Consolidated Financial Statements

VT HOLDINGS CO., LTD.

Year Ended March 31, 2021

1． Overview of Operating Results

(1) Overview of Operating Results for the year ended March 31, 2021

1) Overview of financial results

While domestic sales of new cars for the second quarter consolidated cumulative period were down by 22.6% compared to the same period of the previous fiscal year, there was a clear recovery trend from October onward, resulting in a 7.6% decline in the fiscal year ended March 31, 2021 compared to the previous year.

Under such circumstances, domestic sales in the Automobile Sales-related Business, the core business of the Group, were unable to regain a path to recovery for the current consolidated fiscal year, due to the impact of a delay in the production of new models for Honda cars, and sluggish growth in production for Nissan cars despite a steady demand for new models. Overseas, European subsidiaries in particular were forced to temporarily close stores due to antivirus measures including lockdowns, and a slowdown in business activity was unavoidable. As a result, a total of 87,638 units were sold, including the Group’s new and used cars, down by 8,733 units (9.1%) from the previous year.
As for the Housing-related Business, operating hours were shortened and site visits suspended due to COVID-19, resulting in a decrease in visitors. However, there was a recovery after the first state of emergency was lifted, with strong growth in orders and deliveries.
In addition, utmost efforts were made in all business lines to reduce selling, general and administrative expenses given the slowdown in revenues.
As a result of the above, a consolidated revenue of ¥199,535 million ($1,802,159 thousand) (down 3.8% from the previous year), operating profit of ¥7,713 million ($69,662 thousand) (up 46.2% from the previous year), profit before tax of ¥7,826 million ($70,683 thousand) (up 69.7% from the previous year), and profit attributable to owners of the parent of ¥4,711 million ($42,549 thousand) (up 126.6% from the previous year) were recorded for the fiscal year ended March 31, 2021.

2) Business overview by segment

[Automobile Sales-Related Business]
In the new cars segment, 6,123 units of Honda cars (down 1.3% from the previous year) and 17,436 units of Nissan cars (down 3.7% from the previous year) were sold domestically. On a unit basis, sales fell short of the previous year with a sale of 41,379 units (down 7.3%) for the entire Group’s new cars, including overseas.
In the used cars segment, while 5,827 units (up 4.1% from the previous year) of used cars were exported overseas, showing a recovery trend, due to a decline in the number of used cars sold in Japan and overseas, 46,259 units (down 10.6% from the previous year) of used cars were sold by the entire Group, falling short of units sold in the previous year. However, due to the used car market growing favorably, decrease in sales and increase in profit were recorded.
In the services segment, efforts were made to expand orders for vehicle inspections , repairs, commission income, and the like. However, for European subsidiaries in particular, the impact of temporary closures of stores was significant, and revenues and profits declined.
Revenues and profits declined in the car rental segment, which was affected by antivirus measures such as refraining from going outside.
As a result of the above, the Automobile Sales-related Business segment recorded revenues of ¥186,711 million ($1,686,335 thousand) (down 5.0% from previous year) and operating profit of ¥4,901 million ($44,264 thousand) (up 34.4% from previous year).

[Housing-Related Business]
In the condominium business, both orders and deliveries are generally progressing according to plan through the approach of expanding condominium areas and cultivating a new customer base. Additional new apartments comprising 136 lots in four buildings were sold in the fiscal year ended March 31, 2021, and including finished products, contracts for a total of 168 units (164 units in the previous year) were signed and the delivery of 179 units (220 units in the previous year) were completed.
While there were regional ups and downs, company-wide performance was strong in the detached housing business. Efforts were made to increase orders by actively participating in bidding projects for commercial

facilities including automobile dealerships.
As a special factor, three companies responsible for the detached housing business were newly made into consolidated subsidiaries at the end of the second quarter consolidated accounting period. As a result, a gain on bargain purchase of ¥1,185 million ($10,703 thousand) was recorded, contributing to the expansion of the detached housing business.
As a result of the above, revenues of ¥12,660 million ($114,342 thousand) (up 18% from the previous year), and operating profit of ¥2,170 million ($19,599 thousand) (up 99.5% from the previous year) were recorded for the Housing-related Business.

(4) Forecasts for the next fiscal year

In addition to growing concerns regarding protectionism and economic blocs, as well as uncertainties related to geopolitical risks, the world economy is still being impacted by COVID-19, and conditions in many countries and regions continue to be severe. A similar situation is also expected to continue for various industries in the Japanese economy.
In addition to the impacts of COVID-19, the automobile industry in Japan and overseas is also facing a problem of semiconductor shortages, which is affecting production and sales. The Group’s automotive sales-related business is also facing a situation of longer vehicle delivery times.
As for the future outlook, it is not possible to foresee when the COVID-19 situation will be contained despite the rollout of COVID-19 vaccines, due to the spread of variants and other factors. Even assuming a full-scale economic recovery after the third quarter, the current highly unpredictable situation is expected to continue for the foreseeable future.
In the Housing-Related Business, although a rise in teleworking and working from home is boosting a demand for houses, land purchase and building construction prices remain high, and a difficult business environment is expected to continue given also the impact of high prices on consumer sentiment amid COVID-19.
In response to this situation, every effort will be made to further expand new car sales for all group companies, improve CS, further increase base revenues for the used cars and services segments, improve operational efficiency and reduce costs, while also striving to achieve business expansion through M&A.
The following exchange rate assumptions are used as the premise for the financial performance forecast: ¥152.16 per pound, ¥129.76 per euro, ¥84.40 per Australian dollar, and ¥7.44 per South African rand.
Financial performance forecasts for the current period are based on the aforementioned situations and these exchange rate assumptions.
As a result of the above, our consolidated financial performance forecasts for the fiscal year ending March 2022 are revenues of ¥220 billion ($1,986,994 thousand) , operating income of ¥8 billion ($72,254 thousand), income before tax of ¥8 billion ($72,254 thousand) , and net income attributable to owners of the parent company of ¥5 billion ($45,159 thousand).

