Consolidated Financial Statements

VT HOLDINGS CO., LTD.

Year Ended March 31, 2020

1． Overview of Operating Results

(1) Overview of Operating Results for the year ended March 31, 2020

1) Overview of financial results

In the domestic new car markets, sales of the standard sized vehicle and light motor vehicles remained robust until the second quarter. However, after the consumption tax was raised in the third quarter, those sales significantly slumped as a seemingly reactionary drop throughout the quarter. During the fourth quarter when sales recovery was expected, the global COVID-19 pandemic led to measures such as lockdowns overseas, while in Japan, causing delays in delivering cars due to production delays on the side of automobile manufacturers and undermining consumer mind much further. As a result, the number of new cars sold in Japan for the fiscal year ended March 31, 2020 were sluggish ,decreased 4.2% from the previous fiscal year.

As for the Group's core business such as automobile sales-related business for the fiscal year ended March 31, 2020, domestic sales were under tough conditions because sales of Honda vehicles were affected by delays in Honda's new-model car production, as well as sales of Nissan standard sized vehicles hit the wall, although sales of its light vehicles were stable. As for overseas sales, our subsidiaries in Europe have been particularly affected by the WLTP (the Worldwide harmonized light vehicles test procedure - the emissions control using a new method for authenticating vehicles to be sold in the EU area) since the second half of the fiscal year ended March 31, 2019. In the U.K., tough conditions continued as people hesitated to buy used cars to prepare for the exit from the European Union, and the Group was even forced to streamline our business activities immediately, including closing stores to comply with measures including lockdowns in the fourth quarter. As a result, our Group's total sales units for new and used cars were 96,371 units, decrease by 5,220 units (5.1%) from the fiscal year ended March 31, 2019.

In addition, the Group recognized a total of ¥1,751 million ($16,089 thousand) impairment loss in view of the amount recoverable for the store facilities and goodwill held by some of our subsidiaries whose profitability has been deteriorated.

On the other hand, the housing-related business was strong in terms of both order and delivery of properties for sales.

As a result, our consolidated financial results for the year ended March 31, 2020 included revenue of ¥207,468 million ($1,906,349 thousand) (decrease of 5.2% from the previous fiscal year), operating profit of ¥5,277 million ($48,488 thousand) (decrease of 23.9% from the previous fiscal year), profit before tax of ¥4,611 million ($42,368 thousand) (decrease of 30.5% from the previous fiscal year), and profit attributable to owners of parent of ¥2,079 million ($19,103 thousand) (decrease of 44.8% from the previous fiscal year).

2) Business overview by segment

[Automobile Sales-Related Business]

As for the new vehicle sector, the domestic sales units of Honda vehicles were 6,203 units (decrease of 8.2%from the previous fiscal year), and those of Nissan vehicles, for which the Group focused on cultivating core customers, were 18,115 units (increase of 3.0% from the previous fiscal year). New vehicles sold by the Group as a whole including overseas subsidiaries were 44,651 units (decrease of 0.5% from the previous fiscal year), slightly below the results of the fiscal year ended March 31, 2019 on a sales unit basis. The percentage of light vehicles increased and top priority was placed on sales to expand sales units in order to increase our future customers, and this induced a decline in profit per new vehicle.

As for the used car sector, the number of cars exported overseas was 5,598 units (decrease of 20.4% from the previous fiscal year), and the number of used cars sold in Japan and overseas also dropped. As a result, the number of used cars sold as a whole group was 51,720 units (decrease of 8.8% from the previous fiscal year), below the actual sales units of the fiscal year ended March 31, 2019 and pushing down both net sales and operating profit.

The service sector also saw declined net sales and operating profit, although existing companies and newly consolidated subsidiaries made intensive efforts to gain more orders of servicing, vehicle inspections, repairs, and commission income.

In the car rental sector, sales from both new stores opened during the fiscal year ended March 31, 2019 and the existing stores remained strong. However, affected by a voluntary restraint on going out during the highest season of March, operating profit slightly decreased, although net sales increased.

As a result, net sales and operating profit were decreased in the automobile sales-related business, including revenue of ¥196,549 million ($1,806,018 thousand) (decrease of 6.1%from the previous fiscal year) and operating profit of ¥3,646 million ($33,501 thousand) (decrease of 27.5% from the previous fiscal year).

[Housing-Related Business]

In the condominium business, demands remain stable as the mortgage loan interest rate was declined and the taxation for acquiring houses has been maintained. However, the Group continues to have difficulties including sales price increase as affected by increased construction expenses due to a lack of manpower and escalating construction material prices, in addition to a hike of land prices for projects.

Under such circumstances, both orders received and deliveries remained positive as the Group expanded property areas and cultivated new customer base. During the fiscal year ended March 31, 2020, the Group has newly built four condominiums with 133 residential properties, concluded contracts for 164 units (243 units for the previous fiscal year) including completed units, and delivered 220 units (199 units for the previous fiscal year).

The ready-built house business was also strong at the company-wide level, although there were some ups and downs regionally. In this business, the Group took initiatives to increase the number of order placements by engaging car dealers and proactively tendering bids for commercial facilities.

As a result, net sales and operating profit were increased in the housing-related business, including revenue of ¥10,729 million ($98,584 thousand) (increase of 14.8% from the previous fiscal year) and operating profit of ¥1,088 million ($9,997 thousand) (increase of 13.9% from the previous fiscal year).

（4）Forecasts for the next fiscal year

Global economy faces growing concerns over protectionism and expanded block economy, as well as increasing uncertainty for geographical risks. Furthermore, the COVID-19 impact has stimulated sharper economic declines in many countries and regions, for which the Group realizes that various industries in Japan will also continue to be under significantly severe conditions in economic terms.

Domestic and foreign automobile industries have already been affected in terms of production and sales, and our Group’s automobile sales-related business also faces considerable sales decline. the Group assumes that the automobile market as a whole will gradually recover after bottoming out between April and June 2020, and it will return to the same level as the fiscal year ended March 31, 2019 from the end of 2020 to the first half of 2021. the Group also expects critical situation will continue.

In the housing-related business, the number of customers visiting our showcases temporarily declined, but there is no significant effect at the moment as the Group begins to see a sign of recovery.

Therefore, the Group hopes that the COVID-19 impact will subside as quickly as possible, while the Group also makes efforts to expand new vehicle sales more than ever before at each of group companies, improve CS, and further increase the underlying earnings of the used car and service sectors, as well as expanding our business through M&As.

the Group assumes ¥133.46 per GBP, ¥119.65 per EUR, ¥66.28 per AUD, and ¥6.05 per ZAR as the underlying exchange rates for our financial forecasts. In addition to these exchange assumptions, the Group estimates the forecasts for the fiscal year ending March 31, 2021 based on the said situations and estimates. Based on the foregoing, the forecasts for the consolidated financial results for the year ending March 2021 are expected to be ¥190.0 billion ($1,745,842 thousand) for revenue, ¥3.0 billion ($27,565 thousand)for operating profit, ¥2.4 billion ($22,052 thousand) for profit before tax, and ¥1.26 billion ($11,577 thousand) for profit attributable to owners of parent.

* 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").

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, 2020 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, 2020	As of March 31, 2019	As of March 31, 2020
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Assets				
Current assets				
Cash and cash equivalents	8	9,490	7,514	87,200
Trade and other receivables	9,35	16,853	19,381	154,856
Other financial assets	10,35	90	235	826
Inventories	11	37,935	36,686	348,571
Other current assets	12,20	4,694	3,525	43,131
Total current assets		69,063	67,341	634,595
Non-current assets				
Property, plant and equipment	13,20	62,286	41,536	572,323
Goodwill	14	12,624	12,554	115,997
Intangible assets	14,20	700	513	6,432
Investment property	15	6,730	7,127	61,839
Investments accounted for using equity method	6,17	8,533	4,053	78,406
Other financial assets	10,35	6,630	7,381	60,920
Deferred tax assets	18	1,223	827	11,237
Other non-current assets	12	122	144	1,121
Total non-current assets		98,849	74,137	908,288
Total assets		167,912	141,478	1,542,883

	Notes	As of March 31, 2020	As of March 31, 2019	As of March 31, 2020
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Liabilities and equity				
Liabilities				
Current liabilities				
Bonds and borrowings	19,35	32,110	17,711	295,047
Trade and other payables	21,35	40,279	45,356	370,109
Other financial liabilities	19,35	5,763	3,607	52,954
Income taxes payable		864	937	7,938
Contract liabilities	27	8,873	8,694	81,530
Other current liabilities	24	2,270	2,378	20,858
Total current liabilities		90,160	78,683	828,448
Non-current liabilities				
Bonds and borrowings	19,35	13,970	10,321	128,365
Other financial liabilities	19,35	19,375	5,213	178,029
Provisions	23	497	458	4,566
Deferred tax liabilities	18	1,639	1,876	15,060
Other non-current liabilities	24	1,565	1,461	14,380
Total non-current liabilities		37,046	19,328	340,402
Total liabilities		127,207	98,011	1,168,859
Equity				
Share capital	25	4,297	4,297	39,483
Capital surplus	25	2,847	2,843	26,160
Treasury shares	25	(272)	(272)	(2,499)
Other components of equity		(146)	330	(1,341)
Retained earnings	25	30,156	32,846	277,092
Total equity attributable to owners of parent		36,882	40,044	338,895
Non-controlling interests		3,823	3,423	35,128
Total equity		40,705	43,467	374,023
Total liabilities and equity		167,912	141,478	1,542,883

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, 2020	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Revenue	6,27	207,468	218,848	1,906,349
Cost of sales		173,570	183,782	1,594,872
Gross profit		33,898	35,066	311,476
Selling, general and administrative expenses	28	27,087	27,566	248,892
Other income	29	635	620	5,834
Other expenses	29	2,169	1,184	19,930
Operating profit		5,277	6,936	48,488
Finance income	30	112	104	1,029
Finance costs	30	1,019	591	9,363
Share of profit of investments accounted for using equity method	17	242	181	2,223
Profit before tax		4,611	6,630	42,368
Income tax expense	18	2,052	2,509	18,855
Profit		2,559	4,121	23,513
Profit attributable to				
Owners of parent		2,079	3,767	19,103
Non-controlling interests		480	353	4,410
Profit		2,559	4,121	23,513

