative balance in non-controlling interests.

When the ownership interest in a subsidiary is partially disposed of, the transaction is accounted for as an equity transaction if the Group retains control over the subsidiary. The difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received are directly recognized in equity as interest attributable to owners of parent.

If the Group loses control over the subsidiary, gains or losses derived from such loss are recognized as profit or loss.

2) Associate

Associates refer to the companies on which the Group does not control or jointly control, but exerts significant influence on their financial affairs and operating policies.

Investments in associates are initially recognized at acquisition cost, and subsequently accounted for using the equity method. Goodwill recognized upon acquisition (net of accumulated impairment losses) is included in investments in associates.

If any accounting policies applied by an associate differ from those applied by the Group, adjustments are made to the associate's financial statements where needed.

(2) Business combinations

Business combinations are accounted for by the acquisition method. Consideration for acquisition is measured as the sum of the fair values at the acquisition date of the assets transferred, liabilities assumed, and equity instrument issued by the Company in exchange of control over the acquired company. If consideration for acquisition exceeds the fair value of identifiable assets and liabilities, such excess is recorded as goodwill in the consolidated statement of financial position. If, conversely, the consideration turns out to be less than the fair value, the difference is immediately recorded as profit or loss in the consolidated statement of profit or loss.

Transaction costs that are directly attributable to a business combination, such as agent, legal, and due diligence fees are expensed as incurred.

If a business combination's initial accounting is not complete by the end of the fiscal year in which the business combinations occur, the Group reports provisional values for items not yet finalized. The provisional values recognized at the acquisition date are retrospectively adjusted to reflect new information obtained during a certain designated period (the "measurement period") on facts and circumstances that existed at the acquisition date and, if known at the acquisition date, would have affected the measurement of the amounts recognized. Additional assets or liabilities are recognized if new information is known to have resulted in the additional recognition of assets or liabilities. The measurement period may not exceed one year.

The acquisition of additional non-controlling interests after obtaining control over the acquire is accounted for as an equity transaction, and accordingly, it does not recognize goodwill attributable to such transactions.

Identifiable assets acquired and the liabilities assumed are recognized at their fair value as at the acquisition date, except for the following:

- Deferred tax assets and liabilities, and assets and liabilities arising from employee benefit contracts

- Share-based payment arrangements of the acquiree
- Assets or disposal groups that are classified as held for sale in accordance with IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations.”

The Group has adopted the exemptions of IFRS 1 and did not apply IFRS 3 “Business Combinations” retrospectively to business combinations that occurred before the IFRS transition date (April 1, 2017). Accordingly, goodwill resulted from acquisitions that occurred before the IFRS transition date is recorded at its carrying amount under former accounting standards (Japanese GAAP) on the IFRS transition date.

(3) Foreign currency translation

1) Foreign currency denominated transactions

Foreign currency transactions are translated into the functional currency of each company of the Group by using the exchange rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are translated into the functional currency by using the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into the functional currency by using the exchange rate at the date when the fair value is measured.

Exchange differences arising from such translation or settlement are recognized in profit or loss. However, exchange differences arising from the translation of financial instruments designated as hedging instruments for net investment in foreign operations, financial assets measured at fair value through other comprehensive income, and cash flow hedges are recognized as other comprehensive income.

2) Financial statements of foreign operations

The assets and liabilities of foreign operations are translated into Japanese yen by using the exchange rate at the end of the reporting period, while income and expenses are translated into Japanese yen by using the average exchange rates. Translation differences arising from translation of the financial statements of foreign operations are recognized in other comprehensive income. Such translation differences of foreign operations are recognized in profit or loss for the period in which the foreign operations concerned are disposed of.

The Group has adopted the exemptions of IFRS 1 and accordingly the cumulative amount of exchange differences on translation of foreign operations before the transition date has been deemed to be zero and the entire amount has been reclassified to retained earnings.

(4) Financial instruments

1) Financial assets

(i) Initial recognition and measurement

The Group initially recognizes trade and other receivables on each accrual date. All other financial assets are initially recognized on the date of the transaction when the Group becomes a party to the contractual provisions of the financial instruments.

Financial assets are classified at initial recognition as follows.

(a) Financial assets measured at amortized cost

Financial assets that meet both of the following conditions are classified as financial assets measured at amortized cost.

- The assets are held based on the business model whose objective is to hold the assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(b) Financial assets measured at fair value through other comprehensive income (FVTOCI financial assets)

Equity instruments such as shares held mainly for the purpose of maintaining or strengthening business relationships with investees are designated at initial recognition as financial assets measured at fair value through other comprehensive income.

(c) Financial assets measured at fair value through profit or loss (FVTPL financial assets)

Financial assets designated as FVTPL financial assets or those other than (a) and (b) are classified into financial assets measured at fair value through profit or loss.

Financial assets are initially measured at fair value plus any transaction costs, except for those classified as financial assets measured at fair value through profit or loss.

(ii) Subsequent measurement

Measurement of financial assets after the initial recognition are as follows, depending on respective classifications:

(a) Financial assets measured at amortized cost

Financial assets measured at amortized cost are measured at amortized cost by using the effective interest method.

(b) Financial assets measured at fair value through other comprehensive income

Financial assets measured at fair value through other comprehensive income are measured at fair value, and changes in the fair value are recognized as other comprehensive income.

However, dividends from the equity instruments that are designated as measured at fair value through other comprehensive income are recognized in profit or loss as part of finance income when the Group's right to receive payment of the dividend is established. Changes in fair value and gain or loss from derecognition of such financial assets are recognized as other comprehensive income with the accumulated amounts thereof being immediately transferred to retained earnings after being recognized as other components of equity.

(c) Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss are measured at fair value, and the changes in fair value are recognized as profit or loss.

(iii) Derecognition

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or substantially all the risks and rewards incidental to ownership of the financial asset are transferred through the transfer of financial asset.

(iv) Impairment

The Group recognizes allowance for doubtful accounts for expected credit losses on financial assets measured at amortized cost.

The Group assesses whether or not credit risk for each financial asset has increased significantly from initial recognition at the end of the reporting period. If the credit risk has not increased significantly from initial recognition, such financial asset is measured at an amount equal to the 12-month expected credit losses. On the other hand, if the credit risk has increased significantly from initial recognition, such financial asset is measured at an amount equal to the lifetime expected credit losses.

In principle, it is presumed that the credit risk on financial assets has increased significantly when contractual payments are more than 30 days past due. In assessing whether or not the credit risk has increased significantly, the Group considers reasonably available and supportable information (including internal and external credit rating) as well as past-due information.

When the credit risk on a financial asset is considered low at the end of the reporting period, the Group assesses that the credit risk on the financial asset has not increased significantly since initial recognition.

However, for trade receivables that do not contain a significant financing component, allowance for doubtful accounts is always recognized at an amount equal to the lifetime expected credit loss regardless of whether or not the credit risk has increased substantially from the initial recognition.

Expected credit losses of financial assets are estimated in a way that reflect the following items:

- Unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- Time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting

date about past events, current conditions and forecasts of future economic conditions.

The amounts of these measurements are recognized in profit or loss. The amount of expected credit losses (or reversal) required to adjust the loss allowance at the closing date to the amount that is required to be recognized is recognized in profit or loss, as impairment gains or impairment losses.

2) Financial liabilities

(i) Initial recognition and measurement

Debt securities issued by the Group are initially recognized on the date of issue. All other financial liabilities are initially recognized on the transaction date when the Group becomes a party to the contract on such financial instruments.

At the initial recognition, financial liabilities are classified as (a) financial liabilities measured at amortized cost and (b) financial liabilities measured at fair value through profit or loss.

At the initial recognition, financial liabilities measured at amortized cost are measured at fair value net of transaction costs that are directly attributable to the financial liabilities. Transaction costs of financial liabilities measured through profit or loss are recognized in profit or loss.

(ii) Subsequent measurement

Measurement of financial liabilities after the initial recognition are as follows, depending on respective classifications:

(a) Financial liabilities measured at amortized cost

Financial liabilities measured at amortized cost are measured at amortized cost by using the effective interest method after initial recognition.

Amortization by using the effective interest method, as well as gains and losses associated with derecognition, are recognized in profit or loss for the period as part of finance costs.

(b) Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss are measured at fair value, and the changes in fair value are recognized as profit or loss for the period.

(iii) Derecognition

The Group derecognizes financial liabilities when they are extinguished, namely when the obligation specified in the contract is discharged, canceled or expires.

3) Presentation of financial assets and financial liabilities

Financial assets and financial liabilities are offset against each other and the net amount is presented in the consolidated statement of financial position only if the Group has a legal right to offset those balances and the intention to either settle on a net basis or to realize the assets and settle the liabilities simultaneously.

4) Derivatives and hedge accounting

The Group uses derivatives, including forward foreign exchange contracts and interest rate swap contracts, for the purpose of hedging foreign currency risk and interest rate risk. The Group does not hold any derivatives for trading purposes.

Derivative transactions are initially recognized at fair value and the transaction costs are recognized in profit or loss when they are incurred. After initial recognition, the derivative instruments are measured at fair value with changes in fair value being recognized basically in profit or loss for the period. However, the Group may apply the hedge accounting when a hedge is deemed to be effective based on an objective assessment of the degree to which changes in cash flows of the hedged item are offset by changes in cash flows of the hedging instrument.

When a derivative is designated as a hedging instrument, all the following are documented: the hedge relationship between the hedging instrument and the hedged item, the risk management objective, the strategy for implementation of the hedge transaction, the method for assessing effectiveness of the hedge relationship and the method of measuring effectiveness and ineffectiveness. Specifically, the Group determines that a hedge is effective when all of the following requirements are met:

- There is an economic relationship between the hedged item and the hedging instrument
- The effect of credit risk does not significantly dominate the value changes that result from that

economic relationship

- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the company actually hedges and the quantity of the hedging instrument that the company actually uses to hedge that quantity of hedged item

The Group assesses whether the derivative used for the hedge transaction is effective in offsetting changes in cash flows of the hedged item, at the inception of the hedge and throughout the term of the hedge. The Group discontinues to apply the hedge accounting prospectively when the hedge is or is determined to be no longer effective.

(5) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with maturities not exceeding three months from the acquisition date, that are readily convertible into cash and subject to an insignificant risk of changes in value.

(6) Inventories

Inventories are measured at the lower of acquisition cost or net realizable value. Net realizable value is determined at the estimated selling price in the ordinary course of business, less estimated selling expenses and other expenses. The acquisition cost is calculated mainly using the identified cost method, and includes all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

(7) Property, plant and equipment

Property, plant and equipment are measured by using cost model, and presented at the value calculated by subtracting accumulated depreciation and accumulated impairment losses from acquisition cost.

The acquisition cost includes costs directly attributable to the acquisition of the asset, costs related to disassembly, retirement and site restoration, and borrowing costs that should be capitalized.

Depreciation of assets other than land and construction in progress is recognized mainly by the straight-line method over the estimated useful lives of the assets. The estimated useful life of each main asset item is as follows.

- Buildings and structures: 2 to 50 years
- Machinery and vehicles: 2 to 20 years
- Tools, furniture and fixtures: 2 to 20 years

The estimated useful lives, residual values, and amortization method are reviewed at each fiscal year-end.

(8) Investment property

Investment property is real estate property held to earn rental income, or capital gains, or both. Investment property is measured by using cost model, and presented at the value calculated by subtracting accumulated depreciation and accumulated impairment losses from acquisition cost. The estimated useful lives and depreciation method are the same as those set forth in (7) Property, plant and equipment.

The estimated useful lives, residual values, and amortization method are reviewed at each fiscal year-end.

(9) Intangible assets

1) Goodwill

The Group measures goodwill at the fair value of the considerations transferred, including the recognized amount of non-controlling interests in the acquiree measured at the acquisition date, less the net recognized amount (ordinarily fair value) of the identifiable assets acquired and the liabilities assumed at the acquisition date.

The Group does not amortize goodwill, but tests for impairment in each reporting period or each time any indication of impairment exists.

Impairment losses of goodwill are recognized as profit or loss in the consolidated statement of profit or loss and not reversed subsequently.

Goodwill is presented at the acquisition cost less accumulated impairment losses in the consolidated statement of financial position.

2) Other intangible assets

Other intangible assets are measured by using cost model, and presented at the value calculated by subtracting accumulated depreciation and accumulated impairment losses from acquisition cost. Except for intangible assets with indefinite useful lives, depreciation is recorded on a straight-line basis over the estimated useful life of each asset. The estimated useful life of main asset is as follows.

- Software: 3 to 5 years

The estimated useful lives, residual values, and amortization method are reviewed at each fiscal year-end.

(10) Leases

Leases are classified as finance leases when substantially all the risks and rewards incidental to ownership of assets are contractually transferred to the Group. All the other leases are classified as operating leases.

Finance leases are initially recognized as assets at the lower of the fair value of the leased property determined at lease inception or the present value of the total minimum lease payments. After initial recognition, assets held under finance leases are depreciated over the shorter of the lease term or the estimated useful life under the straight-line method based on the accounting policies applied to the assets.

Lease payments are allocated to finance costs and repayments of lease obligations based on the interest method with the finance costs recognized in the consolidated statement of profit or loss.

In operating lease transactions, lease payments are recognized as expenses in the consolidated statement of profit or loss over the lease term under the straight-line method. Variable lease payments are recognized as expenses in the period in which they are incurred.

(11) Impairment of non-financial assets

For the carrying amounts of the Company's non-financial assets, except for inventories and deferred tax assets, the Company assesses whether there is any indication of impairment at the end of each reporting period. If there is an indication of impairment, the recoverable amount of the asset is estimated. The recoverable amounts of goodwill and intangible assets with indefinite useful lives or those not yet available for use are estimated at the same time in each year.

The recoverable amount of an asset or a cash-generating unit is the higher of value in use or fair value less costs to sell. In calculating the value in use, the estimated future cash flows are discounted to their present value by using an after-tax discount rate that reflects the time value of money and the risks specific to the asset. Assets that are not tested individually in impairment test are integrated into the smallest cash-generating unit that generates cash inflows through continuing use that are largely independent of those from other assets or groups of assets. At the time of goodwill impairment testing, the Group integrates cash-generating units to which goodwill is allocated to enable impairment testing in a manner that reflects the smallest unit to which it relates. Goodwill acquired in a business combination is allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate independent cash inflows. In the event of indications of impairment of corporate assets, the Group determines the recoverable amount of the cash-generating unit to which the corporate assets belong.

An impairment loss is recognized in profit or loss when the carrying amount of an asset or a cash-generating unit exceeds its estimated recoverable amount. The impairment loss recognized for a cash-generating unit is first allocated to reduce the carrying amount of goodwill allocated to the unit, and subsequently allocated to reduce the other assets of the unit on a pro-rata basis, based on the carrying amount of each asset in the unit.

Impairment losses recognized for goodwill are not reversed. For impairment losses previously recognized for other assets, the Group assesses at the end of each reporting period whether there is any indication that they may no longer exist or may have decreased. If any change has been made to the estimate used to determine the recoverable amount of an asset, an impairment loss for the asset is reversed. An impairment loss is reversed up to the carrying amount of the asset that would have been determined (net of amortization and depreciation), had no impairment loss been recognized for the asset in prior years.

(12) Employee benefits

The Group mainly adopts defined contribution plans for employees of the Company and some of its subsidiaries. Defined contribution plans are post-employment benefit plans under which an employer pays fixed contributions into an independent entity and has no legal or constructive obligation to pay further contributions. Costs for post-employment benefits for defined contribution plans are recognized as expenses at the time of the provision of the services for which the contributions were made.

(13) Share-based payment

The Company has adopted stock option plan as an equity-settled share-based payment plan. Stock options are estimated at fair value at the date of grant, taking into account the estimated number of options to be vested, and recognized as expenses over the vesting periods in the consolidated statement of profit or loss while corresponding increases to equity are recognized in the consolidated statement of financial position. Fair value of stock options granted is calculated, in accordance with various terms of such options, using the Black-Scholes model and other methods. The Company regularly reviews the terms of stock options and modify the estimate of the number of stock options vested, as necessary.

(14) Provisions

A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. To determine the amount of a provision, the estimated future cash flows are discounted to their present value by using a pre-tax discount rate that reflects the time value of money and risks specific to the liability. Unwinding of the discounted amount arising from the passage of time is recognized as finance costs.

(15) Revenue

The Group recognizes revenue based on the following five steps, excluding interest and dividend income under IFRS 9 “Financial Instruments” and revenue under IAS 17 “Lease,” etc.

Step 1: Identify contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

1) Sale of goods

Revenue from sale of goods is recognized at the time when the goods are delivered to customers because the control of the goods is transferred to such customers at that time and accordingly the performance obligation is deemed satisfied. Revenue is measured at the consideration promised in a contract with a customer after discounts and other price adjustments.

2) Rendering of services

Revenue from rendering of services is recognized based on the progress of transactions as of the end of the reporting period during which such services were rendered.

3) Interest income

Interest income is recognized using the effective interest method.

4) Dividends

Divided income is recognized when the right to receive dividends is established.

5) Revenues from leases

Leases are classified as finance leases when the contract transfers substantially all the risks and rewards of ownership to the lessee. Leases other than finance leases are classified as operating leases.

Revenues from finance leases are recognized according to the same accounting policies as those applied to the sale of goods. Finance income is recognized based on the effective interest method from the inception of the lease term. The interest rate used in the calculation represents the discount rate, which equalizes the aggregate present value of the minimum lease payments and the unguaranteed residual value with the sum of the fair value of the lease receivables and any initial direct costs of the lessor.

Revenues from operating leases are recognized on a straight-line basis over the lease term.

(16) Government grants

The Group measures and recognizes government grant income at fair value if there is reasonable assurance that the Group will comply with the grant’s conditions and receive the grant. Grants for expenses incurred are recorded as revenue in the same fiscal year as the fiscal year in which the expenses are incurred. Grants related to acquisition of an asset are recorded as other income on a systematic basis over the useful life of the asset, and unearned government grants are recorded in liabilities as deferred income.

(17) Income taxes

Income taxes consist of current tax and deferred tax. These are recognized in profit or loss except for taxes arising from business combinations and from items directly recognized in equity or other comprehensive income.

Current taxes are measured at an expected amount of taxes to be paid to or of refund from the taxation authorities. Calculation of the amount of tax is based on the tax rates and tax laws enacted or substantively enacted by the end of the reporting period in countries where the Group conducts businesses and earns taxable income.

Deferred taxes are recognized for temporary differences arising between the carrying amounts of assets or liabilities for accounting purposes and their tax bases, tax loss carryforwards and tax credit carryforwards at the closing date.

Deferred tax assets and liabilities are not recognized for following temporary differences:

- Temporary differences arising from the initial recognition of goodwill
- Temporary differences arising from initial recognition of assets and liabilities from transactions that are not business combinations and affect neither accounting profit or taxable income
- Taxable temporary differences associated with investments in subsidiaries and associates, where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future

A deferred tax liability is recognized for all taxable temporary differences in principle, and a deferred tax asset is recognized for all deductible temporary differences to the extent that it is probable that taxable income will be available against which deductible temporary differences can be utilized.

Carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to use all or part of the benefit of the deferred tax assets. Unrecognized deferred tax assets are reassessed each period and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates and by the tax laws that are expected to apply to the period when the assets are realized or the liabilities are settled, based on the statutory tax rates and tax laws enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if the Group has a legally enforceable right to set off current tax assets and current tax liabilities against each other and income taxes are levied by the same taxation authority on the same taxable entity.

The Company and some of its subsidiaries have adopted the consolidated tax system.

(18) Earnings per share

Basic earnings per share are calculated by dividing profit or loss attributable to ordinary equity holders of parent entity by the weighted average number of ordinary shares outstanding after adjustment to treasury shares during the period. Diluted earnings per share are not calculated as there were no potential shares with a dilutive effect.

(19) Segment information

An operating segment is a component of business activities from which an entity earns revenues and incurs expenses (including transactions with other operating segments). Operating results of all the operating segments are separately available financial information and are evaluated regularly by the Company's Board of Directors in assessing segment performance and deciding how to allocate management resources to individual segments.

(20) Treasury shares

Treasury shares are assessed at cost and presented as a deduction from equity. No gain or loss is recognized on the purchase, sale or cancellation of treasury shares of the Company. The difference between the carrying amount and the consideration thereof at the time of sale is recognized as equity.

(21) Borrowing costs

The Group includes borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, that is, qualifying asset as part of the cost until the asset is substantially ready for its intended use or sale.

All borrowing costs other than those above are recognized as profit or loss in the period during which they incurred.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS INVOLVING ESTIMATES

In preparing the consolidated financial statements in accordance with IFRS, the management is required to make judgment, estimates and assumptions that affect the adoption of accounting policies and the amounts of assets, liabilities, revenues and expenses. Actual results may differ from those estimates.

The estimates and their underlying assumptions are reviewed on an ongoing basis. The effects of revisions on accounting estimates are recognized in the period in which the estimate is revised and in future periods.

Judgments and estimates made by the management that significantly affect the amounts in the consolidated financial statements are as follows.

- Scope of subsidiaries, associates and joint ventures (Note “3. SIGNIFICANT ACCOUNTING POLICIES, (1) Basis for consolidation”)
- Revenue recognition (Note “3. SIGNIFICANT ACCOUNTING POLICIES, (15) Revenue”)
- Items concerning financial instruments (Note “3. SIGNIFICANT ACCOUNTING POLICIES, (4) Financial instruments,” Note “9. OTHER FINANCIAL ASSETS” and Note “34. FINANCIAL INSTRUMENTS”)
- Evaluation of inventories (Note “10. INVENTORIES”)
- Impairment of non-financial assets (Note “15. IMPAIRMENT OF NON-FINANCIAL ASSETS”)
- Recoverability of deferred tax assets (Note “17. INCOME TAXES”)
- Accounting and evaluation for provisions (Note “22. PROVISIONS”)

5. STANDARDS AND INTERPRETATIONS NEWLY ISSUED OR AMENDED BUT NOT YET ADOPTED

Of major standards and interpretations that were newly issued or amended prior to the date of approval of the consolidated financial statements, the Group does not early adopt the following standards.

IFRS		Mandatory effective date (Effective from the fiscal year beginning on or after)	Fiscal year of the adoption by the Group	Overview of new standards and amendments
IFRS 16	Leases	January 1, 2019	Year ending March 31, 2020	New requirements in accounting for leases

IFRS 16 requires a lessee to apply a single accounting model for all leases, in principle, instead of classifying them into finance leases and operating leases. Under such model, a lessee is required to recognize a right-of-use asset representing the right to use the underlying asset and a lease liability representing the obligation to make lease payments during the term of leases. After the right-of-use asset and lease liability are recognized, depreciation for the right-of-use asset and interest expense on lease liability are recorded. The Group will apply the exemptions allowing a lessee not to apply the requirements under the said standard to short-term leases and leases for low-value assets.

In addition, the Group will apply IFRS 16 using the modified retrospective approach. Therefore, the comparative information has not been restated, and the cumulative effect of application of IFRS 16 is recorded as adjustments to retained earnings at April 1, 2019.

Accordingly, the Group estimates a ¥13,981 million ($125,943 thousand) increase in assets, ¥16,392 million ($147,661 thousand) increase in liabilities and ¥2,411 million ($21,718 thousand) decrease in equity (retained earnings) at April 1, 2019, the date of application of the said standard.

6. OPERATING SEGMENTS

(1) Description of reportable segments

The Company's reportable segments are components of the Company for which separate financial information is available, and which are subject to regular review by the Board of Directors for the purpose of making decisions about the allocation of management resource and assessing the segments' performance.

The Group employs the holding company system. The Company devises group-wide business strategies and administers the Group as a holding company, while its subsidiaries operate the businesses. The Company identifies its segments by goods and services it handles and its reportable segments consist of the Automobile Sales-Related Business and the Housing-related Business.

The Automobile Sales-Related Business consists primarily of dealer businesses such as sales of new or used cars and repairs to cars. It also consists of related businesses such as import of cars, export of used cars, and rental of cars.

The Housing-related Business sells condominiums and detached houses and provides construction service and other services.

(2) Segment revenue and business results

The accounting principle applied to the reportable segments is the same as that applied to the Group as set forth in "3. SIGNIFICANT ACCOUNTING POLICIES."

Intersegment revenue is based on prevailing market prices.

The profit in the reportable segments is based on operating profit.

Revenue and business results by reportable segments of the Group are as follows.

Fiscal year ended March 31, 2019

	Reportable segments		Other (Note 1)	Total	Adjustments (Note 2)	Consolidated
	Automobile Sales-Related Business	Housing-related Business				
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Revenue						
Revenue from external customers	209,308	9,348	192	218,848	–	218,848
Intersegment revenue or transfers	81	2,200	1,863	4,144	(4,144)	–
Total	209,389	11,547	2,055	222,992	(4,144)	218,848
Segment profit	5,030	955	1,135	7,120	(184)	6,936
Finance income						104
Finance costs						591
Share of profit of investments accounted for using equity method						181
Profit before tax						6,630
Other items						
Segment assets	130,271	10,523	7,906	148,700	(7,223)	141,478
Depreciation and amortization	5,586	32	48	5,665	(34)	5,631
Impairment losses	945	–	–	945	–	945
Investments accounted for using equity method	246	–	3,807	4,053	–	4,053
Capital expenditures	10,300	106	53	10,460	388	10,848

(Notes) 1. "Other" consists of group-wide departments of management.
2. The reconciliation of segment profit of ¥(184) million represents elimination of intersegment transactions.

Fiscal year ended March 31, 2018

	Reportable segments		Other (Note 1)	Total	Adjustments (Note 2)	Consolidated
	Automobile Sales-Related Business	Housing-related Business				
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Revenue						
Revenue from external customers	192,495	8,933	193	201,621	–	201,621
Intersegment revenue or transfers	69	1,159	1,941	3,169	(3,169)	–
Total	192,565	10,092	2,134	204,790	(3,169)	201,621
Segment profit	5,657	766	1,136	7,559	(86)	7,473
Finance income						180
Finance costs						398
Share of profit of investments accounted for using equity method						208
Profit before tax						7,463
Other items						
Segment assets	134,169	8,565	8,509	151,242	(7,129)	144,113
Depreciation and amortization	4,929	22	42	4,993	(28)	4,965
Impairment losses	600	–	–	600	–	600
Investments accounted for using equity method	211	–	3,732	3,942	–	3,942
Capital expenditures	10,698	7	61	10,766	(159)	10,607

(Notes) 1. "Other" consists of group-wide departments of management.
2. The reconciliation of segment profit of ¥(86) million represents elimination of intersegment transactions.