	Notes	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Earnings per share		Yen	Yen	U.S. dollars
Basic earnings per share	32	17.72	32.10	0.16
Diluted earnings per share	32	17.72	32.10	0.16

Consolidated Statement of Comprehensive Income

	Notes	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Profit		2,559	4,121	23,513
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Financial assets measured at fair value through other comprehensive income	31	(447)	(255)	(4,107)
Share of other comprehensive income of investments accounted for using equity method	17,31	(1)	(2)	(9)
Total of items that will not be reclassified to profit or loss		(449)	(257)	(4,125)
Items that may be reclassified to profit or loss				
Exchange differences on translation of foreign operations	31	(500)	(327)	(4,594)
Share of other comprehensive income of investments accounted for using equity method	17,31	11	(3)	101
Total of items that may be reclassified to profit or loss		(489)	(330)	(4,493)
Other comprehensive income, net of tax		(938)	(587)	(8,618)
Comprehensive income		1,622	3,534	14,903
Comprehensive income attributable to				
Owners of parent		1,155	3,218	10,612
Non-controlling interests		467	316	4,291
Comprehensive income		1,622	3,534	14,903

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	34		2			(2)	
Transfer to retained earnings	35						258
Purchase of treasury shares	25			(0)			
Dividends	26						
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	34	(2)		–		–
Transfer to retained earnings	35	258	(258)	–		–
Purchase of treasury shares	25	–		(0)		(0)
Dividends	26	–	(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, 2020

	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 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, 2019		4,297	2,843	(272)	189	141	–
Impact of change in accounting policy		–	–	–	–	–	–
Adjusted balance at April 1,2019		4,297	2,843	(272)	189	141	–
Profit							
Other comprehensive income					(472)		(453)
Total comprehensive income		–	–	–	(472)	–	(453)
Change in scope of consolidation							
Changes in ownership interest in subsidiaries			0				
Forfeiture of share acquisition rights	34		4			(4)	
Transfer to retained earnings	35						453
Dividends	26						
Total transactions with owners		–	4	–	–	(4)	453
Balance at March 31, 2020		4,297	2,847	(272)	(283)	137	–

	Notes	Equity attributable to owners of parent			Non-controlling interests	Total
		Other components of equity	Retained earnings	Total		
		Total				
		Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance at April 1, 2019		330	32,846	40,044	3,423	43,467
Impact of change in accounting policy		–	(1,971)	(1,971)	(18)	(1,989)
Adjusted balance at April 1, 2019		330	30,875	38,073	3,405	41,478
Profit		–	2,079	2,079	480	2,559
Other comprehensive income		(925)		(925)	(13)	(938)
Total comprehensive income		(925)	2,079	1,155	467	1,622
Change in scope of consolidation		–	2	2		2
Changes in ownership interest in subsidiaries		–		0	(0)	0
Forfeiture of share acquisition rights	34	(4)		–		–
Transfer to retained earnings	35	453	(453)	–		–
Dividends	26	–	(2,347)	(2,347)	(49)	(2,396)
Total transactions with owners		449	(2,798)	(2,346)	(49)	(2,394)
Balance at March 31, 2020		(146)	30,156	36,882	3,823	40,705

Fiscal year ended March 31, 2020

	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 comprehen-sive 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, 2019		39,483	26,123	(2,499)	1,736	1,295	–
Impact of change in accounting policy		–	–	–	–	–	–
Adjusted balance at April 1,2019		39,483	26,123	(2,499)	1,736	1,295	–
Profit							
Other comprehensive income					(4,337)		(4,162)
Total comprehensive income		–	–	–	(4,337)	–	(4,162)
Change in scope of consolidation							
Changes in ownership interest in subsidiaries			0				
Forfeiture of share acquisition rights	34		36			(36)	
Transfer to retained earnings	35						4,162
Dividends	26						
Total transactions with owners		–	36	–	–	(36)	4,162
Balance at March 31, 2020		39,483	26,160	(2,499)	(2,600)	1,258	–

	Notes	Equity attributable to owners of parent			Non-controlling interests	Total
		Other components of equity	Retained earnings	Total		
		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, 2019		3,032	301,810	367,950	31,452	399,402
Impact of change in accounting policy		–	(18,110)	(18,110)	(165)	(18,276)
Adjusted balance at April 1, 2019		3,032	283,699	349,839	31,287	381,126
Profit		–	19,103	19,103	4,410	23,513
Other comprehensive income		(8,499)		(8,499)	119	(8,618)
Total comprehensive income		(8,499)	19,103	10,612	4,291	14,903
Change in scope of consolidation		–	18	18		18
Changes in ownership interest in subsidiaries		–		0	(0)	0
Forfeiture of share acquisition rights	34	(36)		–		–
Transfer to retained earnings	35	4,162	(4,162)	–		–
Dividends	26	–	21,565	21,565	(450)	(22,015)
Total transactions with owners		4,125	(25,709)	(21,556)	(450)	(21,997)
Balance at March 31, 2020		(1,341)	277,092	338,895	35,128	374,023

4) Consolidated Statement of Cash Flows

	Notes	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Cash flows from operating activities				
Profit before tax		4,611	6,630	42,368
Depreciation and amortization		8,550	5,631	78,562
Impairment losses		1,751	945	16,089
Interest and dividend income		(102)	(92)	(937)
Interest expenses		745	360	6,845
Foreign exchange loss (gain)		185	15	1,699
Share of loss (profit) of investments accounted for using equity method		(242)	(181)	(2,223)
Loss (gain) on sale of non-current assets		(138)	(4)	(1,268)
Loss on retirement of non-current assets		64	51	588
Decrease (increase) in trade receivables		1,013	(822)	9,308
Decrease (increase) in inventories		(1,817)	1,431	(16,695)
Increase (decrease) in trade payables		(2,277)	621	(20,922)
Increase (decrease) in contract liabilities		208	811	1,911
Increase (decrease) in accrued consumption taxes		(253)	1,027	(2,324)
Other		(1,090)	(73)	(10,015)
Subtotal		11,210	16,349	103,004
Interest and dividends received		150	154	1,378
Interest paid		(734)	(329)	(6,744)
Income taxes refund (paid)		(2,265)	(3,027)	(20,812)
Net cash provided by (used in) operating activities		8,361	13,147	76,826
Cash flows from investing activities				
Payments into time deposits		(23)	(98)	(211)
Proceeds from withdrawal of time deposits		169	189	1,552
Purchase of property, plant and equipment		(11,260)	(7,605)	(103,464)
Proceeds from sale of property, plant and equipment		2,600	2,273	23,890
Purchase of intangible assets		(58)	(164)	(532)
Payments for investments in associates		(4,238)	–	(38,941)
Proceeds from sale of investment securities		63	14	578
Proceeds from (payments for) acquisition of subsidiaries	7	(1,195)	–	(10,980)
Proceeds from (payments for) sale of subsidiaries		–	(102)	–
Payments for loans receivable		(359)	(190)	(3,298)
Collection of loans receivable		552	101	5,072
Payments of leasehold deposits and guarantee deposits		(138)	(138)	(1,268)
Proceeds from collection of leasehold deposits and guarantee deposits		83	106	762
Payments for acquisition of business	7	(1,568)	–	14,407
Other		17	(25)	156
Net cash provided by (used in) investing activities		(15,356)	(5,640)	(141,100)

	Notes	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Cash flows from financing activities				
Net increase (decrease) in short-term borrowings	33	11,799	970	108,416
Proceeds from long-term borrowings	33	12,160	5,404	111,733
Repayments of long-term borrowings	33	(6,313)	(7,782)	(58,007)
Redemption of bonds	33	(14)	(264)	(128)
Purchase of treasury shares		–	(0)	–
Dividends paid	26	(2,347)	(2,230)	(21,565)
Dividends paid to non-controlling interests		(49)	(49)	(450)
Repayments of lease liabilities	33	(6,135)	(3,672)	(56,372)
Other		2	(1)	18
Net cash provided by (used in) financing activities		9,104	(7,624)	83,653
Effect of exchange rate changes on cash and cash equivalents		(145)	(8)	(1,332)
Net increase (decrease) in cash and cash equivalents		1,964	(125)	18,046
Cash and cash equivalents at beginning of period	8	7,514	7,640	69,043
Increase in cash and cash equivalents from newly consolidated subsidiaries		12	–	110
Cash and cash equivalents at end of period	8	9,490	7,514	87,200

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, 2020, 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 July 10, 2020, by Kazuho Takahashi, President & CEO.

(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 ¥108.83 to $1, the approximate rate of exchange at March 31, 2020. 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, 2020 and 2019 (both in yen and in U.S. dollars), do not necessarily agree with the sum of the individual amounts.

(4) Change of accounting policies

The Group has adopted IFRS 16 "Leases" (issued in January 2016, hereinafter "IFRS 16") since the year ended March 31, 2020.
The Group elected modified retrospective approach to adopt IFRS 16, and recognized cumulative effects of this accounting change as adjustments to the beginning balance of retained earnings for the year ended March 31, 2020. On the date of initial application, The Group additionally recognized right-of-use assets of ¥13,697 million ($125,856 thousand), investment property of ¥111 million ($1,019 thousand), deferred tax assets of ¥364 million ($3,344 thousand), and lease liabilities of ¥16,160 million ($148,488 thousand), along with decreases in retained earnings of ¥1,971 million ($18,110 thousand) and non-controlling interests of ¥18 million ($165 thousand).

(Leases classified as finance leases based under IAS 17 "Leases" (hereinafter "IAS 17"))
The carrying amount of the right-of-use assets and the lease liability at 1 April 2020 are determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

(Leases classified as operating leases under IAS 17)
Lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 April 2020. As weighed average incremental borrowing rate, the Group adopted 1.8% to the lease liabilities recognized in the consolidated statement of financial position

as at the date of initial application.

Right-of-use assets are measured at either.

- Their carrying amount as if IFRS 16 had been applied since the commencement date.
- An amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

Listed below are the reconciliation of operating lease contracts disclosed applying IAS 17 as at the end of the year ended March 31, 2019 and the lease liabilities recognized in the consolidated statement of financial position as at the date of initial application.