Fiscal year ended March 31, 2019

	Reportable segments		Other (Note 1)	Total	Adjustments (Note 2)	Consolidated
	Automobile Sales-Related Business	Housing-related Business				
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
Revenue						
Revenue from external customers	1,885,491	84,205	1,726	1,971,422	–	1,971,422
Intersegment revenue or transfers	730	19,815	16,785	37,330	(37,330)	–
Total	1,886,222	104,020	18,511	2,008,753	(37,330)	1,971,422
Segment profit	45,308	8,607	10,220	64,135	(1,656)	62,480
Finance income						939
Finance costs						5,321
Share of profit of investments accounted for using equity method						1,627
Profit before tax						59,725
Other items						
Segment assets	1,173,507	94,792	71,223	1,339,522	(65,063)	1,274,459
Depreciation and amortization	50,322	284	429	51,035	(309)	50,726
Impairment losses	8,515	–	–	8,515	–	8,515
Investments accounted for using equity method	2,216	–	34,298	36,514	–	36,514
Capital expenditures	92,788	956	481	94,225	3,494	97,719

(Notes) 1. "Other" consists of group-wide departments of management.
2. The reconciliation of segment profit of $(1,656) thousand represents elimination of intersegment transactions.

(3) Information related to products and services

Revenue from external customers by product and service are as follows:

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
	Millions of yen	Millions of yen	Thousands of U.S. dollars
New cars	103,916	91,104	936,094
Used cars	58,065	54,980	523,061
Services	38,245	38,469	344,522
Car rentals	8,817	7,665	79,424
Housing	9,348	8,933	84,205
Other	457	470	4,118
Total	218,848	201,621	1,971,422

(4) Information about geographical areas

The breakdown of revenue and non-current assets by geographical area is as follows:

Revenue from external customers

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Japan	131,546	119,606	1,184,990
Africa	6,468	8,376	58,265
North, Central and South America	1,150	1,551	10,362
Oceania	5,209	5,864	46,923
Europe	72,819	65,700	655,970
Asia	1,655	524	14,912
Total	218,848	201,621	1,971,422

(Note) Revenues are classified based on the location of sales destination.

Non-current assets

Disclosures are omitted because non-current assets located in Japan accounts for the majority of non-current assets in the consolidated statement of financial position.

(5) Information about major customers

Disclosures are omitted because there are no external customers for which sales account for 10% or more of revenue in the consolidated statement of profit or loss.

7. CASH AND CASH EQUIVALENTS

The breakdown of cash and cash equivalents is as follows:

	As of March 31, 2019	As of March 31, 2018	IFRS transition date (April 1, 2017)	As of March 31, 2019
	Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars
Cash and deposits	7,218	7,423	6,560	65,019
Deposits paid	3	11	9	26
Short-term investments	294	206	186	2,646
Total	7,514	7,640	6,755	67,691

The balances of “Cash and cash equivalents” in the consolidated statement of financial position as of March 31, 2019, March 31, 2018 and the IFRS transition date are equal to the balances of “Cash and cash equivalents” in the consolidated statement of cash flows for the corresponding periods.

8. TRADE AND OTHER RECEIVABLES

The breakdown of trade and other receivables is as follows:

	As of March 31, 2019	As of March 31, 2018	IFRS transition date (April 1, 2017)	As of March 31, 2019
	Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars
Accounts receivable - trade	6,498	5,889	5,062	58,538
Accounts receivable - other	2,226	2,383	1,597	20,049
Lease receivables and investment assets	10,411	10,975	9,981	93,784
Other	280	367	486	2,521
Allowance for doubtful accounts	(34)	(69)	(75)	(309)
Total	19,381	19,544	17,050	174,584

The above amounts include those of trade and other receivables to be collected over 12 months, which are ¥6,112 million ($55,054 thousand), ¥5,899 million and ¥5,437 million as of March 31, 2019, March 31, 2018 and the IFRS transition date, respectively.

Trade and other receivables are classified as financial assets measured at amortized cost.

9. OTHER FINANCIAL ASSETS

Breakdown of other financial assets

The breakdown of other financial assets is as follows:

	As of March 31, 2019	As of March 31, 2018	IFRS transition date (April 1, 2017)	As of March 31, 2019
	Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars
Other financial assets				
Derivative assets	63	23	101	566
Stocks	3,944	4,387	3,364	35,529
Deposits	274	374	315	2,470
Loans receivable	1,694	1,365	1,420	15,260
Claims provable in bankruptcy, claims provable in rehabilitation	912	927	913	8,211
Other	1,644	1,569	1,496	14,813
Allowance for doubtful accounts	(915)	(931)	(915)	(8,242)
Total	7,616	7,714	6,695	68,609
Current assets	235	5	28	2,115
Non-current assets	7,381	7,709	6,667	66,494
Total	7,616	7,714	6,695	68,609

Derivative assets are classified as financial assets measured at fair value through profit or loss; stocks held for cross-holding purposes as financial assets measured at fair value through other comprehensive income; the other stocks as financial assets measured at fair value through profit or loss; deposits, loans receivable, claims provable in bankruptcy and claims provable in rehabilitation as financial assets measured at amortized cost.

Please refer to “34. FINANCIAL INSTRUMENTS” for major issues of financial assets measured at fair value through other comprehensive income and fair value thereof.

10. INVENTORIES

The breakdown of inventories is as follows:

	As of March 31, 2019	As of March 31, 2018	IFRS transition date (April 1, 2017)	As of March 31, 2019
	Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars
Merchandise and finished goods	33,378	35,866	26,771	300,677
Work in process	3,223	3,189	2,688	29,035
Raw materials	5	0	5	44
Production supplies	80	79	67	721
Total	36,686	39,134	29,531	330,477

The amounts of inventories recognized as expenses during the current fiscal year and the previous fiscal year were ¥176,468 million ($1,589,654 thousand) and ¥159,592 million, respectively.

11. OTHER ASSETS

The breakdown of other assets is as follows:

	As of March 31, 2019	As of March 31, 2018	IFRS transition date (April 1, 2017)	As of March 31, 2019
	Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars
Test-driving car	1,704	2,348	1,590	15,349
Advance payments to suppliers	732	638	1,187	6,595
Consumption taxes receivable	411	881	777	3,704
Other	822	963	1,041	7,405
Total	3,669	4,830	4,595	33,052
Current assets	3,525	4,670	4,413	31,751
Non-current assets	144	160	181	1,302
Total	3,669	4,830	4,595	33,052

12. PROPERTY, PLANT AND EQUIPMENT

(1) Changes during period

Changes in acquisition cost, accumulated depreciation and accumulated impairment losses of property, plant and equipment; and carrying amount thereof are as follows:

Acquisition cost

	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Construction in progress	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of April 1, 2017	16,277	24,015	14,529	1,934	69	56,824
Acquisition	291	1,849	7,230	238	185	9,792
Acquisition due to business combinations	–	52	6	88	–	146
Sale or disposal	–	(263)	(2,219)	(55)	–	(2,537)
Transfer of accounts	(5)	(13)	(2,544)	–	(2)	(2,564)
Exchange differences on translation of foreign operations	21	215	65	47	1	350
As of March 31, 2018	16,585	25,854	17,067	2,253	253	62,011
Acquisition	631	2,764	6,879	212	335	10,820
Sale or disposal	(0)	(582)	(2,998)	(67)	(1)	(3,648)
Transfer of accounts	–	(10)	(2,812)	0	–	(2,823)
Decrease resulting from exclusion from consolidation	–	(3)	–	(18)	–	(21)
Exchange differences on translation of foreign operations	(18)	(141)	(51)	(39)	(2)	(251)
As of March 31, 2019	17,197	27,881	18,084	2,341	585	66,089

	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Construction in progress	Total
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of March 31, 2018	149,397	232,900	153,743	20,293	2,277	558,609
Acquisition	5,683	24,897	61,965	1,910	3,014	97,468
Sale or disposal	(1)	(5,246)	(27,011)	(600)	(5)	(32,864)
Transfer of accounts	–	(92)	(25,336)	1	–	(25,427)
Decrease resulting from exclusion from consolidation	–	(24)	–	(163)	–	(186)
Exchange differences on translation of foreign operations	(160)	(1,273)	(457)	(350)	(18)	(2,259)
As of March 31, 2019	154,918	251,160	162,904	21,090	5,268	595,340

Accumulated depreciation and impairment losses

	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of April 1, 2017	198	12,728	5,564	1,456	19,945
Acquisition due to business combinations	–	37	4	62	103
Depreciation	–	885	3,763	144	4,792
Impairment losses	160	100	8	6	274
Sale or disposal	–	(193)	(535)	(53)	(781)
Transfer of accounts	–	(5)	(2,019)	–	(2,024)
Exchange differences on translation of foreign operations	–	122	28	38	187
As of March 31, 2018	358	13,674	6,813	1,653	22,498
Depreciation	–	949	4,318	165	5,433
Impairment losses	–	300	25	1	326
Sale or disposal	–	(275)	(894)	(62)	(1,231)
Transfer of accounts	–	(0)	(2,342)	2	(2,341)
Decrease resulting from exclusion from consolidation	–	(1)	–	(11)	(12)
Exchange differences on translation of foreign operations	–	(72)	(18)	(29)	(119)
As of March 31, 2019	358	14,575	7,901	1,719	24,553

	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Total
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of March 31, 2018	3,223	123,178	61,374	14,889	202,664
Depreciation	–	8,551	38,898	1,491	48,939
Impairment losses	–	2,705	221	10	2,936
Sale or disposal	–	(2,480)	(8,057)	(556)	(11,093)
Transfer of accounts	–	(3)	(21,101)	15	(21,089)
Decrease resulting from exclusion from consolidation	–	(9)	–	(101)	(110)
Exchange differences on translation of foreign operations	–	(648)	(159)	(265)	(1,072)
As of March 31, 2019	3,223	131,294	71,176	15,483	221,176

(Note) Depreciation of property, plant and equipment is included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of profit or loss.

Carrying amount

	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Construction in progress	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of April 1, 2017	16,080	11,286	8,966	478	69	36,879
As of March 31, 2018	16,227	12,180	10,254	600	253	39,513
As of March 31, 2019	16,840	13,306	10,183	623	585	41,536

	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Construction in progress	Total
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of March 31, 2019	151,694	119,866	91,729	5,608	5,268	374,165

(2) Leased assets

The carrying amounts of leased assets held under finance leases included in property, plant and equipment are as follows:

	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of April 1, 2017	1,248	5,779	28	7,055
As of March 31, 2018	1,306	6,284	36	7,626
As of March 31, 2019	1,213	5,532	30	6,775

	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Total
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of March 31, 2019	10,928	49,830	274	61,031

(3) Borrowing costs

No significant borrowing costs were included in costs of property, plant and equipment acquired during the fiscal years ended March 31, 2019 and March 31, 2018.

13. GOODWILL AND INTANGIBLE ASSETS

(1) Changes during period

The changes in acquisition cost, accumulated amortization and accumulated impairment losses, and carrying amount of goodwill and intangible assets are as follows:

Acquisition cost

	Goodwill	Intangible assets			
		Software	Leasehold right	Other	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of April 1, 2017	13,287	863	571	115	1,548
Acquisition	–	75	–	2	77
Acquisition due to business combinations	8	1	–	–	1
Sale or disposal	–	(7)	(31)	(1)	(39)
Exchange differences on translation of foreign operations	209	8	19	1	28
As of March 31, 2018	13,504	941	558	118	1,616
Acquisition	119	44	11	0	55
Sale or disposal	(1)	(3)	–	(17)	(19)
Exchange differences on translation of foreign operations	(124)	(5)	(11)	(0)	(16)
As of March 31, 2019	13,499	977	558	101	1,636

	Goodwill	Intangible assets			
		Software	Leasehold right	Other	Total
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of March 31, 2018	121,651	8,474	5,027	1,060	14,562
Acquisition	1,073	398	100	1	499
Sale or disposal	(9)	(23)	–	(150)	(173)
Exchange differences on translation of foreign operations	(1,114)	(46)	(98)	(3)	(147)
As of March 31, 2019	121,600	8,803	5,029	908	14,740

Accumulated amortization and impairment losses

	Goodwill	Intangible assets			
		Software	Leasehold right	Other	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of April 1, 2017	–	688	223	12	923
Acquisition due to business combinations	–	0	–	–	0
Depreciation	–	69	18	3	90
Impairment losses	326	0	–	–	0
Sale or disposal	–	(7)	–	–	(7)
Exchange differences on translation of foreign operations	–	7	17	0	24
As of March 31, 2018	326	758	258	14	1,030
Amortization expense	–	74	35	1	111
Impairment losses	619	0	–	–	0
Sale or disposal	–	(1)	–	–	(1)
Exchange differences on translation of foreign operations	(0)	(4)	(10)	(0)	(14)
Other	–	–	–	(2)	(2)
As of March 31, 2019	944	827	283	14	1,124

	Goodwill	Intangible assets			
		Software	Leasehold right	Other	Total
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of March 31, 2018	2,933	6,829	2,321	130	9,280
Amortization expense	–	669	318	11	998
Impairment losses	5,579	0	–	–	0
Sale or disposal	–	(13)	–	–	(13)
Exchange differences on translation of foreign operations	(4)	(37)	(91)	(0)	(128)
Other	–	–	–	(15)	(15)
As of March 31, 2019	8,507	7,449	2,548	125	10,121

(Note) Depreciation of intangible assets is included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of profit or loss.