	Millions of yen	Thousands of U.S. dollars
Non-cancellable operating lease contracts disclosed as of March 31, 2019	18,717	171,983
Non-cancellable operating lease contracts disclosed as of March 31, 2019 (discounted at incremental borrowing rate)	16,160	148,488
Finance lease obligations (as of March 31, 2019)	18,577	170,697
Lease liabilities as of April 1, 2019	34,737	319,185

The Group uses the following practical expedients to adopt IFRS 16, including:

- continuing to use the judgments made based on IAS 17 and IFRIC 4 "Determining Whether an Arrangement Contains a Lease" on whether a contract contains a lease or not;
- adopting a single discount rate to a portfolio of leases whose nature is reasonably similar;
- as an alternative to perform an impairment review, depending on assessment as to whether it is disadvantageous to adopt IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" for leases immediately before the date of initial application;
- excluding short-term leases that will expire within 12 months from the inception of a contract and leases of low-value assets from measurement of right-of-use assets;
- accounting for leases that will expire within 12 months from the date of initial application in the same way as short-term leases;
- excluding initial direct costs from measurement of right-of-use assets as at the date of initial application; and
- for contracts that contains options to extend or terminate the lease, using hindsight when measuring a lease term

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 acquire
- 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."

(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.

(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. 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

Fiscal year ended March 31, 2019

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.

Fiscal year ended March 31, 2020

At inception of the contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

When the Group assesses that the contract is a lease or contains a lease, the right-of-use assets and lease liability are recognized at the commencement date of the lease. The lease liability is initially measured at an amount equal to the present value of the lease payables, and the right-of-use assets is initially measured at the amount of the initial measurement of the lease liability adjusted for any prepaid lease payments.

After the initial recognition, the right-of-use assets is subsequently depreciated over the shorter period of the lease term or useful life of the underlying asset on a straight-line basis.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using incremental borrowing rate. After the commencement of the lease, the carrying amount of the lease liability is reduced by reflecting the interest expense on the lease liability and the principal portion of the lease payments. If there is a lease modification, the lease liability is remeasured to adjust the right-of-use assets.

Lease payments are allocated between finance costs and repayment on lease liability using the interest rate method. Finance costs are recognized in the consolidated statement of income.

If a contract is a short-term lease that has a lease term of 12 months or less, or a lease for which the underlying asset is of low value, however, right-of-use assets and lease liability are not recognized, and the lease payments are recognized as expenses on either a straight-line basis or another systematic basis over the lease term.

(11) Impairment of non-financial assets (Note)

For the carrying amounts of the Group’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 (Note)

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 calculated taking into account the effects of all dilutive potential shares.

(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.

(Note) Due to the spread of coronavirus disease 2019 (COVID-19), a state of emergency was declared in Japan and in effect from April 7 to May 25, 2020. In response to this, some branches of the domestic subsidiaries took measures such as shortening business hours. Although they are currently canceled, overseas subsidiaries in the U.K., Spain and South Africa also closed their branches due to lockdown measures.
Therefore, the Group assumes that the impact of COVID-19 will continue for a certain period of time, and the Group's sales will recover to the level before COVID-19 pandemic in the first half of 2021 at the earliest.
The Group makes accounting estimates based on the certain assumptions, such as determining the recoverability of deferred tax assets and impairment losses.

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 "10. OTHER FINANCIAL ASSETS" and Note "35. FINANCIAL INSTRUMENTS")
- Evaluation of inventories (Note "11. INVENTORIES")
- Impairment of non-financial assets (Note "16. IMPAIRMENT OF NON-FINANCIAL ASSETS")
- Recoverability of deferred tax assets (Note "18. INCOME TAXES")
- Accounting and evaluation for provisions (Note "23. PROVISIONS")

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

There are no standards and interpretations newly issued or amended by the approval date of the consolidated financial statements that significantly affect the amounts in the consolidated financial statements.

6. OPERATING SEGMENTS

(1) Description of reportable segments

The Group'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

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, 2020

	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	196,549	10,729	191	207,468	–	207,468
Intersegment revenue or transfers	85	1,512	1,715	3,312	(3,312)	–
Total	196,633	12,241	1,906	210,780	(3,312)	207,468
Segment profit	3,646	1,088	631	5,365	(88)	5,277
Finance income						112
Finance costs						1,019
Share of profit of investments accounted for using equity method						242
Profit before tax						4,611
Other items						
Segment assets	156,078	9,673	9,338	175,088	(7,176)	167,912
Depreciation and amortization	8,415	58	117	8,590	(40)	8,550
Impairment losses	1,766	–	16	1,782	(31)	1,751
Investments accounted for using equity method	355	–	8,178	8,533	–	8,533
Capital expenditures	18,403	55	79	18,536	(115)	18,421

(Notes) 1. "Other" consists of group-wide departments of management.
2. The reconciliation of segment profit of ¥(88) 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				
	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, 2020

	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	1,806,018	98,584	1,755	1,906,349	–	1,906,349
Intersegment revenue or transfers	781	13,893	15,758	30,432	(30,432)	–
Total	1,806,790	112,478	17,513	1,936,782	(30,432)	1,906,349
Segment profit	33,501	9,997	5,798	49,297	(808)	48,488
Finance income						1,029
Finance costs						9,363
Share of profit of investments accounted for using equity method						2,223
Profit before tax						42,368
Other items						
Segment assets	1,434,144	88,881	85,803	1,608,821	(65,937)	1,542,883
Depreciation and amortization	77,322	532	1,075	78,930	(367)	78,562
Impairment losses	16,227	–	147	16,374	(284)	16,089
Investments accounted for using equity method	3,261	–	75,144	78,406	–	78,406
Capital expenditures	169,098	505	725	170,320	(1,056)	169,263

(Notes) 1. “Other” consists of group-wide departments of management.
2. The reconciliation of segment profit of $(808) 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, 2020	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
	Millions of yen	Millions of yen	Thousands of U.S. dollars
New cars	100,279	103,916	921,427
Used cars	49,740	58,065	457,043
Services	37,084	38,245	340,751
Car rentals	9,140	8,817	83,984
Housing	10,729	9,348	98,584
Other	495	457	4,548
Total	207,468	218,848	1,906,349

(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, 2020	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Japan	128,727	131,546	1,182,826
Africa	4,042	6,468	37,140
North, Central and South America	738	1,150	6,781
Oceania	4,172	5,209	38,335
Europe	68,010	72,819	624,919
Asia	1,780	1,655	16,355
Total	207,468	218,848	1,906,349

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

Non-current assets

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Japan	87,355	67,172	802,673
Africa	273	97	2,508
Oceania	1,276	174	11,724
Europe	9,944	6,694	91,371
Total	98,849	74,137	908,288

(Note) Non-current assets are classified based on the location of assets

(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. BUSINESS COMBINATION

Fiscal year ended March 31, 2019

There are no pertinent items.

Fiscal year ended March 31, 2020

(1) According to the resolution reached at the meeting of the Board of Directors held on August 6, 2019, the Company acquired all of the outstanding shares issued of Koyo Jidousha Co., Ltd., which operates automobile related businesses in Hokkaido, and made the company a wholly owned subsidiary of the Company on the same day.

1) Overview of the business combination

a. The name and a description of the acquiree:

Company name: Koyo jidousha Co., Ltd.
Business lines: Sales of Volkswagen and Audi cars, sales of used cars, maintenance and inspection of cars, and other car related businesses

b. The acquisition date: Augusts 6, 2019

c. The percentage of voting equity interests acquired:100%

d. The primary reasons for the business combination :
Expansion of the Company Group car sales related businesses

e. The description of how the acquirer obtained control of the acquiree :
Acquisition of shares in exchange for cash as consideration

2) The acquisition-date fair value of the total consideration transferred and the acquisition-date fair value of each major class of consideration

	Millions of yen	Thousands of U.S. dollars
Fair value of consideration paid (cash)	1,518	13,948
Fair value of assets acquired and liabilities assumed		
Current assets	790	7,259
Non-current assets	1,574	14,462
Total assets	2,364	21,721
Current liabilities	750	6,891
Non-current liabilities	426	3,914
Total liabilities	1,176	10,805
Net fair value of assets acquired and liabilities assumed	1,188	10,916
Goodwill	330	3,032

(Note) 1. Acquisition related costs in the business combination are ¥75 million ($689 thousand) and they are recognized in full as “Selling and general administrative expenses” in the consolidated income statement.
2. A major component of goodwill relates to excess earning power derived from the acquisition. For goodwill, there is no amount expected to be deductible for tax purposes.

3) Cash flow associated with the acquisition

	Millions of yen	Thousands of U.S. dollars
Cash and cash equivalents spent on acquisition	1,518	13,948
Cash and cash equivalents held by the acquired entity at the time of acquisition	(323)	(2,967)
payments for acquisition of subsidiaries	1,195	10,980

4) Effect of the acquisition on the performance results

The Company does not provide the disclosure of profit and loss information subsequent to the acquisition date in the business combination and that in assuming that the business combination was entered into at the beginning of the year because it believes that the effect of such information on the consolidated financial statements is immaterial.

(2) According to the resolution reached at the meeting of the Board of Directors held on October 1, 2019, the Company acquired the businesses of K.K Aimotolane. A subsidiary of the Company, K.K.Motolane Mikawa, commenced its operation as an authorized car dealer in Mikawa area in Aichi prefecture.

1) Overview of business combination

a． The name and a description of the acquiree:

Company name: K.K.Aimotolane

Business lines: Sales of BMW brand new cars, sales of various models of used cars, general maintenance and inspection of vehicles, agency business for life and non-life insurance and other related businesses

b． The acquisition date : October 1, 2019

c． The primary reasons for the business combination : Expansion of the Company Group car sales related businesses

d． Legal form of business combination

Receipt of businesses in exchange for cash as consideration

2) The acquisition-date fair value of the total consideration transferred and the acquisition-date fair value of each major class of consideration

	Millions of yen	Thousands of U.S. dollars
Fair value of consideration paid (cash)	1,568	14,407
Fair value of assets acquired and liabilities assumed		
Current assets	114	1,047
Non-current assets	1,115	10,245
Total assets	1,229	11,292
Current liabilities	8	73
Non-current liabilities	–	–
Total liabilities	8	73
Net fair value of assets acquired and liabilities assumed	1,221	11,219
Goodwill	347	3,188

(Note) 1. Acquisition related costs in the business combination are ¥6 million ($55 thousand) and they are recognized in full as "Selling and general administrative expenses" in the consolidated income statement.
2. A major component of goodwill relates to excess earning power derived from the acquisition. The amount of goodwill is expected to be deductible for tax purposes.

3) Cash flow associated with the acquisition

	Millions of yen	Thousands of U.S. dollars
Cash and cash equivalents spent on acquisition	1,568	14,407
Payments for acquisition of business	1,568	14,407

4) Effect of the acquisition on the performance results

The Company does not provide the disclosure of profit and loss information subsequent to the acquisition date in the business combination and that in assuming that the business combination was entered into at the beginning of the year because it believes that the effect of such information on the consolidated financial statements is not significant.

8. CASH AND CASH EQUIVALENTS

The breakdown of cash and cash equivalents is as follows:

	As of March 31, 2020	As of March 31, 2019	As of March 31, 2020
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Cash and deposits	7,790	7,218	71,579
Deposits paid	4	3	36
Short-term investments	1,696	294	15,583
Total	9,490	7,514	87,200

The balances of "Cash and cash equivalents" in the consolidated statement of financial position as of March 31, 2020, March 31, 2019 are equal to the balances of "Cash and cash equivalents" in the consolidated statement of cash flows for the corresponding periods.

9. TRADE AND OTHER RECEIVABLES

The breakdown of trade and other receivables is as follows:

	As of March 31, 2020	As of March 31, 2019	As of March 31, 2020
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Accounts receivable - trade	5,329	6,498	48,966
Accounts receivable - other	2,332	2,226	21,427
Lease receivables and investment assets	8,863	10,411	81,438
Other	370	280	3,399
Allowance for doubtful accounts	(41)	(34)	(376)
Total	16,853	19,381	154,856

The above amounts include those of trade and other receivables to be collected over 12 months, which are ¥5,252 million ($48,258 thousand) and ¥6,112 million as of March 31, 2020, March 31, 2019 , respectively.

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

10. OTHER FINANCIAL ASSETS

The breakdown of other financial assets is as follows:

	As of March 31, 2020	As of March 31, 2019	As of March 31, 2020
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Other financial assets			
Derivative assets	30	63	275
Stocks	3,258	3,944	29,936
Deposits	158	274	1,451
Loans receivable	1,523	1,694	13,994
Claims provable in bankruptcy, claims provable in rehabilitation	915	912	8,407
Other	1,752	1,644	16,098
Allowance for doubtful accounts	(916)	(915)	(8,416)
Total	6,721	7,616	61,756
Current assets	90	235	826
Non-current assets	6,630	7,381	60,920
Total	6,721	7,616	61,756

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

11. INVENTORIES

The breakdown of inventories is as follows:

	As of March 31, 2020	As of March 31, 2019	As of March 31, 2020
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Merchandise and finished goods	34,315	33,378	315,308
Work in process	3,544	3,223	32,564
Raw materials	5	5	45
Production supplies	72	80	661
Total	37,935	36,686	348,571
Inventories to be sold in greater than 12 months	837	–	7,690

The amounts of inventories recognized as expenses during the year ended March 31, 2020 and the year ended March 31, 2019 were ¥166,107 million ($1,526,297 thousand) and ¥176,468 million, respectively.

12. OTHER ASSETS

The breakdown of other assets is as follows:

	As of March 31, 2020	As of March 31, 2019	As of March 31, 2020
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Test-driving car	2,396	1,704	22,015
Advance payments to suppliers	1,040	732	9,556
Consumption taxes receivable	691	411	6,349
Other	689	822	6,330
Total	4,816	3,669	44,252
Current assets	4,694	3,525	43,131
Non-current assets	122	144	1,121
Total	4,816	3,669	44,252

13. PROPERTY, PLANT AND EQUIPMENT

(1) The breakdown of property, plant and equipment

The consolidated statements of financial position of the breakdown of property, plant and equipment is as follows:

	As of March 31, 2020	As of March 31, 2019	As of March 31, 2020
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Property, plant and equipment	42,251	41,536	388,229
Right-of-use assets	20,036	–	184,103
Total	62,286	41,536	572,323

(2) 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:

The Group adopted IAS 17 in the fiscal year ended March 31, 2019. However, the Group initially applied IFRS 16 in the fiscal year ended March 31, 2020. Right-of-use assets are not included in the fiscal year ended March 31, 2020.

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, 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
As of April 1, 2019	17,197	26,262	8,105	2,246	585	54,396
Acquisition	3,235	2,176	5,576	169	297	11,453
Acquisition due to business combinations	1,047	1,605	359	73	2	3,087
Sale or disposal	(127)	(248)	(3,236)	(216)	–	(3,826)
Transfer of accounts	–	89	(105)	(4)	(102)	(122)
Exchange differences on translation of foreign operations	(135)	(271)	(68)	(61)	(0)	(535)
As of March 31, 2020	21,217	29,613	10,632	2,208	782	64,453

	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 April 1, 2019	158,017	241,312	74,473	20,637	5,375	499,825
Acquisition	29,725	19,994	51,235	15,528	2,729	105,237
Acquisition due to business combinations	9,620	14,747	3,298	670	18	28,365
Sale or disposal	(1,166)	(2.278)	(29,734)	(1,984)	–	(35,155)
Transfer of accounts	–	817	(964)	(36)	(937)	(1,121)
Exchange differences on translation of foreign operations	(1,240)	(2,490)	(624)	(560)	(0)	(4,915)
As of March 31, 2020	194,955	272,103	97,693	20,288	7,185	592,235

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, 2018	358	13,674	6,813	1,653	22,498
Depreciation (Note)	–	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
As of April 1, 2019	358	14,169	3,454	1,654	19,635
Acquisition due to business combinations	–	505	118	44	667
Depreciation (Note)	–	980	2,196	156	3,332
Impairment losses	–	434	3	0	438
Sale or disposal	(5)	(191)	(1,291)	(168)	(1,654)
Transfer of accounts	–	1	(44)	(0)	(44)
Exchange differences on translation of foreign operations	–	(87)	(37)	(48)	(171)
As of March 31, 2020	353	15,810	4,400	1,639	22,202

	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 April 1, 2019	3,289	130,193	31,737	15,198	180,419
Acquisition due to business combinations	–	4,640	1,084	404	6,128
Depreciation (Note)	–	9,004	20,178	1,433	30,616
Impairment losses	–	3,987	27	0	4,024
Sale or disposal	(45)	(1,755)	(11,862)	(1,543)	(15,198)
Transfer of accounts	–	9	(404)	(0)	(404)
Exchange differences on translation of foreign operations	–	(799)	(339)	(441)	(1,571)
As of March 31, 2020	3,243	145,272	40,430	15,060	204,006

(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, 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
As of April 1, 2019	16,840	12,093	4,651	592	585	34,761
As of March 31, 2020	20,864	13,803	6,232	570	782	42,251

	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, 2020	191,711	126,830	57,263	5,237	7,185	388,229

(3) Right-of-use assets

The carrying amounts of right-of-use assets included in property, plant and equipment (Leased assets held under finance leases as of March 31, 2019) are as follows:

Leased assets held under finance leases	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 March 31, 2019	–	1,213	5,532	30	6,775

Right-of-use assets	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, 2019	3,270	11,888	5,445	30	20,633
As of March 31, 2020	4,165	10,834	5,000	36	20,036

	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, 2020	38,270	99,549	45,943	330	184,103

(4) Borrowing costs

The amount of the borrowing costs capitalized as a component of the acquisition costs of eligible assets was 20 million yen in the year ended March 31, 2020.

14. GOODWILL AND INTANGIBLE ASSETS

(1) The breakdown of intangible assets

The consolidated statements of financial position of the breakdown of intangible assets is as follows:

	As of March 31, 2020	As of March 31, 2019	As of March 31, 2020
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Intangible assets	694	513	6,376
Right-of-use assets	6	–	55
Total	700	513	6,432

(2) 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:

The Group adopted IAS 17 in the year ended March 31, 2019. However, the Group initially applied IFRS 16 in the year ended March 31, 2020. Right-of-use assets are not included in the year ended March 31, 2020.

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, 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	588	101	1,636
As of April 1, 2019	13,499	970	558	101	1,629
Acquisition	–	51	–	4	55
Acquisition due to business combinations	680	2	–	250	253
Sale or disposal	(7)	(10)	(3)	–	(13)
Exchange differences on translation of foreign operations	(178)	(10)	(9)	–	(19)
As of March 31, 2020	13,994	1,002	546	355	1,903

	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 April 1, 2019	124,037	8,912	5,127	928	14,968
Acquisition	–	468	–	36	505
Acquisition due to business combinations	6,248	18	–	2,297	2,324
Sale or disposal	(64)	(91)	(27)	–	(119)
Exchange differences on translation of foreign operations	(1,635)	(91)	(82)	–	(174)
As of March 31, 2020	128,585	9,207	5,016	3,261	17,485

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, 2018	326	758	258	14	1,030
Depreciation (Note)	–	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
As of April 1, 2019	944	827	283	14	1,123
Acquisition due to business combinations	–	1	–	–	1
Amortization expense	–	65	35	9	110
Impairment losses	463	–	–	–	–
Sale or disposal	(7)	(7)	–	–	(7)
Exchange differences on translation of foreign operations	(31)	(9)	(8)	–	(18)
Other	–	–	–	–	–
As of March 31, 2020	1,369	877	309	23	1,210

	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 April 1, 2019	8,674	7,599	2,600	128	10,318
Acquisition due to business combinations	–	9	–	–	9
Amortization expense	–	597	321	82	1,010
Impairment losses	4,254	–	–	–	–
Sale or disposal	(64)	(64)	–	–	(64)
Exchange differences on translation of foreign operations	(284)	(82)	(73)	–	(165)
Other	–	–	–	–	–
As of March 31, 2020	12,579	8,058	2,839	211	11,118

(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, 2018	13,179	183	300	103	586
As of March 31, 2019	12,554	150	275	87	513
As of April 1, 2019	12,554	143	275	87	505
As of March 31, 2020	12,624	125	237	332	694

	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, 2020	115,997	1,148	2,177	3,050	6,376

(3) Right-of-use assets

The carrying amounts of right-of-use assets included in intangible assets (Leased assets held under finance leases as of March 31, 2019) are as follows:

Leased assets held under finance leases	Software
	Millions of yen
As of March 31, 2019	8

Right-of-use assets	Software
	Millions of yen
As of April 1, 2019	8
As of March 31, 2020	6

Right-of-use assets	Software
	Thousands of U.S. dollars
As of March 31, 2020	55

(4) Intangible assets with indefinite useful lives

The Group had no significant intangible assets with indefinite useful lives as of March 31, 2020, March 31, 2019.