Carrying amount

	Goodwill	Intangible assets			
		Software	Leasehold right	Other	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of April 1, 2017	13,287	175	348	103	625
As of March 31, 2018	13,179	183	300	103	586
As of March 31, 2019	12,554	150	275	87	513

	Goodwill	Intangible assets			
		Software	Leasehold right	Other	Total
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of March 31, 2019	113,093	1,354	2,481	784	4,619

(2) Leased assets

The carrying amounts of leased assets held under finance leases included in intangible assets are as follows:

	Software
	Millions of yen
As of April 1, 2017	0
As of March 31, 2018	–
As of March 31, 2019	8

	Software
	Thousands of U.S. dollars
As of March 31, 2019	68

(3) Intangible assets with indefinite useful lives

The Group had no significant intangible assets with indefinite useful lives as of March 31, 2019, March 31, 2018 and the IFRS transition date.

(4) Significant intangible assets

None of the intangible assets presented in the consolidated statement of financial position were individually significant as of March 31, 2019, March 31, 2018 and the IFRS transition date.

14. INVESTMENT PROPERTY

(1) Changes during period

Changes in acquisition cost, accumulated depreciation and accumulated impairment losses of investment properties are as follows:

Acquisition cost

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Balance at beginning of period	8,281	7,516	74,595
Acquisition	37	853	332
Sale or disposal	(42)	(89)	(383)
Balance at end of period	8,275	8,281	74,544

Accumulated depreciation and impairment losses

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Balance at beginning of period	1,103	1,026	9,936
Depreciation	88	83	789
Sale or disposal	(42)	(5)	(383)
Balance at end of period	1,148	1,103	10,342

The carrying amount and fair value of the investment properties are as follows:

	As of March 31, 2019		As of March 31, 2018		IFRS transition date (April 1, 2017)		As of March 31, 2019	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars	Thousands of U.S. dollars
Investment property	7,127	7,272	7,178	7,297	6,490	6,320	64,201	65,506

The fair value of investment property is primarily determined based on market transaction prices, etc. reflecting transaction prices of comparable assets in accordance with appraisal by independent external appraisers.

The fair value of investment properties is classified as Level 3 in the fair value hierarchy because it is determined using valuation techniques that incorporate unobservable inputs. The fair value hierarchy is stated in the note “34. FINANCIAL INSTRUMENTS.”

(2) Income and expenses arising from investment properties

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Lease income	457	448	4,115
Direct operating expenses	269	247	2,427

15. IMPAIRMENT OF NON-FINANCIAL ASSETS

(1) Impairment loss

In determining impairment losses, assets are grouped based on the smallest identifiable group of assets that generates largely independent cash inflows.

Impairment losses are recorded in “Other expenses” in the consolidated statement of profit or loss.

The breakdown of impairment losses by type of assets is as follows:

Please refer to “6. OPERATING SEGMENTS” for the breakdown of impairment losses by segment.

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Property, plant and equipment			
Land	–	160	–
Buildings and structures	80	100	722
Machinery and vehicles	11	8	101
Tools, furniture and fixtures	1	6	10
Leased assets	233	–	2,103
Goodwill	619	326	5,579
Intangible assets			
Software	0	0	0
Total	945	600	8,515

The impairment loss of property, plant and equipment recognized in the fiscal year ended March 31, 2018 was attributable mainly to land, buildings and structures for the Automobile Sales-Related Business, for which the carrying amounts of the asset group were written down to their recoverable amounts because the amount invested in such asset group was expected to be unrecoverable due to a decrease in profitability and other reasons. The recoverable amount for land was measured at fair value less costs of disposal based on real estate appraisal, etc., which is Level 3 in the fair value hierarchy. Please refer to “34. FINANCIAL INSTRUMENTS” for information on the fair value hierarchy. The recoverable amount for buildings and structures, etc. was principally determined at value in use, which is assessed as zero because the amount of future cash flows was negative.

The impairment loss of goodwill and intangible assets recognized in the fiscal year ended March 31, 2018 was attributable to Motoren Shizuoka Co., Ltd., the Company’s consolidated subsidiary, for which the carrying amounts of goodwill and software were written down to their recoverable amounts because the subsidiary was unlikely to generate revenue that had been expected at the time of transfer of business. The recoverable amount was measured at value in use. The value in use was determined by discounting to the present value the estimated future cash flows based on past experience and external information.

The impairment loss of property, plant and equipment recognized in the fiscal year ended March 31, 2019 was attributable mainly to buildings and structures and leased assets for the Automobile Sales-Related Business, for which the carrying amounts of the asset group were written down to their recoverable amounts because the amount invested in such asset group was expected to be unrecoverable due to a decrease in profitability and other reasons. The recoverable amount was measured at value in use, which is assessed as zero because the amount of future cash flows was negative.

The impairment loss of goodwill and intangible assets recognized in the fiscal year ended March 31, 2019 was attributable to Nissan Satio Nara Co., LTD, SCOTTS MOTORS ARTARMON (PTY) LTD and TRUST ABSOLUT AUTO (PTY) LTD., the Company’s consolidated subsidiaries, for which the carrying amounts of goodwill and software were written down to their recoverable amounts because the subsidiaries were unlikely to generate revenue that had been expected at the time of acquisition of their shares. The recoverable amount was measured at value in use. The value in use was determined by discounting to the present value the estimated future cash flows based on past experience and external information.

(2) Impairment of goodwill

Goodwill arising from business combinations is allocated to cash-generating units that benefit from the business combination on the acquisition date.

The breakdown of carrying amount of goodwill by segment is as follows:

	As of March 31, 2019	As of March 31, 2018	IFRS transition date (April 1, 2017)	As of March 31, 2019
	Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars
Automobile Sales-Related Business	11,887	12,511	12,619	107,079
Housing-related Business	668	668	668	6,014
Total	12,554	13,179	13,287	113,093

Of the above, the carrying amount of significant goodwill in the current fiscal year is Shizuoka Nissan Auto Sales Co., Ltd. (Automobile Sales-Related Business) of ¥3,268 million ($29,434 thousand) (previous fiscal year: ¥3,268 million, IFRS transition date: ¥3,268 million), Nissan Satio Saitama Co., Ltd. (Automobile Sales-Related Business) of ¥2,410 million ($21,707 thousand) (previous fiscal year: ¥2,410 million, IFRS transition date: ¥2,410 million), and Nagano Nissan Auto Co., Ltd. (Automobile Sales-Related Business) of ¥1,952 million ($17,586 thousand) (previous fiscal year: ¥1,952 million, IFRS transition date: ¥1,952 million).

The Group tests goodwill for impairment in each reporting period, or whenever there is an indication of impairment. The recoverable amount in impairment test is determined based on value in use.

Value in use reflects past experience and external information, and is calculated by discounting the estimated amount of cash flows based on the business plan for the next three years approved by the management and the growth rate to the present value using the discount rate of 4.0 to 11.9% (IFRS transition date: 3.6 to 9.0%, previous fiscal year: 3.9 to 9.5%) based on the after-tax weighted average cost of capital of the cash-generating units or groups of cash-generating units. The growth rate is determined to be 0.6 to 2.4% (IFRS transition date: 0.9 to 2.7%, previous fiscal year: 0.8 to 3.1%) in view of the long-term average growth rate in the industry or country to which the cash-generating unit or group of cash-generating units belongs, and does not exceed the long-term average growth rate of the market.

Even if the discount rate used for determining the recoverable amount changes within a reasonable range, the Group considers that significant impairment loss is unlikely to incur as the recoverable amount sufficiently exceeds the carrying amount of a cash-generating unit.

16. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

(1) Investments in associates

The carrying amount of investments in associates individually immaterial to the Group are as follows:

	As of March 31, 2019	As of March 31, 2018	IFRS transition date (April 1, 2017)	As of March 31, 2019
	Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars
Total carrying amount	4,053	3,942	3,251	36,514

The Group's share of comprehensive income of associates individually immaterial to the Group are as follows:

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Share of profit	181	208	1,627
Share of other comprehensive income	(5)	12	(46)
Share of comprehensive income	175	220	1,581

(2) Companies not classified as associates despite the Group's holding of 20% or more of voting rights

Major companies not classified as associates despite the Group's holding of 20% or more of voting rights are as follows:

Although the Group holds more than 20% of voting rights of Nissan Parts Nagano Sales Co., Ltd., it is not classified as an associate because it is controlled by its largest shareholder as the parent and therefore the Group cannot exercise substantial influence through the relevance of business, etc.

17. INCOME TAXES

(1) Deferred tax assets and liabilities

The breakdown of major factors giving rise to deferred tax assets and liabilities and the changes therein are as follows:

Fiscal year ended March 31, 2019

	As of April 1, 2018	Recognized in profit or loss	Recognized in other comprehensive income	Business combinations	Other	As of March 31, 2019
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Inventories	275	(47)	–	–	–	228
Non-current assets	(1,587)	15	–	–	0	(1,571)
Investment securities	(1,030)	(10)	150	–	(33)	(922)
Unused tax losses	319	(9)	–	–	–	311
Other	973	27	–	(79)	(15)	906
Total	(1,049)	(23)	150	(79)	(47)	(1,048)

Fiscal year ended March 31, 2018

	As of April 1, 2017	Recognized in profit or loss	Recognized in other comprehensive income	Business combinations	Other	As of March 31, 2018
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Inventories	276	(1)	–	–	–	275
Non-current assets	(1,731)	145	–	–	(1)	(1,587)
Investment securities	(692)	–	(337)	–	(1)	(1,030)
Unused tax losses	152	150	–	18	–	319
Other	1,009	(162)	–	132	(5)	973
Total	(986)	131	(337)	150	(7)	(1,049)

Fiscal year ended March 31, 2019

	As of April 1, 2018	Recognized in profit or loss	Recognized in other comprehensive income	Business combinations	Other	As of March 31, 2019
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
Inventories	2,479	(426)	–	–	–	2,053
Non-current assets	(14,294)	135	–	–	4	(14,156)
Investment securities	(9,275)	(86)	1,352	–	(294)	(8,304)
Unused tax losses	2,878	(77)	–	–	–	2,801
Other	8,766	247	–	(716)	(136)	8,162
Total	(9,447)	(207)	1,352	(716)	(427)	(9,444)

Tax loss carryforwards and deductible temporary differences for which deferred tax assets are not recognized are as follows:

	As of March 31, 2019	As of March 31, 2018	IFRS transition date (April 1, 2017)	As of March 31, 2019
	Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars
Unused tax losses	2,017	3,089	3,257	18,166
Deductible temporary differences	9,122	6,640	5,813	82,170
Total	11,138	9,729	9,070	100,337

Tax loss carryforwards for which deferred tax assets are not recognized will expire as follows:

	As of March 31, 2019	As of March 31, 2018	IFRS transition date (April 1, 2017)	As of March 31, 2019
	Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars
Not later than one year	30	883	441	274
Later than one year and not later than two years	23	30	883	207
Later than two years and not later than three years	–	23	30	–
Later than three years and not later than four years	–	–	23	–
Later than four years	1,963	2,153	1,880	17,686
Total	2,017	3,089	3,257	18,166

Taxable temporary differences related to investments in subsidiaries, etc. that were not recognized as deferred tax liabilities totaled ¥24,719 million ($222,674 thousand), ¥23,221 million, and ¥19,168 million as of March 31, 2019, March 31, 2018 and the IFRS transition date, respectively. These taxable temporary differences were not recognized as deferred tax liabilities because the timing of their reversal is within the Group’s control and they had a high probability of not reversing within a foreseeable timeframe.

(2) Income tax expense

The breakdown of income tax expense is as follows:

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Current tax expense	2,486	2,435	22,398
Deferred tax expense	23	(131)	207
Total	2,509	2,303	22,605

Factors causing differences between Japanese statutory tax rates and average effective tax rates are as follows:

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018
	%	%
Japanese statutory tax rates	30.4	30.6
Non-tax-deductible expenses	0.7	0.6
Unrecognized deferred tax assets	2.5	1.4
Difference on applicable tax rates for subsidiaries	2.9	1.8
Utilization and recognition of tax loss carryforwards	(1.4)	(4.6)
Expiration of tax loss carryforwards	2.5	0.6
Impairment loss on goodwill, etc.	2.8	–
Tax credit	(2.1)	(0.3)
Other	(0.4)	0.8
Average effective tax rates	37.8	30.9

The Group is subject to the Japanese corporate tax, inhabitant tax and business tax. The Group’s statutory income tax rates calculated based on these taxes for the fiscal year ended March 31, 2019 and the fiscal year ended March 31, 2018 are 30.4% and 30.6%, respectively. Overseas subsidiaries, however, are subject to local corporate and other taxes.