(5) Significant intangible assets

None of the intangible assets presented in the consolidated statement of financial position were individually significant as of March 31, 2020, March 31, 2019.

15. 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, 2020	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Balance at beginning of period	8,275	8,281	76,036
Adjustment on adoption of IFRS 16	1,246	–	11,449
Balance at beginning of period (adjusted)	9,521	8,281	87,485
Acquisition	42	37	385
Sale or disposal	(461)	(42)	(4,235)
Balance at end of period	9,102	8,275	83,635

Accumulated depreciation and impairment losses

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Balance at beginning of period	1,148	1,103	10,548
Adjustment on adoption of IFRS 16	1,135	–	10,429
Balance at beginning of period (adjusted)	2,283	1,103	20,977
Depreciation	152	88	1,396
Impairment losses	16	–	147
Sale or disposal	(79)	(42)	(725)
Balance at end of period	2,372	1,148	21,795

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

	As of March 31, 2020		As of March 31, 2019		As of March 31, 2020	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars	Thousands of U.S. dollars
Investment property	6,730	6,889	7,127	7,272	61,839	63,300

The fair value of investment property is primarily determined based on market transaction prices of comparable assets as reported by independent external appraisers in compliance with the appraisal standard of the located country.

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 “35. FINANCIAL INSTRUMENTS.”

(2) Income and expenses arising from investment properties

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Lease income	466	457	4,281
Direct operating expenses	334	269	3,069

16. 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, 2020	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Property, plant and equipment			
Buildings and structures	434	80	3,987
Machinery and vehicles	3	11	27
Tools, furniture and fixtures	0	1	0
Leased assets	–	233	–
Right-of-use assets	834	–	7,663
Goodwill	463	619	4,254
Intangible assets			
Software	–	0	–
Investment property	16	–	147
Total	1,751	945	16,089

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.

The impairment loss on property, plant and equipment recognized in the fiscal year ended March 31, 2020 was attributable mainly to buildings and structures and right-of-use assets for the Automobile Sales-Related Business. 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 impairment loss on goodwill recognized in the fiscal year ended March 31, 2020 was attributable to WESSEX GARAGES HOLDINGS LIMITED, the Company’s consolidated subsidiary. The carrying amounts of goodwill were written down to their recoverable amounts because the subsidiary were unlikely to generate revenue that had been expected at the time of acquisition of its 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, 2020	As of March 31, 2019	As of March 31, 2020
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Automobile Sales-Related Business	11,957	11,887	109,868
Housing-related Business	668	668	6,138
Total	12,624	12,554	115,997

Of the above, the carrying amount of significant goodwill in the year ended March 31, 2020 is Shizuoka Nissan Auto Sales Co., Ltd. (Automobile Sales-Related Business) of ¥3,268 million ($30,028 thousand) (the year ended March 31, 2019: ¥3,268 million), Nissan Satio Saitama Co., Ltd. (Automobile Sales-Related Business) of ¥2,410 million ($22,144 thousand) (the year ended March 31, 2019: ¥2,410 million), and Nagano Nissan Auto Co., Ltd. (Automobile Sales-Related Business) of ¥1,952 million ($17,936 thousand) (the year ended March 31, 2019: ¥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 3.9 to 10.2% (the year ended March 31, 2019: 4.0 to 11.9%) 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 0.2 to 1.9% (the year ended March 31, 2019: 0.6 to 2.4%) 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.

17. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

(1) Material investments in associates

KeePer Technical Laboratory Co., Ltd.

KeePer Technical Laboratory Co., Ltd. operates its business in the fields of car coating, and development, manufacturing and sales of chemicals and devices for car washing. The Company entered into the capital and business collaboration agreement with KeePer Technical Laboratory Co., Ltd. and acquired some of the outstanding shares issued of the company on October 1, 2019 and made the entity an associate accounted for using equity method.

The following shows the condensed financial statement of KeePer Technical Laboratory Co., Ltd.. For the income statement items included in the condensed financial statements of the entity, the Company only presents the amounts arising from the period subsequent to the acquisition date of significant influence over the entity (October 1, 2019 to March 31, 2020).

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2020
	Millions of yen	Thousands of U.S. dollars
Percentage of ownership interest(%)	20.01%	20.01%
Current assets	4,217	38,748
Non-current assets	3,835	35,238
Current liabilities	1,106	10,162
Non-current liabilities	1,349	12,395
Total equity	5,596	51,419
The Company's interest in equity	1,119	10,282
Goodwill and consolidation adjustments	3,156	28,999
Carrying amount of investments	4,276	39,290
Fair value of investments	4,006	36,809
Revenue	4,333	39,814
Comprehensive income	488	4,484
Dividends received by the Company	–	–

(2) Investments in associates individually immaterial to the Group

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

	As of March 31, 2020	As of March 31, 2019	As of March 31, 2020
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Total carrying amount	4,257	4,053	39,116

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

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Share of profit	160	181	1,470
Share of other comprehensive income	10	(5)	91
Share of comprehensive income	170	175	1,562

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

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.

18. 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, 2020

	As of April 1, 2019	Adjustment due to change in accounting policy	As of April 1, 2019 (adjusted)	Recognized in profit or loss	Recognized in other comprehensive income	Business combinations	Other	As of March 31, 2020
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Inventories	228	–	228	(1)	–	6	–	233
Non-current assets	(1,571)	364	(1,208)	372	–	(29)	1	(865)
Investment securities	(922)	–	(922)	15	189	–	(0)	(717)
Unused tax losses	311	–	311	(75)	–	37	–	272
Other	906	–	906	(167)	–	(70)	(9)	660
Total	(1,048)	364	(685)	143	189	(56)	(8)	(417)

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, 2020

	As of April 1, 2019	Adjustment due to change in accounting policy	As of April 1, 2019 (adjusted)	Recognized in profit or loss	Recognized in other comprehensive income	Business combinations	Other	As of March 31, 2020
	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
Inventories	2,095	–	2,095	(9)	–	55	–	2,140
Non-current assets	(14,435)	3,344	(11,099)	3,418	–	(266)	9	(7,948)
Investment securities	(8,471)	–	(8,471)	137	1,736	–	(0)	(6,588)
Unused tax losses	2,857	–	2,857	(689)	–	339	–	2,499
Other	8,324	–	8,324	(1,534)	–	(643)	(82)	6,064
Total	(9,629)	3,344	(6,294)	1,313	1,736	(514)	(73)	(3,831)

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

	As of March 31, 2020	As of March 31, 2019	As of March 31, 2020
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Unused tax losses	2,137	2,017	19,636
Deductible temporary differences	10,860	9,122	99,788
Total	12,997	11,138	119,424

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

	As of March 31, 2020	As of March 31, 2019	As of March 31, 2020
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Not later than one year	–	30	–
Later than one year and not later than two years	–	23	–
Later than two years and not later than three years	–	–	–
Later than three years and not later than four years	–	–	–
Later than four years	2,137	1,963	19,636
Total	2,137	2,017	19,636

Taxable temporary differences related to investments in subsidiaries, etc. that were not recognized as deferred tax liabilities totaled ¥28,358 million ($260,571 thousand) and ¥24,719 million as of March 31, 2020, March 31, 2019 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, 2020	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Current tax expense	2,195	2,486	20,169
Deferred tax expense	(143)	23	(1,313)
Total	2,052	2,509	18,855

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

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2019
	%	%
Japanese statutory tax rates	30.6	30.4
Non-tax-deductible expenses	1.0	0.7
Unrecognized deferred tax assets	4.9	2.5
Difference on applicable tax rates for subsidiaries	3.5	2.9
Utilization and recognition of tax loss carryforwards	2.8	(1.4)
Expiration of tax loss carryforwards	–	2.5
Impairment loss on goodwill, etc.	3.1	2.8
Tax credit	(0.8)	(2.1)
Other	(0.5)	(0.4)
Average effective tax rates	44.5	37.8

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, 2020- and the fiscal year ended March 31, 2019 are 30.6% and 30.4%, respectively. Overseas subsidiaries, however, are subject to local corporate and other taxes.

19. 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, 2020	As of March 31, 2019	As of March 31, 2020	Average interest rate	Due date
	Millions of yen	Millions of yen	Thousands of U.S. dollars	%	
Short-term borrowings	24,344	12,475	223,688	0.32	–
Current portion of long-term borrowings	7,757	5,222	71,276	0.28	–
Current portion of bonds	9	14	82	0.84	–
Long-term borrowings	13,870	10,312	127,446	0.24	2021 – 2029
Bonds payable	100	9	918	0.38	2023
Lease liabilities (short-term) (As of March 31,2019: Lease obligations (short-term))	5,763	3,607	52,954	1.08	–
Lease liabilities (long-term) (As of March 31,2019: Lease obligations (long-term))	18,741	4,528	172,204	1.20	2021 - 2055
Other	634	684	5,825	–	–
Total	71,218	36,851	654,396	–	–
Current liabilities	37,874	21,317	348,010	–	–
Non-current liabilities	33,345	15,534	306,395	–	–
Total	71,218	36,851	654,396	–	–

(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, 2020	As of March 31, 2019	As of March 31, 2020
			Millions of yen	Millions of yen	Thousands of U.S. dollars
Koyo Jidousha CO., LTD.	The 5th unsecured straight bonds	March30, 2018	100 (–)	– (–)	918 (–)
MG HOME CO., LTD.	The 11th unsecured straight bonds	September 25, 2013	9 (9)	23 (14)	82 (82)
	Total		109 (9)	23 (14)	1,001 (82)

Company name	Coupon rate	Collateral	Redemption date
	%		
Koyo Jidousha CO., LTD.	0.38	None	March30,2023
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, 2020	As of March 31, 2019	As of March 31, 2020
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Property, plant and equipment	7,936	5,656	72,921
Inventories	11,287	9,238	103,712
Investment property	1,037	751	9,528
Other	161	173	1,479
Total	20,421	15,818	187,641

20. LEASES

(1) Lessee

Fiscal year ended March 31, 2019

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, 2019
	Millions of yen	Millions of yen
Due within one year	7,996	7,804
Due after one year through five years	9,732	9,591
Due after five years	1,238	1,182
Total	18,966	18,577
Future finance costs	(390)	
Present value of minimum lease payments	18,577	

The Group leases 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
	Millions of yen
Due within one year	2,520
Due after one year through five years	6,659
Due after five years	9,538
Total	18,717

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

	As of March 31, 2019
	Millions of yen
Total minimum lease payments	3,164
Total	3,164

The Group leases 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).