18. BONDS AND BORROWINGS

(1) Breakdown of financial liabilities

The breakdown of “Bonds and borrowings” and “Other financial liabilities” is as follows:

	As of March 31, 2019	As of March 31, 2018	IFRS transition date (April 1, 2017)	As of March 31, 2019	Average interest rate	Due date
	Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars	%	
Short-term borrowings	12,475	11,865	10,456	112,380	0.29	–
Current portion of long-term borrowings	5,222	6,524	5,870	47,037	0.31	–
Current portion of bonds	14	264	94	126	0.84	–
Long-term borrowings	10,312	11,358	12,468	92,895	0.26	2020 - 2025
Bonds payable	9	23	287	81	0.84	2020
Lease obligations (short-term)	3,607	4,017	3,351	32,489	1.09	–
Lease obligations (long-term)	4,528	5,056	4,820	40,791	1.19	2020 - 2041
Other	684	686	736	6,164	–	–
Total	36,851	39,793	38,081	331,963	–	–
Current liabilities	21,317	22,670	19,771	192,032	–	–
Non-current liabilities	15,534	17,123	18,310	139,931	–	–
Total	36,851	39,793	38,081	331,963	–	–

(Notes) 1. The average interest rate represents the weighted-average interest rates based on balance at the end of the period.
2. “Bonds and borrowings” and “Other financial liabilities” are classified as financial liabilities measured at amortized cost.

The terms of issue of bonds are summarized as follows:

Company name	Issue	Issuance date	As of March 31, 2019	As of March 31, 2018	IFRS transition date (April 1, 2017)	As of March 31, 2019
			Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars
VT HOLDINGS CO., LTD.	The 5th unsecured straight bonds	February 25, 2014	– (–)	250 (250)	250 (–)	– (–)
Mikawa Nissan Motor Co., Ltd.	The 2nd unsecured straight bonds	February 12, 2013	– (–)	– (–)	80 (80)	– (–)
MG HOME CO., LTD.	The 11th unsecured straight bonds	September 25, 2013	23 (14)	37 (14)	51 (14)	207 (126)
	Total		23 (14)	287 (264)	381 (94)	207 (126)

Company name	Coupon rate	Collateral	Redemption date
	%		
VT HOLDINGS CO., LTD.	0.72	None	–
Mikawa Nissan Motor Co., Ltd.	0.59	None	–
MG HOME CO., LTD.	0.84	None	September 25, 2020
Total	–	–	–

(Note) The figures in parentheses are the amounts of current portion of bonds.

(2) Assets pledged as collateral

The assets pledged as collateral for bonds and borrowings are as follows:

	As of March 31, 2019	As of March 31, 2018	IFRS transition date (April 1, 2017)	As of March 31, 2019
	Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars
Land	3,531	5,323	5,315	31,805
Buildings and structures	1,637	1,904	1,896	14,750
Inventories	9,238	8,270	5,400	83,218
Investment property	751	767	782	6,768
Other	661	970	773	5,953
Total	15,818	17,234	14,166	142,494

19. LEASES

(1) Lessee

1) Finance lease obligations

Future total minimum lease payments under finance lease contracts and the present value thereof are as follows:

	Minimum lease payments			Present value of minimum lease payments		
	As of March 31, 2019	As of March 31, 2018	IFRS transition date (April 1, 2017)	As of March 31, 2019	As of March 31, 2018	IFRS transition date (April 1, 2017)
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Due within one year	7,996	9,196	8,069	7,804	8,984	7,804
Due after one year through five years	9,732	10,142	9,329	9,591	9,959	9,160
Due after five years	1,238	1,171	1,227	1,182	1,113	1,124
Total	18,966	20,509	18,624	18,577	20,056	18,088
Future finance costs	(390)	(453)	(537)			
Present value of minimum lease payments	18,577	20,056	18,088			

	Minimum lease payments	Present value of minimum lease payments
	As of March 31, 2019	As of March 31, 2019
	Thousands of U.S. dollars	Thousands of U.S. dollars
Due within one year	72,033	70,298
Due after one year through five years	87,670	86,393
Due after five years	11,150	10,652
Total	170,852	167,343
Future finance costs	(3,509)	
Present value of minimum lease payments	167,343	

The Group has leased assets such as vehicles as a lessee.

There were no significant renewal or purchase options, escalation clauses and restrictions imposed by lease contracts (such as dividends, additional borrowings and restrictions on additional leases).

2) Non-cancellable operating leases

Future total minimum lease payments based on non-cancelable operating leases are as follows:

	As of March 31, 2019	As of March 31, 2018	IFRS transition date (April 1, 2017)	As of March 31, 2019
	Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars
Due within one year	2,520	2,568	2,127	22,705
Due after one year through five years	6,659	6,397	6,002	59,988
Due after five years	9,538	11,222	8,258	85,918
Total	18,717	20,188	16,387	168,610

Total minimum lease payments under operating lease contracts that were recognized as expenses are as follows:

	As of March 31, 2019	As of March 31, 2018	As of March 31, 2019
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Total minimum lease payments	3,164	2,933	28,504
Total	3,164	2,933	28,504

The Group has leased assets such as buildings and land as a lessee.

There were no significant renewal or purchase options, escalation clauses and restrictions imposed by lease contracts (such as dividends, additional borrowings and restrictions on additional leases).

(2) Lessor

The Group has leased cars as a lessor of finance leases.

Gross investment in the lease and the present value of total minimum lease payments receivable under finance lease contracts are as follows:

	Gross investment in the lease			Present value of total minimum lease payments receivable		
	As of March 31, 2019	As of March 31, 2018	IFRS transition date (April 1, 2017)	As of March 31, 2019	As of March 31, 2018	IFRS transition date (April 1, 2017)
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Due within one year	4,598	5,467	4,895	4,322	5,087	4,544
Due after one year through five years	6,419	6,329	5,838	6,071	5,863	5,419
Due after five years	19	25	19	19	25	18
Total	11,035	11,822	10,752	10,411	10,975	9,981
Unearned finance income	624	848	771			
Net investment in the lease	10,411	10,975	9,981			
Unguaranteed residual value	–	–	–			
Present value of total minimum lease payments receivable	10,411	10,975	9,981			

	Gross investment in the lease	Present value of total minimum lease payments receivable
	As of March 31, 2019	As of March 31, 2019
	Thousands of U.S. dollars	Thousands of U.S. dollars
Due within one year	41,419	38,931
Due after one year through five years	57,820	54,686
Due after five years	169	167
Total	99,408	93,784
Unearned finance income	5,624	
Net investment in the lease	93,784	
Unguaranteed residual value	–	
Present value of total minimum lease payments receivable	93,784	

20. TRADE AND OTHER PAYABLES

The breakdown of trade and other payables is as follows:

	As of March 31, 2019	As of March 31, 2018	IFRS transition date (April 1, 2017)	As of March 31, 2019
	Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars
Accounts payable - trade	30,143	31,002	23,751	271,530
Accounts payable - other	4,771	4,648	3,980	42,980
Sublease investment liabilities	10,442	10,983	9,916	94,063
Total	45,356	46,633	37,648	408,573

Trade and other payables are classified as financial liabilities measured at amortized cost.

21. EMPLOYEE BENEFITS

The Company and some of its subsidiaries mainly adopt defined contribution plans to cover post-employment benefits for employees.

The amounts recognized as expenses for defined contribution plans during the current fiscal year and the previous fiscal year were ¥403 million ($3,627 thousand) and ¥378 million, respectively.

22. PROVISIONS

The breakdown of provisions and their changes are as follows:

	Asset retirement obligations
	Millions of yen
As of April 1, 2017	381
Interest expense over the discount period	6
Increases	33
Decreases (utilized)	(3)
As of March 31, 2018	417
Interest expense over the discount period	6
Increases	34
Decreases (utilized)	–
As of March 31, 2019	458

	Asset retirement obligations
	Thousands of U.S. dollars
As of March 31, 2018	3,756
Interest expense over the discount period	57
Increases	310
Decreases (utilized)	–
As of March 31, 2019	4,123

The breakdown of provisions on consolidated statement of financial position consist of the following:

	As of March 31, 2019	As of March 31, 2018	IFRS transition date (April 1, 2017)	As of March 31, 2019
	Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars
Non-current liabilities	458	417	381	4,123
Total	458	417	381	4,123

Asset retirement obligations represent the estimated future amount to be paid based on the past experiences to prepare for fulfilling the Group's obligation to restore leased land to its original condition at the time of termination of real estate lease agreements for stores, etc. used by the Group. While future outflows of economic benefits are expected after one year from the end of each fiscal year, they are subject to future business plans, etc.

23. OTHER LIABILITIES

The breakdown of other liabilities is as follows:

	As of March 31, 2019	As of March 31, 2018	IFRS transition date (April 1, 2017)	As of March 31, 2019
	Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars
Accrued bonuses	1,074	996	952	9,676
Deposits received	310	336	855	2,795
Accrued consumption taxes	808	479	170	7,275
Other	1,647	1,867	1,540	14,836
Total	3,839	3,678	3,516	34,582
Current assets	2,378	2,279	2,141	21,422
Non-current assets	1,461	1,399	1,375	13,161
Total	3,839	3,678	3,516	34,582

24. EQUITY AND OTHER COMPONENTS OF EQUITY

(1) Number of shares authorized and shares issued

Changes in the numbers of shares authorized and shares issued are as follows:

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018
	Shares	Shares
Number of shares authorized		
Ordinary shares	169,800,000	169,800,000
Number of issued shares		
Balance at beginning of period	119,381,034	119,381,034
Increase (decrease) during the period	–	–
Balance at end of period	119,381,034	119,381,034

(Note) The shares issued by the Company are ordinary shares with no par value that have no restrictions on any rights. The shares issued have been fully paid up.

(2) Treasury shares

Changes in the numbers of treasury shares and balances are as follows:

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018
	Shares	Shares
Treasury shares		
Balance at beginning of period	2,026,578	1,726,578
Increase during the period (Note 2)	2	300,000
Decrease during the period	–	–
Balance at end of period	2,026,580	2,026,578

(Notes) 1. The number of shares of the Company held by its associates is 15,000 shares as of March 31, 2019 and March 31, 2018.
2. The increase in the previous fiscal year was due to acquisition of treasury shares pursuant to a resolution of the Board of Directors.
The increase in the current fiscal year was due to repurchase of shares less than one unit.

(3) Capital surplus

The Companies Act of Japan (the “Companies Act”) provides that at least half of payment or contribution at the share issue shall be credited to share capital, and the remaining amount may be credited to legal capital surplus included in capital surplus. The Companies Act also provides that legal capital surplus may be credited to share capital pursuant to a resolution at the general meeting of shareholders.

(4) Retained earnings

The Companies Act provides that an amount equal to 10% of the dividends paid from surplus shall be transferred to legal capital surplus and legal retained earnings until the aggregate amount of legal capital surplus and legal retained earnings equals 25% of share capital. The amount accumulated in legal retained earnings may be used to offset deficit. Further, that legal retained earnings may be reversed pursuant to a resolution at the general meeting of shareholders.

25. DIVIDENDS

The dividends paid are as follows:

Fiscal year ended March 31, 2019

Date of resolution	Classes of shares	Total amount of dividends	Dividend per share	Record date	Effective date
		Millions of yen (Thousands of U.S. dollars)	Yen (U.S. dollars)		
Board of Directors meeting held on May 11, 2018	Ordinary share	1,056 (9,514)	9.00 (0.08)	March 31, 2018	June 11, 2018
Board of Directors meeting held on November 12, 2018	Ordinary share	1,174 (10,572)	10.00 (0.09)	September 30, 2018	November 30, 2018

Fiscal year ended March 31, 2018

Date of resolution	Classes of shares	Total amount of dividends	Dividend per share	Record date	Effective date
		Millions of yen	Yen		
Board of Directors meeting held on May 11, 2017	Ordinary share	1,059	9.00	March 31, 2017	June 12, 2017
Board of Directors meeting held on November 13, 2017	Ordinary share	1,059	9.00	September 30, 2017	December 4, 2017

Dividends with effective date falling in the following fiscal year are as follows:

Fiscal year ended March 31, 2019

Date of resolution	Classes of shares	Total amount of dividends	Dividend per share	Record date	Effective date
		Millions of yen (Thousands of U.S. dollars)	Yen (U.S. dollars)		
Board of Directors meeting held on May 13, 2019	Ordinary share	1,174 (10,572)	10.00 (0.09)	March 31, 2019	June 10, 2019

Fiscal year ended March 31, 2018

Date of resolution	Classes of shares	Total amount of dividends	Dividend per share	Record date	Effective date
		Millions of yen	Yen		
Board of Directors meeting held on May 11, 2018	Ordinary share	1,056	9.00	March 31, 2018	June 11, 2018

26. REVENUE

(1) Disaggregation of revenue

1) Revenue recognized from contracts with customers and other sources

	As of March 31, 2019	As of March 31, 2018	As of March 31, 2019
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Revenue recognized from contracts with customers	218,205	201,146	1,965,633
Revenue recognized from other sources	643	475	5,790
Total	218,848	201,621	1,971,422

2) Relation between disaggregated revenue and segment revenue

Fiscal year ended March 31, 2019

	Reportable segments			
	Automobile Sales-Related Business	Housing-related Business	Other	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Revenues disaggregated by major service				
New cars	103,916	–	–	103,916
Used cars	58,065	–	–	58,065
Services	38,245	–	–	38,245
Car rentals	8,817	–	–	8,817
Housing	–	9,348	–	9,348
Other	266	–	192	457
	209,308	9,348	192	218,848
Timing of revenue recognition				
Goods transferred at a point in time	200,226	–	–	200,226
Services transferred over time	9,082	9,348	192	18,622
	209,308	9,348	192	218,848

Fiscal year ended March 31, 2018

	Reportable segments			
	Automobile Sales-Related Business	Housing-related Business	Other	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Revenues disaggregated by major service				
New cars	91,104	–	–	91,104
Used cars	54,980	–	–	54,980
Services	38,469	–	–	38,469
Car rentals	7,665	–	–	7,665
Housing	–	8,933	–	8,933
Other	277	–	193	470
	192,495	8,933	193	201,621
Timing of revenue recognition				
Goods transferred at a point in time	184,554	–	–	184,554
Services transferred over time	7,942	8,933	193	17,067
	192,495	8,933	193	201,621

Fiscal year ended March 31, 2019

	Reportable segments			
	Automobile Sales-Related Business	Housing-related Business	Other	Total
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
Revenues disaggregated by major service				
New cars	936,094	–	–	936,094
Used cars	523,061	–	–	523,061
Services	344,522	–	–	344,522
Car rentals	79,424	–	–	79,424
Housing	0	84,205	–	84,205
Other	2,392	–	1,726	4,118
	1,885,491	84,205	1,726	1,971,422
Timing of revenue recognition				
Goods transferred at a point in time	1,803,676	–		1,803,676
Services transferred over time	81,816	84,205	1,726	167,747
	1,885,491	84,205	1,726	1,971,422

(2) Information on the performance obligations

1) Automobile Sales-Related Business

The new car business purchases new cars from automobile manufacturers to sell them. Transaction prices are determined based on prices under contracts with customers. The Group largely has no obligations for return and refund while the Group as an intermediary occasionally makes a claim against automobile manufacturers or part manufacturers.

The used car business sells used cars accepted in exchange of new cars, used cars purchased through auction, used rental cars, etc. Transaction prices are determined based on prices under contracts with customers. The Group may owe return and refund obligations due to faults in assessment. However, the Group has not estimated such obligations as they are insignificant.

The Group considers that performance obligations of the new car business and the used car business are satisfied either upon delivery of cars or on the date of winning bid for sale by auction or sale via the internet handled by the used car business. The Group receives fees mostly within one month from the date of satisfaction of performance obligation.

The service business provides services such as maintenance, inspection, and JCI inspection of cars. Transaction prices are based on the price list. For some subcontracted services, the Group prepares an estimate in advance based on the subcontractor’s quote and determines sales price with approval of the customer. The Group as an intermediary occasionally makes a claim against automobile manufacturers or part manufacturers to satisfy obligations for return of parts and refund. However, the Group may assume such obligations unless it can make a claim against them. Nevertheless, the Group has not estimated such obligations as they are insignificant. The Group considers that performance obligations of the service business are satisfied on the date of completion of work. The Group receives fees mostly within one month from the date of satisfaction of performance obligation.

The service business receives fees for maintenance package goods for a long-term JCI inspection and non-mandatory inspection at the time of executing contracts. Transaction prices are based on the price list and reflects the impact of the time value of money. The Group accepts refund after deducting a registration fee. Revenue from a registration fee is recognized at the time of executing a contract and revenue from services other than a registration fee is recognized upon performance of such services.

The car rental business leases cars and purchases cars from automobile dealers to lease such cars. Transaction prices of rental cars are based on the price list. Transaction prices of leased cars are determined based on prices under contracts with customers. There is no possibility of return and refund in this business. The Group considers that performance obligations of the car rental business are satisfied over the period of the car rental or car lease. The Group receives fees mostly within one month from the date of satisfaction of performance obligation.

2) Housing-related Business

The Housing-related Business plans and sells condominiums, sells detached houses and provides construction and other services. Transaction prices are determined based on prices under contracts with customers. The Group recognizes revenue using the input methods that recognize revenue based on the ratio of costs and expenses consumed for construction to the estimated total costs and expenses to satisfy the performance obligation. The Group receives fees mostly within two months from the date of satisfaction of performance obligation.

(3) Contract balances

The breakdown of receivables arising from contracts with customers and contract liabilities is as follows:

	As of March 31, 2019	As of March 31, 2018	IFRS transition date (April 1, 2017)	As of March 31, 2019
	Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars
Receivables arising from contracts with customers	6,531	5,905	5,068	58,831
Contract liabilities	8,694	7,911	5,814	78,318

Contract liabilities primarily relate to the advances received from customers.

The amounts of revenues recognized in the reporting period that were included in the beginning balance of contract liabilities are as follows:

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
	Millions of yen	Millions of yen	Thousands of U.S. dollars
The amounts of revenues recognized in the reporting period that were included in the beginning balance of contract liabilities	6,698	5,499	60,333

(4) Transaction price allocated to remaining performance obligations

As there were no significant transactions for which an individual estimated contract period exceeds one year, the Group has adopted a practical expedient and omitted information on the remaining performance obligations. Consideration from contracts with corporate customers does not include any significant amount not included in the transaction price.

(5) Contract costs

The Group adopts the practical expedient under paragraph 94 of IFRS 15 and recognizes contract costs as expenses when incurred if the amortization period of such costs is one year or less.

27. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The breakdown of selling, general and administrative expenses is as follows:

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Personnel expenses	15,431	14,274	139,004
Depreciation and amortization	2,162	1,834	19,474
Rent expenses	2,248	2,115	20,247
Advertising expenses	1,585	1,572	14,277
Other	6,141	6,417	55,321
Total	27,566	26,212	248,323

28. OTHER INCOME AND EXPENSES

The breakdown of other income is as follows:

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Incentive income	309	212	2,787
Gain on sale of non-current assets	5	2	41
Gain on sale of investments in subsidiaries	53	–	474
Negative goodwill	–	36	–
Other	253	215	2,281
Total	620	465	5,582

The breakdown of other expenses is as follows:

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Loss on sale of non-current assets	0	7	2
Loss on retirement of non-current assets	51	85	458
Impairment loss	945	600	8,515
Other	187	184	1,687
Total	1,184	875	10,661

29. FINANCE INCOME AND FINANCE COSTS

The breakdown of finance income is as follows:

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Interest income			
Financial assets measured at amortized cost	33	45	301
Dividend income			
Financial assets measured at fair value through profit or loss	5	6	43
Financial assets measured at fair value through other comprehensive income	54	54	484
Foreign exchange gain	–	66	0
Other	12	9	111
Total	104	180	939

The breakdown of finance costs is as follows:

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Interest expenses			
Financial liabilities measured at amortized cost	360	364	3,240
Foreign exchange loss	201	–	1,808
Other	30	34	272
Total	591	398	5,321

30. OTHER COMPREHENSIVE INCOME

Amounts that occurred during the period, reclassification adjustment to profit or loss and tax effect by item of other comprehensive income are as follows:

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Financial assets measured at fair value through other comprehensive income			
Amount that occurred during the period	(405)	1,038	(3,647)
Tax effect	150	(337)	1,352
Financial assets measured at fair value through other comprehensive income	(255)	701	(2,295)
Exchange differences on translation of foreign operations			
Amount that occurred during the period	(347)	501	(3,124)
Reclassification adjustment	20	–	178
Before tax effect adjustments	(327)	501	(2,946)
Exchange differences on translation of foreign operations	(327)	501	(2,946)
Share of other comprehensive income of investments accounted for using equity method			
Amount that occurred during the period	(5)	12	(46)
Share of other comprehensive income of investments accounted for using equity method	(5)	12	(46)
Total other comprehensive income	(587)	1,215	(5,287)

31. EARNINGS PER SHARE

Basis for calculating basic earnings per share is as follows:

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018
Profit attributable to owners of parent		
Millions of yen	3,767	4,690
(Thousands of U.S. dollars)	(33,937)	
Weighted average number of ordinary shares outstanding (Shares)	117,354,455	117,645,086
Basic earnings per share		
Yen	32.10	39.87
(U.S. dollars)	(0.29)	

(Note) Diluted earnings per share are not stated as there were no potential shares.

32. CASH FLOW INFORMATION

(1) Changes in liabilities arising from financing activities

The changes in liabilities arising from financing activities are as follows:

Fiscal year ended March 31, 2019

	As of April 1, 2018	Changes with cash flows	Changes without cash flows: Increase (decrease) by business combination	Changes without cash flows: Increase (decrease) by new leases	Changes without cash flows: Exchange differences on translation of foreign operations	Changes without cash flows: Other	As of March 31, 2019
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Short-term borrowings	11,865	970	(238)	–	(122)	–	12,475
Long-term borrowings	17,881	(2,379)	–	–	(10)	41	15,534
Bonds payable	287	(264)	–	–	–	–	23
Lease obligations	8,137	(3,672)	–	2,969	–	–	7,435
Construction assistance fund received	12	(1)	–	–	–	0	11
Total	38,183	(5,346)	(238)	2,969	(132)	42	35,478

The above lease obligations do not include lease obligations for operating activities.

Fiscal year ended March 31, 2018

	As of April 1, 2017	Changes with cash flows	Changes without cash flows: Increase (decrease) by business combination	Changes without cash flows: Increase (decrease) by new leases	Changes without cash flows: Exchange differences on translation of foreign operations	Changes without cash flows: Other	As of March 31, 2018
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Short-term borrowings	10,456	1,311	–	–	98	–	11,865
Long-term borrowings	18,337	(417)	2	–	8	(49)	17,881
Bonds payable	381	(94)	–	–	–	–	287
Lease obligations	7,573	(3,570)	–	4,137	–	(4)	8,137
Construction assistance fund received	13	(1)	–	–	–	0	12
Total	36,760	(2,771)	2	4,137	106	(52)	38,183

The above lease obligations do not include lease obligations for operating activities.

Fiscal year ended March 31, 2019

	As of April 1, 2018	Changes with cash flows	Changes without cash flows				As of March 31, 2019
			Increase (decrease) by business combination	Increase (decrease) by new leases	Exchange differences on translation of foreign operations	Other	
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
Short-term borrowings	106,884	8,738	(2,143)	–	(1,099)	–	112,380
Long-term borrowings	161,079	(21,427)	–	–	(93)	373	139,932
Bonds payable	2,585	(2,378)	–	–	–	–	207
Lease obligations	73,304	(33,075)	–	26,748	–	–	66,977
Construction assistance fund received	105	(11)	–	–	–	2	96
Total	343,957	(48,153)	(2,143)	26,748	(1,192)	375	319,592

The above lease obligations do not include lease obligations for operating activities.

(2) Non-cash transactions

Property, plant and equipment acquired by finance leases are as follows:

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Property, plant and equipment acquired by finance leases	2,780	3,851	25,043

33. SHARE-BASED PAYMENT

(1) Details of share-based payment plan

	2015 stock option
Persons granted	(The Company) 2 directors 7 employees (Subsidiaries) 27 directors 158 employees
Number of stock options by class of shares (Note)	588,000 ordinary shares
Date of grant	June 16, 2015
Vesting conditions	There are no pertinent items.
Target service period	There are no pertinent items.
Exercise period	From June 17, 2017 to June 16, 2022

(Note) The number of stock options is presented by converting it into the number of shares.

(2) The number and weighted average exercise prices of stock options

	Fiscal year ended March 31, 2019		Fiscal year ended March 31, 2018	
	Number of shares held	Weighted average exercise price	Number of shares held	Weighted average exercise price
	Shares	Yen (U.S. dollars)	Shares	Yen
Beginning balance – Outstanding	583,000	718 (6)	543,000	718
Granted	–	–	–	–
Exercised	–	–	–	–
Forfeited	40,000	718 (6)	7,000	718
Expired	–	–	–	–
Ending balance – Outstanding	543,000	718 (6)	536,000	718
Ending balance – Exercisable	543,000	718 (6)	536,000	718

(Notes) 1. No stock options were exercised in the fiscal years ended March 31, 2019 and March 31, 2018.
2. The exercise prices of the outstanding stock options as of March 31, 2019 and March 31, 2018 were both ¥718.
3. The weighted average remaining contractual lives of the outstanding stock options as of March 31, 2019 and March 31, 2018 were 3.2 years and 4.2 years, respectively.

(3) Share-based payment expenses

The amount recognized as share-based payment expenses and included in "Selling, general and administrative expenses" in the consolidated statement of profit or loss for the fiscal year ended March 31, 2018 is ¥15 million. No share-based payment expenses were recognized for the fiscal year ended March 31, 2019.

34. FINANCIAL INSTRUMENTS

(1) Capital management

The Group manages its capital with the aim of maximizing corporate value through sustainable growth.

The major indexes used by the Group to manage its capital are the net interest-bearing liabilities (interest-bearing liabilities less cash and cash equivalents), the equity ratio and the rate of return on equity.