Fiscal year ended March 31, 2020

The Group has lease contracts mainly relating to buildings, land and vehicles.

These lease contracts are used for business operations by the group companies as appropriate.
As the terms and conditions are negotiated separately for each lease contract. And most of them are to extend the period for one more year or to allow early termination when at least six months' prior notice is given.
Most of the vehicle lease contracts have residual value guarantee provision.

The breakdown of the carrying amounts and depreciation expense of right-of-use assets are as follows:

	Property, plant and equipment				Intangible assets	Current assets	Total
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Software	other	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance at April 1, 2019	11,726	5,445	30	3,270	8	700	21,179
Increase	2,441	2,665	20	2,042	–	1,706	8,874
Depreciation	(1,605)	(2,495)	(13)	(844)	(2)	(592)	(5,549)
Impairment losses	(581)	–	–	(253)	–	–	(834)
other	(1,147)	(615)	–	(50)	–	(829)	(2,642)
Balance at March 31, 2020	10,834	5,000	36	4,165	6	985	21,027

	Property, plant and equipment				Intangible assets	Current assets	Total
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Software	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
Balance at April 1, 2019	107,746	50,032	275	30,046	73	6,432	194,606
Increase	22,429	24,487	183	18,763	–	15,675	81,540
Depreciation	(14,747)	(22,925)	(119)	(7,755)	(18)	(5,439)	(50,987)
Impairment losses	(5,338)	–	–	(2,324)	–	–	(7,663)
other	(10,539)	(5,651)	–	(459)	–	(7,617)	(24,276)
Balance at March 31, 2020	99,549	45,943	330	38,270	55	9,050	193,209

(Note) The balance of lease liabilities by due date is described in Note "35. FINANCIAL INSTRUMENTS (4) Liquidity risk management."

The amounts recognized in the consolidated income statements are as follows:

	As of March 31, 2020	As of March 31, 2020
	Millions of yen	Thousands of U.S. dollars
Interest expenses on lease liabilities	473	4,346
Short-term lease expenses	331	3,041
Expenses of leases of low-value assets	244	2,242

The amounts recognized in the consolidated statements of cash flows are as follows:

	As of March 31, 2020	As of March 31, 2020
	Millions of yen	Thousands of U.S. dollars
Total amount of cash outflows for leases	6,710	61,655

(2) Lessor

Fiscal year ended March 31, 2019

Finance leases

The Group leases cars as a lessor for 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, 2019
	Millions of yen	Millions of yen
Due within one year	4,598	4,322
Due after one year through five years	6,419	6,071
Due after five years	19	19
Total	11,035	10,411
Unearned finance income	624	
Net investment in the lease	10,411	
Unguaranteed residual value	–	
Present value of total minimum lease payments receivable	10,411	

Fiscal year ended March 31, 2020

1) Finance leases

The Group leases vehicles as a lessor for finance leases.

Lease income under the finance leases is as follows:

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2020
	Millions of yen	Thousands of U.S. dollars
Finance income on the net investment in the lease	718	6,597

The maturity analysis of lease receivables (undiscounted) under the finance leases is as follows:

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2020
	Millions of yen	Thousands of U.S. dollars
Due within one year	4,182	38,426
Due after one year through two years	3,066	28,172
Due after two year through three years	1,984	18,230
Due after three year through four years	784	7,203
Due after four year through five years	94	863
Due after five years	3	27
Total	10,112	92,915
Unearned finance income	1,249	11,476
Unguaranteed residual value (discounted)	–	–
Net investment in the lease	8,863	81,438

2) Operating leases

The Group leases real estate properties as a lessor that are classified as operating leases.

For leases of real estate properties, the Group requires security deposits to restore the properties to their original states.

Lease income from the operating leases is as follows:

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2020
	Millions of yen	Thousands of U.S. dollars
Lease income	466	4,281

The maturity analysis of lease payments to be received (undiscounted) under the operating leases is as follows:

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2020
	Millions of yen	Thousands of U.S. dollars
Due within one year	391	3,592
Due after one year through two years	135	1,240
Due after two year through three years	34	312
Due after three year through four years	19	174
Due after four year through five years	19	174
Due after five years	99	909
Total	699	6,422

21. TRADE AND OTHER PAYABLES

The breakdown of trade and other payables is as follows:

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Accounts payable - trade	27,410	30,143	251,860
Accounts payable - other	4,063	4,771	37,333
Sublease investment liabilities	8,806	10,442	80,915
Total	40,279	45,356	370,109

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

22. 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 year ended March 31, 2020 and 2019 were ¥407 million ($3,739 thousand) and ¥403 million, respectively.

23. PROVISIONS

The breakdown of provisions and their changes are as follows:

	Asset retirement obligations
	Millions of yen
As of April 1, 2018	417
Interest expense over the discount period	6
Increases	34
Decreases (utilized)	–
As of March 31, 2019	458
Interest expense over the discount period	6
Increases	33
Decreases (utilized)	–
As of March 31, 2020	497

	Asset retirement obligations
	Thousands of U.S. dollars
As of March 31, 2019	4,208
Interest expense over the discount period	55
Increases	303
Decreases (utilized)	–
As of March 31, 2020	4,566

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

	As of March 31, 2020	As of March 31, 2019	As of March 31, 2020
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Non-current liabilities	497	458	4,566
Total	497	458	4,566

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.

24. OTHER LIABILITIES

The breakdown of other liabilities is as follows:

	As of March 31, 2020	As of March 31, 2019	As of March 31, 2020
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Accrued bonuses	1,104	1,074	10,144
Deposits received	412	310	3,785
Accrued consumption taxes	544	808	4,998
Other	1,776	1,647	16,319
Total	3,835	3,839	35,238
Current assets	2,270	2,378	20,858
Non-current assets	1,565	1,461	14,380
Total	3,835	3,839	35,238

25. 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, 2020	Fiscal year ended March 31, 2019
	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, 2020	Fiscal year ended March 31, 2019
	Shares	Shares
Treasury shares		
Balance at beginning of period	2,026,580	2,026,578
Increase during the period (Note 2)	–	2
Decrease during the period	–	–
Balance at end of period	2,026,580	2,026,580

(Notes) 1. The number of shares of the Company held by its associates is 15,000 shares as of March 31, 2020 and March 31, 2019.
2. The increase for the year ended March 31, 2019 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.

26. DIVIDENDS

The dividends paid are as follows:

Fiscal year ended March 31, 2020

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 (10,787)	10.00 (0.09)	March 31, 2019	June 10, 2019
Board of Directors meeting held on November 13, 2019	Ordinary share	1,174 (10,787)	10.00 (0.09)	September 30, 2019	December 2, 2019

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	Yen		
Board of Directors meeting held on May 11, 2018	Ordinary share	1,056	9.00	March 31, 2018	June 11, 2018
Board of Directors meeting held on November 12, 2018	Ordinary share	1,174	10.00	September 30, 2018	November 30, 2018

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

Fiscal year ended March 31, 2020

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 27, 2020	Ordinary share	1,174 (10,787)	10.00 (0.09)	March 31, 2020	June 15, 2020

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	Yen		
Board of Directors meeting held on May 13, 2019	Ordinary share	1,174	10.00	March 31, 2019	June 10, 2019

27. REVENUE

(1) Disaggregation of revenue

1) Revenue recognized from contracts with customers and other sources

	As of March 31, 2020	As of March 31, 2019	As of March 31, 2020
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Revenue recognized from contracts with customers	206,750	218,205	1,899,751
Revenue recognized from other sources	718	643	6,597
Total	207,468	218,848	1,906,349

2) Relation between disaggregated revenue and segment revenue

Fiscal year ended March 31, 2020

	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	100,279	–	–	100,279
Used cars	49,740	–	–	49,740
Services	37,084	–	–	37,084
Car rentals	9,140	–	–	9,140
Housing	–	10,729	–	10,729
Other	305	–	191	495
	196,549	10,729	191	207,468
Timing of revenue recognition				
Goods transferred at a point in time	187,104	7,677	–	194,780
Services transferred over time	9,445	3,052	191	12,687
	196,549	10,729	191	207,468

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	7,008	–	207,234
Services transferred over time	9,082	2,339	192	11,613
	209,308	9,348	192	218,848

Fiscal year ended March 31, 2020

	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	921,427	–	–	921,427
Used cars	457,043	–	–	457,043
Services	340,751	–	–	340,751
Car rentals	83,984	–	–	83,984
Housing	–	98,584	–	98,584
Other	2,802	–	1,755	4,548
	1,806,018	98,584	1,755	1,906,349
Timing of revenue recognition				
Goods transferred at a point in time	1,719,231	70,541	–	1,789,763
Services transferred over time	86,786	28,043	1,755	116,576
	1,806,018	98,584	1,755	1,906,349

(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 performance obligations related to condominiums are recognized as revenue at the time when the properties are delivered. The performance obligations related to detached houses are recognized as revenue using the input method, which recognizes revenues based on the ratio of costs and expenses consumed for construction to the total estimated costs and expenses. Consideration is paid within approximately two months from the date when the performance obligations are satisfied.

(3) Contract balances

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

	As of March 31, 2020	As of March 31, 2019	As of March 31, 2020
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Receivables arising from contracts with customers	5,329	6,531	48,966
Contract liabilities	8,873	8,694	81,530

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, 2020	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
	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	5,721	6,698	52,568

(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.

28. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

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

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Personnel expenses	15,505	15,431	142,469
Depreciation and amortization (Note)	3,909	2,162	35,918
Advertising expenses	1,487	1,585	13,663
Other (Note)	6,185	8,389	56,831
Total	27,087	27,566	248,892

(Note) "Rent expenses," separately presented in the year ended March 31, 2019, have been included in "Other" in the year ended March 31, 2020, due to their reduced materiality on a quantitative basis in adopting IFRS 16. In order to reflect this change in presentation in the consolidated financial statements, the Group has reclassified the amount in the year ended March 31, 2019.