The Group's net interest-bearing liabilities, the equity ratio and the rate of return on equity are as follows:

	As of March 31, 2019	As of March 31, 2018	IFRS transition date (April 1, 2017)	As of March 31, 2019
	Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars
Interest-bearing liabilities	46,620	50,101	47,274	419,958
Cash and cash equivalents	7,514	7,640	6,755	67,691
Net interest-bearing liabilities	39,105	42,462	40,519	352,268
Equity ratio (%)	28.3	27.1	28.2	28.3
Rate of return on equity (%)	9.5	12.6	–	9.5

These indexes are regularly reported to and monitored by the management.

There is no significant capital restriction imposed on the Group.

(2) Financial risk management

The Group is exposed to financial risk (credit risk, liquidity risk, currency risk, interest rate risk, market price fluctuation risk) in the course of performing operation activities. To mitigate such financial risks, the Group has managed risks in accordance with certain policies. The Group uses derivative transactions to avoid the risk of foreign currency fluctuation or the risk of interest rate fluctuation under the policy of not entering into any speculative transactions.

(3) Credit risk management

Credit risk is the risk of a financial loss that the Group will incur from a default of a contractual obligation by a counterparty of financial assets held by the Group.

The carrying amount of the financial assets presented on the consolidated financial statements is the maximum value of the exposure in respect of the credit risk of the Group's financial assets.

For early identification of uncollectible claims which may arise due to deterioration of financial condition of customers, the Group always monitors their creditworthiness based on its credit extensions and the credit control policy in respect of trade receivables and loan receivables, or, by making a database of credit standing of each counterparty and updating it on a regular basis in respect of the counterparty with whom the Group has an ongoing business relationship. Prior to the inception of a transaction with a new counterparty, the Group conducts a credit investigation and the result of such investigation is used to determine whether or not to start business and the credit terms applicable for such counterparty.

For derivative transactions, the Group limits counterparties to financial institutions with high credit ratings. Thus, the Group considers that the credit risk from such transactions are extremely low.

The Group also considers that, if an issuer or debtor faces a significant financial difficulty or delays payment of interest and/or principal, such issuer or debtor is in default.

If an issuer or debtor is in default, the Group determines that there is an objective evidence of credit impairment and classifies the relevant financial assets into credit-impaired financial assets.

Notwithstanding the foregoing, if the Group reasonably determines that it cannot collect all or part of its financial assets, including the case where a credit legally ceases to exist, the Group directly writes off the carrying amount of such financial assets.

a. The changes in allowance for doubtful accounts are as follows.

The Group sets the amount of allowance for doubtful accounts by reviewing the collectibility of its trade and other receivables based on the credit status of the counterparties.

The breakdown of changes in allowance for doubtful accounts for trade and other receivables is as follows. The Group classifies assets that are expected to be uncollectible in future into credit-impaired financial assets. Such assets include those for which collection of interest is delayed although a portion of payment was made or those for which payment has been delayed for more than 90 days and has been made irregularly.

	Assets recorded at an amount equal to 12-month expected credit losses	Assets recorded at an amount equal to lifetime expected credit losses		Total
		Credit-impaired financial assets for which credit risk has increased significantly since initial recognition	Financial assets for which allowance for doubtful accounts is always measured at an amount equal to lifetime expected credit losses	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance at April 1, 2017	(1)	(913)	(75)	(990)
Transfer to lifetime expected credit losses	–	–	–	–
Transfer to 12-month expected credit losses	–	–	–	–
Changes due to generation and collection of financial assets	(3)	(14)	3	(14)
Write-off	–	–	8	8
Exchange differences on translation of foreign operations	–	–	(5)	(5)
Balance at March 31, 2018	(4)	(927)	(69)	(1,000)
Transfer to lifetime expected credit losses	2	–	1	3
Transfer to 12-month expected credit losses	–	–	(3)	(3)
Changes due to generation and collection of financial assets	(2)	(7)	(11)	(20)
Write-off	–	23	26	48
Exchange differences on translation of foreign operations	–	–	23	23
Other	–	–	–	–
Balance at March 31, 2019	(3)	(912)	(34)	(949)

		Assets recorded at an amount equal to lifetime expected credit losses		
	Assets recorded at an amount equal to 12-month expected credit losses	Credit-impaired financial assets for which credit risk has increased significantly since initial recognition	Financial assets for which allowance for doubtful accounts is always measured at an amount equal to lifetime expected credit losses	Total
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
Balance at March 31, 2018	(35)	(8,350)	(625)	(9,010)
Transfer to lifetime expected credit losses	18	–	6	25
Transfer to 12-month expected credit losses	–	–	(25)	(25)
Changes due to generation and collection of financial assets	(14)	(67)	(103)	(183)
Write-off	–	205	232	437
Exchange differences on translation of foreign operations	–	–	206	206
Other	–	–	–	–
Balance at March 31, 2019	(31)	(8,211)	(309)	(8,551)

b. Balances of total carrying amount of financial assets subject to recognition of allowance for doubtful accounts are as follows.

	Assets recorded at an amount equal to 12-month expected credit losses	Assets recorded at an amount equal to lifetime expected credit losses		Total
		Credit-impaired financial assets for which credit risk has increased significantly since initial recognition	Financial assets for which allowance for doubtful accounts is always measured at an amount equal to lifetime expected credit losses	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of March 31, 2019	1,702	912	19,469	22,083
As of March 31, 2018	1,371	927	19,678	21,976
IFRS transition date (April 1, 2017)	1,422	913	17,199	19,534

	Assets recorded at an amount equal to 12-month expected credit losses	Assets recorded at an amount equal to lifetime expected credit losses		Total
		Credit-impaired financial assets for which credit risk has increased significantly since initial recognition	Financial assets for which allowance for doubtful accounts is always measured at an amount equal to lifetime expected credit losses	
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of March 31, 2019	15,329	8,211	175,384	198,924

c. Balances of uncollected financial instruments which have been directly written off during the period but for which collecting activities are continuing

There are no financial assets that were directly written off but for which the Group continued collecting activities in the fiscal years ended March 31, 2019 and March 31, 2018.

(4) Liquidity risk management

Liquidity risk is a risk that the Group is unable to repay its financial liabilities as they become due on the relevant payment date.

The Group manages its liquidity risk by reserving adequate funds for repayment, ensuring readily available credit facility extended by financial institutions, and monitoring cash flow plans and its results on an ongoing basis.

The Group manages cash flows based on a monthly cash budget, which is prepared by each of the Group companies and is updated on a timely basis.

Balances of financial liabilities by due date are as follows:

As of March 31, 2019

	Carrying amount	Contractual cash flows	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Non-derivative financial liabilities								
Trade and other payables	45,356	45,356	39,111	2,912	2,124	1,083	103	22
Borrowings	28,009	28,090	17,724	4,616	2,585	2,122	936	107
Bonds payable	23	23	14	9	–	–	–	–
Lease obligations	8,135	8,524	3,799	2,088	1,026	263	133	1,216
Other	684	684	16	9	8	1	1	650
Total	82,207	82,678	60,664	9,633	5,743	3,469	1,173	1,995

As of March 31, 2018

	Carrying amount	Contractual cash flows	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Non-derivative financial liabilities								
Trade and other payables	46,633	46,633	40,617	2,944	1,908	1,045	90	29
Borrowings	29,747	29,875	18,672	4,188	2,967	1,923	1,407	719
Bonds payable	287	289	266	14	9	–	–	–
Lease obligations	9,073	9,526	4,229	2,432	1,264	334	126	1,141
Other	686	686	23	14	9	8	1	631
Total	86,426	87,010	63,807	9,593	6,156	3,310	1,623	2,521

IFRS transition date (April 1, 2017)

	Carrying amount	Contractual cash flows	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Non-derivative financial liabilities								
Trade and other payables	37,648	37,648	32,184	3,034	1,477	842	90	21
Borrowings	28,793	28,956	16,391	4,645	2,466	2,328	1,305	1,821
Bonds payable	381	386	97	266	14	9	–	–
Lease obligations	8,171	8,708	3,616	2,254	1,242	245	123	1,227
Other	736	736	22	19	15	9	8	663
Total	75,729	76,433	52,310	10,218	5,214	3,433	1,526	3,732

As of March 31, 2019

	Carrying amount	Contractual cash flows	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
Non-derivative financial liabilities								
Trade and other payables	408,573	408,573	352,320	26,231	19,137	9,754	931	200
Borrowings	252,312	253,042	159,662	41,580	23,287	19,116	8,430	968
Bonds payable	207	207	126	81	–	–	–	–
Lease obligations	73,280	76,789	34,223	18,805	9,239	2,373	1,198	10,950
Other	6,164	6,164	146	77	70	10	10	5,851
Total	740,536	744,776	546,476	86,775	51,734	31,253	10,569	17,969

(5) Currency risk management

a. Risk management activities

The Group operates its business globally and is exposed to the risk of foreign currency fluctuation arising from transactions denominated in a currency other than the functional currency. The Group uses derivatives (cross-currency interest rate swap) to hedge the risks of foreign currency fluctuation and interest rate fluctuation arising from a part of its borrowings.

b. Foreign exchange sensitivity analysis

In each reporting period, effects of an 1% appreciation of the Japanese yen against AUD or GBP on the profit before tax in the consolidated statement of profit or loss are as follows.

However, this analysis is based on the assumption that other variable factors (such as balances, interest rate, etc.) are constant.

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
	Profit before tax Millions of yen	Profit before tax Millions of yen	Thousands of U.S. dollars
AUD	(14)	(7)	(127)
GBP	(10)	(5)	(87)

(6) Interest rate risk management

a. Risk management activities

The Group is exposed to various risk of interest rate fluctuation in the course of its business activities and the fluctuations in interest rates especially have a considerable impact on borrowing costs.

The Group may use derivatives (interest rate swap contract, etc.) in accordance with the defined policy to mitigate the risk of interest rate fluctuation.

b. Interest rate sensitivity analysis

In each reporting period, effects of an 1% increase in interest rate on the profit before tax in the consolidated statement of profit or loss are as follows.

However, this analysis is based on the assumption that other variable factors (such as balances, exchange rate, etc.) are constant.

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Profit before tax	(212)	(223)	(1,909)

(7) Market price fluctuation risk management

a. Risk management activities

The Group is exposed to risk of fluctuations in share prices arising from equity instruments (shares).

The Group regularly assesses and monitors fair value and financial conditions of issuers of such equity instruments.

b. Price sensitivity analysis

In each reporting period, effects of a 10% change in the market price of equity instruments held by the Group on the other comprehensive income (before tax effect) in the consolidated statement of comprehensive income are as follows.

However, this analysis is based on the assumption that other variable factors are constant.

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Other comprehensive income (before tax effect)	(125)	(151)	(1,124)

(8) Classification and fair value of financial assets and financial liabilities

Classification, carrying amount and fair value of financial assets and financial liabilities are as follows.

It is noted that financial instruments whose carrying amounts are a reasonable approximation of their fair value are not included in financial instruments measured at amortized cost.

	As of March 31, 2019		As of March 31, 2018		IFRS transition date (April 1, 2017)		As of March 31, 2019	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars	Thousands of U.S. dollars
Financial assets measured at amortized cost								
Trade and other receivables	19,381	19,847	19,544	20,203	17,050	18,011	174,584	178,783
Other financial assets	3,170	3,145	2,915	2,810	2,863	2,717	28,552	28,329
Financial assets measured at fair value through profit or loss								
Other financial assets	747	747	666	666	740	740	6,732	6,732
Financial assets measured at fair value through other comprehensive income								
Other financial assets	3,699	3,699	4,133	4,133	3,092	3,092	33,324	33,324
Total	26,997	27,438	27,258	27,812	23,745	24,560	243,193	247,169
Financial liabilities measured at amortized cost								
Trade and other payables	45,356	45,198	46,633	46,480	37,648	37,515	408,573	407,153
Bonds and borrowings	28,032	28,038	30,034	30,058	29,174	29,185	252,519	252,573
Other financial liabilities	8,819	8,716	9,759	9,628	8,907	8,699	79,444	78,517
Total	82,207	81,952	86,426	86,167	75,729	75,399	740,536	738,244

1) Classification based on fair value hierarchy

The fair value measurements of financial instruments measured at fair value are categorized into the following three levels based upon the observability and significance of inputs used to measure such financial instruments.

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets

Level 2: Fair value, other than Level 1, that is determined by directly or indirectly using the observable price

Level 3: Fair value determined by using valuation techniques that incorporate unobservable inputs

2) Calculation method for fair values

The calculation method for fair values is as follows.

Assets:

(Trade and other receivables)

The fair value of lease receivables and lease investment assets is determined based on the present value of the total amount of lease receivables discounted at a credit risk-adjusted rate of interest. Receivables other than lease receivables and investment assets are stated at carrying amount as their fair value approximates the carrying amount as they are settled in a short period. The fair value hierarchy is classified as Level 2.

(Other financial assets)

With respect to the fair value of securities and investment securities, the fair value of listed shares is determined based on the quoted price at an exchange as of the end of the fiscal year, and is classified as Level 1 in the fair value hierarchy. The fair value of non-listed shares, etc. is determined based on the valuation technique using the market price of shares of comparable companies and the valuation technique using net asset value, and is classified as Level 3 in the fair value hierarchy.