As a result, an amount of 2,248 million yen presented in "Rent expenses" in the year ended March 31, 2019 has been reclassified as "Other." The reason for the significant increase in "Depreciation and amortization" compared to the year ended March 31, 2019 is also due to the adoption of IFRS 16.

29. OTHER INCOME AND EXPENSES

The breakdown of other income is as follows:

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Incentive income	190	309	1,745
Gain on sale of non-current assets	147	5	1,350
Gain on sale of investments in subsidiaries	–	53	–
Other	298	253	2,738
Total	635	620	5,834

The breakdown of other expenses is as follows:

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Loss on sale of non-current assets	9	0	82
Loss on retirement of non-current assets	64	51	588
Loss on removal of non-current assets (Note)	235	61	2,159
Impairment loss	1,751	945	16,089
Other	110	126	1,010
Total	2,169	1,184	19,930

(Note) "Loss on removal of non-current assets," which had been included in "Other" in the year ended March 31, 2019, has been separately presented in the year ended March 31, 2020, due to its increased materiality on a quantitative basis. In order to reflect this change in presentation in the consolidated financial statements, the Group has reclassified the amount in the year ended March 31, 2019

30. FINANCE INCOME AND FINANCE COSTS

The breakdown of finance income is as follows:

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Interest income			
Financial assets measured at amortized cost	33	33	303
Dividend income			
Financial assets measured at fair value through profit or loss	5	5	45
Financial assets measured at fair value through other comprehensive income	64	54	588
Other	10	12	91
Total	112	104	1,029

The breakdown of finance costs is as follows:

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Interest expenses			
Financial liabilities measured at amortized cost	745	360	6,845
Foreign exchange loss	221	201	2,030
Other	54	30	496
Total	1,019	591	9,363

31. 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, 2020	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
	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	(637)	(405)	(5,853)
Tax effect	189	150	1,736
Financial assets measured at fair value through other comprehensive income	(447)	(255)	(4,107)
Exchange differences on translation of foreign operations			
Amount that occurred during the period	(500)	(347)	(4,594)
Reclassification adjustment	–	20	–
Before tax effect adjustments	(500)	(327)	(4,594)

Exchange differences on translation of foreign operations	(500)	(327)	(4,594)
Share of other comprehensive income of investments accounted for using equity method			
Amount that occurred during the period	10	(5)	91
Share of other comprehensive income of investments accounted for using equity method	10	(5)	91
Total other comprehensive income	(938)	(587)	(8,618)

32. EARNINGS PER SHARE

Basis for calculating basic earnings per share is as follows:

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Profit attributable to owners of parent	2,079	3,767	19,103
Weighted average number of ordinary shares outstanding (Shares)	117,354,454	117,354,455	117,354,454
Basic earnings per share	17.72	32.10	0.16

Basis for calculating diluted earnings per share is as follows:

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Profit used to calculate basic earnings per share	2,079	3,767	19,103
Adjustment for dilutive potential common stocks of associates accounted for using equity method	(0)	–	(0)
Profit used to calculate diluted earnings per share	2,079	3,767	19,103
Diluted average number of common stocks during the period	117,354,454	117,354,455	117,354,454
Diluted earnings per share	17.72	32.10	162.82

(Note) Diluted earnings per share for the year ended March 31, 2019 was the same as the basic earnings per share because there were no dilutive potential shares for the year ended March 31, 2019.

33. 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, 2020

	As of April 1, 2019	Adjustment on adoption of IFRS 16	As of April 1, 2019 (adjusted)	Changes with cash flows	Changes without cash flows				As of March 31, 2020
					Increase (decrease) by business combination	Increase (decrease) by new leases	Exchange differences on translation of foreign operations	Other	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Short-term borrowings	12,475	–	12,475	11,799	206	–	(137)	–	24,344
Long-term borrowings	15,534	–	15,534	5,847	282	–	(9)	(28)	21,627
Bonds payable	23	–	23	(14)	100	–	–	–	109
Lease obligations	7,435	16,160	23,595	(6,135)	169	7,372	(396)	(1,086)	23,519
Construction assistance fund received	11	–	11	2	–	–	–	0	13
Total	35,478	16,160	51,638	11,500	757	7,372	(542)	(1,114)	69,613

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	
	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, 2020

	As of April 1, 2019	Adjustment on adoption of IFRS 16	As of April 1, 2019 (adjusted)	Changes with cash flows	Changes without cash flows				As of March 31, 2020
					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	Thousands of U.S. dollars	Thousands of U.S. dollars
Short-term borrowings	114,628	–	114,628	108,416	1,892	–	(1,258)	–	223,688
Long-term borrowings	142,736	–	142,736	53,725	2,591	–	(82)	(257)	198,722
Bonds payable	211	–	211	(128)	918	–	–	–	1,001
Lease obligations	68,317	148,488	216,806	(56,372)	1,552	67,738	(3,638)	(9,978)	216,107
Construction assistance fund received	101	–	101	18	–	–	–	0	119
Total	325,994	148,488	474,483	105,669	6,955	67,738	(4,980)	(10,236)	639,648

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, 2020	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Property, plant and equipment acquired by finance leases	–	2,780	–
Right-of-use assets acquired by leases	7,173	–	65,910

34. 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, 2020		Fiscal year ended March 31, 2019	
	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	536,000	718 (6,597)	543,000	718
Granted	–	–	–	–
Exercised	–	–	–	–
Forfeited	15,000	718 (6,597)	7,000	718
Expired	–	–	–	–
Ending balance – Outstanding	521,000	718 (6,597)	536,000	718
Ending balance – Exercisable	521,000	718 (6,597)	536,000	718

(Notes) 1. No stock options were exercised in the fiscal years ended March 31, 2020 and March 31, 2019.
2. The exercise prices of the outstanding stock options as of March 31, 2020 and March 31, 2019 were both ¥718.
3. The weighted average remaining contractual lives of the outstanding stock options as of March 31, 2020 and March 31, 2019 were 2.2 years and 3.2 years, respectively.

(3) Share-based payment expenses

No share-based payment expenses were recognized in the fiscal years ended March 31, 2019 and March 31, 2020.

35. 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 attributable to owners of the parent company and the rate of return on equity attributable to owners of the parent company.

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

	As of March 31, 2020	As of March 31, 2019	As of March 31, 2020
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Interest-bearing liabilities	79,404	46,620	729,614
Cash and cash equivalents	9,490	7,514	87,200
Net interest-bearing liabilities	69,914	39,105	642,414
Equity ratio attributable to owners of the parent company (%)	22.0	28.3	202.1
Rate of return on equity attributable to owners of the parent company (%)	5.4	9.5	49.6

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: Credit-impaired financial assets for which credit risk has increased significantly since initial recognition	Assets recorded at an amount equal to lifetime expected credit losses: Financial assets for which allowance for doubtful accounts is always measured at an amount equal to lifetime expected credit losses	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance at April 1, 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
Balance at March 31, 2019	(3)	(912)	(34)	(949)
Transfer to lifetime expected credit losses	–	–	–	–
Transfer to 12-month expected credit losses	–	–	–	–
Changes due to generation and collection of financial assets	2	(4)	(25)	(27)
Write-off	–	1	17	18
Exchange differences on translation of foreign operations	–	–	2	2
Balance at March 31, 2020	(1)	(915)	(41)	(957)

	Assets recorded at an amount equal to 12-month expected credit losses	Assets recorded at an amount equal to lifetime expected credit losses: Credit-impaired financial assets for which credit risk has increased significantly since initial recognition	Assets recorded at an amount equal to lifetime expected credit losses: 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, 2019	(27)	(8,380)	(312)	(8,720)
Transfer to lifetime expected credit losses	–	–	–	–
Transfer to 12-month expected credit losses	–	–	–	–
Changes due to generation and collection of financial assets	18	(36)	(229)	(248)
Write-off	–	9	156	165
Exchange differences on translation of foreign operations	–	–	18	18
Balance at March 31, 2020	(9)	(8,407)	(376)	(8,793)

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: Credit-impaired financial assets for which credit risk has increased significantly since initial recognition	Assets recorded at an amount equal to lifetime expected credit losses: Financial assets for which allowance for doubtful accounts is always measured at an amount equal to lifetime expected credit losses	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of March 31, 2020	1,528	915	16,923	19,366
As of March 31, 2019	1,702	912	19,469	22,083
IFRS transition date (April 1, 2017)				

	Assets recorded at an amount equal to 12-month expected credit losses	Assets recorded at an amount equal to lifetime expected credit losses: Credit-impaired financial assets for which credit risk has increased significantly since initial recognition	Assets recorded at an amount equal to lifetime expected credit losses: 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
As of March 31, 2020	14,040	8,407	155,499	177,947

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, 2020 and March 31, 2019.

(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, 2020

	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	40,279	40,409	35,018	2,699	1,839	810	39	3
Borrowings	45,971	46,080	32,141	4,769	4,084	2,923	1,312	852
Bonds payable	109	109	9	–	99	–	–	–
Lease obligations	24,504	30,023	8,268	3,927	2,912	1,889	1,549	11,478
Other	634	634	6	8	10	2	1	609
Total	111,498	117,256	75,442	11,404	8,944	5,623	2,901	12,941

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, 2020

	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	370,109	371,303	321,767	24,800	16,897	7,442	358	27
Borrowings	422,411	423,412	295,332	43,820	37,526	26,858	12,055	7,828
Bonds payable	1,001	1,001	82	–	909	–	–	–
Lease obligations	225,158	275,870	75,971	36,083	26,757	17,357	14,233	105,467
Other	5,825	5,825	55	73	91	18	9	5,595
Total	1,024,515	1,077,423	693,209	104,787	82,183	51,667	26,656	118,910

(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 EUR 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, 2020	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
	Profit before tax Millions of yen	Profit before tax Millions of yen	Thousands of U.S. dollars
EUR	(8)	(4)	73
GBP	(6)	(10)	55

(Note) "AUD," which was stated in the year ended March 31, 2019, is not stated in the year ended March 31, 2020 due to its reduced materiality on profit before tax. "EUR" is stated in the year ended March 31, 2020, together with the amount for the year ended March 31, 2019, due to its increased materiality on profit before tax.

(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, 2020	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Profit before tax	(415)	(212)	(3,813)

(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, 2020	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Other comprehensive income (before tax effect)	(70)	(125)	(643)

(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.

Lease liabilities for the year ended March 31, 2020 are not included in the table below because IFRS 7 does not require disclosure of their fair value

	As of March 31, 2020		As of March 31, 2019		As of March 31, 2020	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	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	16,853	16,857	19,381	19,847	154,856	154,892
Other financial assets	2,929	2,898	3,170	3,145	26,913	26,628
Financial assets measured at fair value through profit or loss						
Other financial assets	745	745	747	747	6,845	6,845
Financial assets measured at fair value through other comprehensive income						
Other financial assets	3,047	3,047	3,699	3,699	27,997	27,997
Total	23,574	23,546	26,997	27,438	216,613	216,335
Financial liabilities measured at amortized cost						
Trade and other payables	40,279	40,283	45,356	45,198	370,109	370,146
Bonds and borrowings	46,080	46,081	28,032	28,038	423,412	423,421
Other financial liabilities	634	606	8,819	8,716	5,825	5,568
Total	86,993	86,970	82,207	81,952	799,347	799,136

a. 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

b. 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.

(Other financial liabilities)

The amount of other financial liabilities is determined based on the present value of future cash flows discounted at a rate based on appropriate indicators such as government bond yields. They are classified as Level 2 in the fair value hierarchy.

c. Fair value hierarchy

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

As of March 31, 2020

	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	–	211	–	211
Derivatives	–	30	–	30
Other	–	–	504	504
Financial assets measured at fair value through other comprehensive income				
Other financial assets				
Securities	704	–	2,343	3,047
Total	704	241	2,847	3,792

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, 2020

	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	–	1,938	–	1,938
Derivatives	–	275	–	275
Other	–	–	4,631	4,631
Financial assets measured at fair value through other comprehensive income				
Other financial assets				
Securities	6,468	–	21,528	27,997
Total	6,468	2,214	26,160	34,843

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.

d. 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.

e. 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, 2020

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	2.25x 0.7x 30.0%
Financial assets measured at fair value through other comprehensive income	Valuation technique using net asset value	–	–

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	–	–

f. 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, 2020

	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	440	2,452	2,892
New consolidation	31	0	31
Total gains and losses	1	(93)	(93)
Profit or loss (Note 1)	1	–	1
Other comprehensive income (Note 2)	–	(93)	(93)
Purchases	60	2	63
Sales	(28)	(5)	(33)
Other	–	(13)	(13)
Balance at end of period	504	2,343	2,847
Changes in unrealized gains or losses recognized in profit or loss on assets held at the end of the reporting period (Note 1)	1	–	1

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, 2020

	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	4,043	22,530	26,573
New consolidation	284	0	284
Total gains and losses	9	(854)	(854)
Profit or loss (Note 1)	9	–	9
Other comprehensive income (Note 2)	–	(854)	(854)
Purchases	551	18	578
Sales	(257)	(45)	(303)
Other	–	(119)	(119)
Balance at end of period	4,631	21,528	26,160
Changes in unrealized gains or losses recognized in profit or loss on assets held at the end of the reporting period (Note 1)	9	–	9

(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.

a. The breakdown of fair value by issue

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

Issue	As of March 31, 2020 Millions of yen	As of March 31, 2019 Millions of yen	As of March 31, 2020 Thousands of U.S. dollars
Nissan Parts Tokai Sales Co., Ltd.	843	964	7,746
Nissan Parts Nagano Sales Co., Ltd	466	517	4,281
Sakai Holdings Co., Ltd..	277	757	2,545

b. 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, 2020		Fiscal year ended March 31, 2019		Fiscal year ended March 31, 2020	
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
5	(0)	29	(77)	45	(0)

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 year ended March 31, 2020 and the year ended March 31, 2019 were ¥(453) million ($(4,162) thousand) and ¥258 million, respectively.

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

Fiscal year ended March 31, 2020		Fiscal year ended March 31, 2019		Fiscal year ended March 31, 2020	
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
0	63	–	54	0	578

36. PRINCIPAL SUBSIDIARIES

(1) Transfer of subsidiaries

The gains or losses recognized for changes in ownership interest due to its loss of control of subsidiaries for the year ended March 31, 2019 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 year ended March 31, 2019.

(2) Consolidate subsidiaries with significant non-controlling interests

MG HOME CO., LTD.

Percentage of non-controlling interests and cumulative amount of non-controlling interests

	As of March 31, 2020	As of March 31, 2019	As of March 31, 2020
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Percentage of the non-controlling interests (%)	57.42	57,42	57.42
Accumulated amount attributable to the non-controlling interests	1,708	1,385	15,694

Net income allocated to non-controlling interests and dividends paid to non-controlling interests

	As of March 31, 2020	As of March 31, 2019	As of March 31, 2020
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Net income allocated to the non-controlling interests	337	337	3,096
Dividends paid to the non-controlling interests	12	8	110

condensed financial status

	As of March 31, 2020	As of March 31, 2019	As of March 31, 2020
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Current assets	5,702	5,636	52,393
Non-current assets	1,174	1,524	10,787
Current liabilities	3,283	3,329	30,166
Non-current liabilities	351	1,153	3,225
Equity	3,242	2,678	29,789

	Fiscal year endedMarch31, 2020	Fiscal year endedMarch31, 2019	Fiscal year endedMarch31, 2020
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Revenue	7,767	7,111	71,368
Profit	587	584	5,393
Comprehensive income	586	578	5,384
Cash flows from operating activities, net	(172)	1,574	(1,580)
Cash flows from investing activities, net	184	(1,113)	1,690
Cash flows from financing activities, net	46	(509)	422
Net increase (decrease) in cash and cash equivalents	58	(48)	532

37. RELATED PARTIES

(1) Related party transactions

Fiscal year ended March 31, 2020

Type	Name	Relationship	Description of transactions	Transaction amount	Amount outstanding
				Millions of yen	Millions of yen
Company of which the majority of voting rights are held by Director (and other officer) and his or her close family member	S&I Co., Ltd	Undertaking of construction works	Waterproofing / repair works	33	–
		Leasing of vehicles	Leasing of vehicles	19	27
	Mogauto S.A	Sale of finished goods and merchandise, etc.	Purchase of parts	57	8
			Sale of parts	122	26
			Purchase of vehicles	375	44
			Sale of vehicles	36	–
			Borrowing of fund	7	38
	Mogadealer S.L	Sale of finished goods and merchandise, etc.	Purchase of parts	39	5
			Sale of parts	30	3
			Purchase of vehicles	180	57
			Sale of vehicles	97	2
			Borrowing of fund	5	28
	Resiro Plus S.L	Leasing of land	Leasing of land	25	–
	CLAMI S.L	Leasing of shops, etc.	Leasing of shops	352	19

(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, 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, 2020

Type	Name	Relationship	Description of transactions	Transaction amount	Amount outstanding
				Thousands of U.S. dollars	Thousands of U.S. dollars
Company of which the majority of voting rights are held by Director (and other officer) and his or her close family member	S&I Co., Ltd.	Undertaking of construction works	Waterproofing / repair works	303	–
		Leasing of vehicles	Leasing of vehicles	174	248
	Mogauto S.A	Sale of finished goods and merchandise, etc.	Purchase of parts	523	73
			Sale of parts	1,121	238
			Purchase of vehicles	3,445	404
			Sale of vehicles	330	–
			Borrowing of fund	64	349
	Mogadealer S.L	Sale of finished goods and merchandise, etc.	Purchase of parts	358	45
			Sale of parts	275	27
			Purchase of vehicles	1,653	523
			Sale of vehicles	891	18
			Borrowing of fund	45	257
	Resiro Plus S.L	Leasing of land	Leasing of land	229	–
	CLAMI S.L	Leasing of shops, etc.	Leasing of shops	3,234	174

(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, 2020	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Basic remuneration	233	233	2,140
Retirement benefits	50	50	459
Total	283	283	2,600

38. COMMITMENTS

The amount of the commitment on acquisition of assets was 1,084 million yen as of March 31, 2020 (there was no significant commitments of acquisition of assets as of March 31, 2019.)

39. CONTINGENT LIABILITIES

There are no pertinent items.

40. SUBSEQUENT EVENTS

Acquisition of treasury shares

The Company made a resolution at the Board of Directors meeting held on May 27, 2020 to acquire treasury shares based on the provisions of Article 156 of the Companies Act, as applied by replacing terms pursuant to the provisions of Article 165, paragraph 3 of the said Act.

Purpose of the acquisition of treasury shares

Shareholder returns and execution of flexible capital policy in response to changes in the business environment

Details of the acquisition of treasury shares

① Class of shares to be acquired: Common stock

② Total number of shares to be acquired: 2,000,000 shares (maximum)

③ Acquisition period: From June 1, 2020 through September 30, 2020

④ Total acquisition cost: ¥1,000 million ($9,188 thousand) (maximum)

Acquisition of shares by a consolidated subsidiary

MG HOME Co., Ltd., the Company's consolidated subsidiary, made a resolution at the Board of Directors meeting held on June 17, 2020, to acquire all outstanding shares of TAKI HOUSE Co., Ltd., making the company our consolidated subsidiary.

Reasons for acquisition of the shares

TAKI HOUSE is a community-based real estate company headquartered in Kawasaki city, Kanagawa, supplying more than 100 detached houses a year mainly in Kanagawa and Tokyo with a business concept, "Women-friendly house made of natural materials."

Meanwhile, the Group is involved in the housing-related business such as the condominium housing business, custom-build housing business, commercial building business, property management business and property renting business. Our mid- and long-term plan is to transform our company into a comprehensive real estate company that is able to meet customers' needs by offering one-stop services in the wider areas of housing and construction.

Having TAKI HOUSE as part of the Group, the Group believes that the Group will be able to grow the business further in our main business region, Kanto, by not only sharing know-how on ready-built house business among the group companies, but also responding to the specific needs on lands for detached houses, condominiums, offices, buildings for tenants or factories with the Group's collective strengths as Archish Gallery Co.,Ltd., our subsidiary, has Tokyo office in Minami-Aoyama, Minato-ku, and shares information with TAKI HOUSE.

In addition, because prompt financing will be available using the group financing system, TAKI HOUSE will be able to purchase better lands in a timely manner and also reduce construction costs through leveling of orders for construction works with a larger scale purchase.

For the reasons mentioned above, the Company has decided to acquire shares of TAKI HOUSE and make it a subsidiary because it is expected to contribute for the Group to have a robust business base in the future and realize our mid- and long-term business growth.