The fair value of long-term loans receivable is determined based on the present value of each receivable discounted at the interest rate adjusted by taking into account the respective period to maturity and credit risk. The fair value hierarchy is classified as Level 2.

Liabilities:

(Trade and other payables)

Trade and other payables with short settlement periods are stated at carrying amount as their fair value approximates the carrying amount. Trade and other payables with settlement period exceeding one year are determined based on the present value discounted at the interest rate that would be used for a similar new transaction. The fair value hierarchy is classified as Level 2.

(Bonds and borrowings)

With respect to the fair value of bonds and long-term borrowings, those with variable interest rates are stated at carrying amount as their fair value reflects the market rate on a short-term basis and is therefore deemed to approximate their carrying amounts. The fair value of bonds and borrowings with fixed interest rates is determined based on the present value by discounting the aggregate amount of the principal and interests at the interest rate that would be offered for similar new bonds issued or borrowings newly originated. The fair value hierarchy is classified as Level 2.

3) Fair value hierarchy

The fair value hierarchy for financial instruments measured at fair value is as follows:

As of March 31, 2019

	Level 1	Level 2	Level 3	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Assets:				
Financial assets measured at fair value through profit or loss				
Other financial assets				
Securities	–	245	–	245
Derivatives	–	63	–	63
Other	–	–	440	440
Financial assets measured at fair value through other comprehensive income				
Other financial assets				
Securities	1,247	–	2,452	3,699
Total	1,247	308	2,892	4,447

As of March 31, 2018

	Level 1	Level 2	Level 3	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Assets:				
Financial assets measured at fair value through profit or loss				
Other financial assets				
Securities	–	254	–	254
Derivatives	–	23	–	23
Other	–	–	389	389
Financial assets measured at fair value through other comprehensive income				
Other financial assets				
Securities	1,509	–	2,625	4,133
Total	1,509	277	3,014	4,799

IFRS transition date (April 1, 2017)

	Level 1	Level 2	Level 3	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Assets:				
Financial assets measured at fair value through profit or loss				
Other financial assets				
Securities	–	272	–	272
Derivatives	–	101	–	101
Other	–	–	367	367
Financial assets measured at fair value through other comprehensive income				
Other financial assets				
Securities	856	–	2,236	3,092
Total	856	373	2,603	3,832

As of March 31, 2019

	Level 1	Level 2	Level 3	Total
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
Assets:				
Financial assets measured at fair value through profit or loss				
Other financial assets				
Securities	–	2,205	–	2,205
Derivatives	–	566	–	566
Other	–	–	3,961	3,961
Financial assets measured at fair value through other comprehensive income				
Other financial assets				
Securities	11,238	–	22,086	33,324
Total	11,238	2,771	26,047	40,056

Transfers between levels of the fair value hierarchy are recognized on the day when the event or change in circumstances that caused the transfer occurred. The Group did not recognize any material transfers between Level 1, 2 and 3 for each fiscal year.

4) Valuation processes

For financial instruments classified as Level 3, an external valuation expert or an internal qualified staff performs the valuation and analyzes the result of valuation in accordance with the valuation policy and procedures approved by the responsible person of the management control division. The result of valuation has been reviewed and approved by the responsible person of the management control division.

5) Quantitative information on financial instruments classified as Level 3

Fair value of non-listed shares classified as Level 3 are measured as follows.

As of March 31, 2019

Categories	Valuation technique	Significant unobservable inputs	Input value
Financial assets measured at fair value through other comprehensive income	Valuation technique using the market price of the comparable companies	EV to EBIT multiple Price to book value multiple Illiquidity discount	3.68x 0.8x 30.0%
Financial assets measured at fair value through other comprehensive income	Valuation technique using net asset value	–	–

As of March 31, 2018

Categories	Valuation technique	Significant unobservable inputs	Input value
Financial assets measured at fair value through other comprehensive income	Valuation technique using the market price of the comparable companies	EV to EBIT multiple Price to book value multiple Illiquidity discount	6.1x 1.2x 30.0%
Financial assets measured at fair value through other comprehensive income	Valuation technique using net asset value	–	–

IFRS transition date (April 1, 2017)

Categories	Valuation technique	Significant unobservable inputs	Input value
Financial assets measured at fair value through other comprehensive income	Valuation technique using the market price of the comparable companies	EV to EBIT multiple Price to book value multiple Illiquidity discount	4.2x 0.9x 30.0%
Financial assets measured at fair value through other comprehensive income	Valuation technique using net asset value	–	–

6) Reconciliation of financial instruments classified as Level 3 from the beginning to the end of the period

Changes in financial instruments classified as Level 3 from the beginning to the end of the period are as follows:

Fiscal year ended March 31, 2019

	Fair value measurements as of the closing date		
	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	Total
	Millions of yen	Millions of yen	Millions of yen
Balance at beginning of period	389	2,625	3,014
Total gains and losses	21	(146)	(125)
Profit or loss (Note 1)	21	–	21
Other comprehensive income (Note 2)	–	(146)	(146)
Purchases	30	–	30
Disposal	–	(27)	(27)
Balance at end of period	440	2,452	2,892
Changes in unrealized gains or losses recognized in profit or loss on assets held at the end of the reporting period (Note 1)	21	–	21

Fiscal year ended March 31, 2018

	Fair value measurements as of the closing date		
	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	Total
	Millions of yen	Millions of yen	Millions of yen
Balance at beginning of period	367	2,236	2,603
Total gains and losses	18	386	404
Profit or loss (Note 1)	18	–	18
Other comprehensive income (Note 2)	–	386	386
Purchases	21	3	24
Disposal	(16)	0	(16)
Balance at end of period	389	2,625	3,014
Changes in unrealized gains or losses recognized in profit or loss on assets held at the end of the reporting period (Note 1)	18	–	18

Fiscal year ended March 31, 2019

	Fair value measurements as of the closing date		
	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	Total
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
Balance at beginning of period	3,507	23,644	27,151
Total gains and losses	187	(1,318)	(1,131)
Profit or loss (Note 1)	187	–	187
Other comprehensive income (Note 2)	–	(1,318)	(1,318)
Purchases	268	–	268
Disposal	–	(240)	(240)
Balance at end of period	3,961	22,086	26,047
Changes in unrealized gains or losses recognized in profit or loss on assets held at the end of the reporting period (Note 1)	187	–	187

(Notes) 1. Included in "Finance income" and "Finance costs" in the consolidated statement of profit or loss.
2. Included in "Financial assets measured at fair value through other comprehensive income" in the consolidated statement of comprehensive income.

(9) Equity instruments

Stocks are mainly held for cross-holding purposes, and accordingly they are designated as financial assets measured at fair value through other comprehensive income.

1) The breakdown of fair value by issue

The breakdown of major issues of equity instruments and their fair value is as follows:

	As of March 31, 2019	As of March 31, 2018	IFRS transition date (April 1, 2017)	As of March 31, 2019
Issue	Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars
Nissan Parts Tokai Sales Co., Ltd.	964	1,136	879	8,683
Sakai Holdings Co., Ltd.	757	933	335	6,823
Nissan Parts Nagano Sales Co., Ltd.	517	605	500	4,661

2) Derecognition of financial assets measured at fair value through other comprehensive income

Equity instruments are sold from time to time, taking into account then current status of fair value and business necessity, and the fair value of the issue sold during the period as of the date of derecognition of such issue and the accumulated gains or losses which had been recognized as other comprehensive income are as follows:

Fiscal year ended March 31, 2019		Fiscal year ended March 31, 2018		Fiscal year ended March 31, 2019	
Fair value	Cumulative gains (losses)	Fair value	Cumulative gains (losses)	Fair value	Cumulative gains (losses)
Millions of yen	Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars	Thousands of U.S. dollars
29	(77)	0	(11)	263	(699)

Any change in fair value of equity instruments recognized as other comprehensive income is immediately transferred to retained earnings. Accumulated gains or losses transferred from other comprehensive income to retained earnings during the current fiscal year and the previous fiscal year were ¥(258) million ($(2,328) thousand) and ¥701 million, respectively.

The breakdown of recognized dividend income from equity instruments is as follows:

Fiscal year ended March 31, 2019		Fiscal year ended March 31, 2018		Fiscal year ended March 31, 2019	
Investments derecognized during the period	Investments held at the end of reporting period	Investments derecognized during the period	Investments held at the end of reporting period	Investments derecognized during the period	Investments held at the end of reporting period
Millions of yen	Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars	Thousands of U.S. dollars
–	54	–	54	–	484

35. PRINCIPAL SUBSIDIARIES

Transfer of subsidiaries

The gains or losses recognized for changes in ownership interest due to its loss of control of subsidiaries in the current fiscal year is ¥53 million ($474 thousand), which has been recorded in “Other income” in the consolidated statement of profit or loss. Of this amount, there is no gains or losses recognized by measuring residual ownership interest at fair value during the current fiscal year.

36. RELATED PARTIES

(1) Related party transactions

Fiscal year ended March 31, 2019

Type	Name	Relationship	Description of transactions	Transaction amount	Amount outstanding
				Millions of yen	Millions of yen
Director (and other officer)	Kazuho Takahashi	Undertaking of construction works	Exterior works	23	–
Director (and other officer) of subsidiary	Keith Brock	Purchase of vehicles	Purchase of vehicles	11	–
Company of which the majority of voting rights are held by Director (and other officer) and his or her close family member	Mogauto S.A	Sale of finished goods and merchandise, etc.	Purchase of parts	47	6
			Sale of parts	58	13
			Sale of vehicles	162	–
			Purchase of vehicles	55	13
			Sale of non-current assets	54	–
			Borrowing of funds	33	32
	Mogadealer S.L	Sale of finished goods and merchandise, etc.	Purchase of parts	39	7
			Sale of parts	32	3
			Borrowing of funds	24	23
	Resiro Plus S.L	Leasing of land	Leasing of land	16	–
	CLAMI S.L	Leasing of shops, etc.	Leasing of shops	399	17
			Fee for design of shops and other	16	–

(Notes) 1. Related party transactions are conducted on the basis of arm's length transactions.
2. The Group did not establish an allowance for doubtful accounts for the relevant receivables.

Fiscal year ended March 31, 2018

Type	Name	Relationship	Description of transactions	Transaction amount	Amount outstanding
				Millions of yen	Millions of yen
Close family member of Director (and other officer)	Sho Takahashi	Undertaking of construction works	Construction works of new houses	115	–
Director (and other officer) of subsidiary	Seiji Ohishi	Undertaking of construction works	Exterior works of houses	11	–
Company of which the majority of voting rights are held by Director (and other officer) and his or her close family member	Mogauto S.A	Sale of finished goods and merchandise, etc.	Purchase of parts	43	4
			Sale of parts	18	7
			Purchase of vehicles	236	0
	Mogadealer S.L	Sale of finished goods and merchandise, etc.	Purchase of parts	28	4
			Sale of parts	24	2
			Brokerage fee	10	0
	Resiro Plus S.L	Leasing of land	Leasing of land	13	–
	CLAMI S.L	Leasing of shops, etc.	Leasing of shops	365	20
			Fee for design of shops and other	21	–

(Notes) 1. Related party transactions are conducted on the basis of arm's length transactions.
2. The Group did not establish an allowance for doubtful accounts for the relevant receivables.

IFRS transition date (April 1, 2017)

Type	Name	Relationship	Description of transactions	Account item	Amount outstanding
					Millions of yen
Company, etc. of which the majority of voting rights are held by Director (and other officer) and his or her close family member	CLAMI S.L	Leasing of shops, etc.	Leasing of shops	Other financial assets	19

(Note) The Group did not establish an allowance for doubtful accounts for the relevant receivables.

Fiscal year ended March 31, 2019

Type	Name	Relationship	Description of transactions	Transaction amount	Amount outstanding
				Thousands of U.S. dollars	Thousands of U.S. dollars
Director (and other officer)	Kazuho Takahashi	Undertaking of construction works	Exterior works	211	–
Director (and other officer) of subsidiary	Keith Brock	Purchase of vehicles	Purchase of vehicles	98	–
Company of which the majority of voting rights are held by Director (and other officer) and his or her close family member	Mogauto S.A	Sale of finished goods and merchandise, etc.	Purchase of parts	426	51
			Sale of parts	519	121
			Sale of vehicles	1,455	–
			Purchase of vehicles	498	114
			Sale of non-current assets	486	–
			Borrowing of funds	295	286
	Mogadealer S.L	Sale of finished goods and merchandise, etc.	Purchase of parts	348	59
			Sale of parts	290	24
			Borrowing of funds	214	208
	Resiro Plus S.L	Leasing of land	Leasing of land	141	–
	CLAMI S.L	Leasing of shops, etc.	Leasing of shops	3,591	151
			Fee for design of shops and other	141	–

(Notes) 1. Related party transactions are conducted on the basis of arm's length transactions.
2. The Group did not establish an allowance for doubtful accounts for the relevant receivables.

(2) Remuneration for key management personnel

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Basic remuneration	233	232	2,103
Retirement benefits	50	62	450
Total	283	294	2,553

37. COMMITMENTS

There are no significant commitments on acquisition of assets.

38. CONTINGENT LIABILITIES

There are no pertinent items.

39. SUBSEQUENT EVENT

There are no pertinent items.