* 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, 2021 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, 2021	As of March 31, 2020	As of March 31, 2021
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Assets				
Current assets				
Cash and cash equivalents	8	9,195	9,490	83,047
Trade and other receivables	9,35	16,660	16,853	150,470
Other financial assets	10,35	137	90	1,237
Inventories	11	42,475	37,935	383,625
Other current assets	12,20	4,781	4,694	43,181
Total current assets		73,247	69,063	661,552
Non-current assets				
Property, plant and equipment	13,20	62,833	62,286	567,495
Goodwill	14	12,684	12,624	114,559
Intangible assets	14,20	956	700	8,634
Investment property	15	6,616	6,730	59,754
Investments accounted for using equity method	6,17	8,674	8,533	78,342
Other financial assets	10,35	7,699	6,630	69,536
Deferred tax assets	18	1,184	1,223	10,694
Other non-current assets	12	116	122	1,048
Total non-current assets		100,763	98,849	910,070
Total assets		174,011	167,912	1,571,631

	Notes	As of March 31, 2021	As of March 31, 2020	As of March 31, 2021
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Liabilities and equity				
Liabilities				
Current liabilities				
Bonds and borrowings	19,35	23,738	32,110	214,397
Trade and other payables	21,35	38,220	40,279	345,195
Other financial liabilities	19,35	6,125	5,763	55,320
Income taxes payable		1,191	864	10,757
Contract liabilities	27	13,585	8,873	122,697
Other current liabilities	24	2,717	2,270	24,539
Total current liabilities		85,577	90,160	772,914
Non-current liabilities				
Bonds and borrowings	19,35	20,688	13,970	186,850
Other financial liabilities	19,35	18,314	19,375	165,408
Provisions	23	551	497	4,977
Deferred tax liabilities	18	1,749	1,639	15,797
Other non-current liabilities	24	1,809	1,565	16,339
Total non-current liabilities		43,111	37,046	389,370
Total liabilities		128,689	127,207	1,162,292
Equity				
Share capital	25	4,297	4,297	38,810
Capital surplus	25	2,842	2,847	25,668
Treasury shares	25	(1,028)	(272)	(9,285)
Other components of equity		874	(146)	7,894
Retained earnings	25	33,210	30,156	299,946
Total equity attributable to owners of parent		40,195	36,882	363,033
Non-controlling interests		5,127	3,823	46,306
Total equity		45,322	40,705	409,339
Total liabilities and equity		174,011	167,912	1,571,631

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, 2021	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Revenue	6,27	199,535	207,468	1,802,159
Cost of sales		166,398	173,570	1,502,872
Gross profit		33,136	33,898	299,277
Selling, general and administrative expenses	28	26,917	27,087	243,109
Other income	29	2,725	635	24,612
Other expenses	29	1,231	2,169	11,118
Operating profit		7,713	5,277	69,662
Finance income	30	407	112	3,676
Finance costs	30	787	1,019	7,108
Share of profit of investments accounted for using equity method	17	493	242	4,453
Profit before tax		7,826	4,611	70,683
Income tax expense	18	2,080	2,052	18,786
Profit		5,746	2,559	51,897
Profit attributable to				
Owners of parent		4,711	2,079	42,549
Non-controlling interests		1,035	480	9,348
Profit		5,746	2,559	51,897

	Notes	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Earnings per share		Yen	Yen	U.S. dollars
Basic earnings per share	32	40.61	17.72	0.37
Diluted earnings per share	32	40.61	17.72	0.37

Consolidated Statement of Comprehensive Income

	Notes	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Profit		5,746	2,559	51,897
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Financial assets measured at fair value through other comprehensive income	31	669	(447)	6,042
Share of other comprehensive income of investments accounted for using equity method	17,31	13	(1)	117
Total of items that will not be reclassified to profit or loss		682	(449)	6,160
Items that may be reclassified to profit or loss				
Exchange differences on translation of foreign operations	31	1,064	(500)	9,610
Share of other comprehensive income of investments accounted for using equity method	17,31	(5)	11	(45)
Total of items that may be reclassified to profit or loss		1,059	(489)	9,565
Other comprehensive income, net of tax		1,741	(938)	15,724
Comprehensive income		7,487	1,622	67,621
Comprehensive income attributable to				
Owners of parent		6,404	1,155	57,840
Non-controlling interests		1,083	467	9,781
Comprehensive income		7,487	1,622	67,621

3) Consolidated Statement of Changes in Equity

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 comprehensive 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, 2021

	Notes	Equity attributable to owners of parent: Share capital	Capital surplus	Treasury shares	Other components of equity: 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, 2020		4,297	2,847	(272)	(283)	137	—
Profit							
Other comprehensive income					1,024		670
Total comprehensive income		—	—	—	1,024	—	670
Change in scope of consolidation							
Changes in ownership interest in subsidiaries							
Purchase of treasury shares	25			(755)			
Disposal of treasury shares			(8)				
Forfeiture of share acquisition rights	34		3			(3)	
Transfer to retained earnings	35						(670)
Dividends	26						
Total transactions with owners		—	(5)	(755)	—	(3)	(670)
Balance at March 31, 2021		4,297	2,842	(1,028)	740	134	—

	Notes	Equity attributable to owners of parent: Other components of equity: Total	Retained earnings	Total	Non-controlling interests	Total
		Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance at April 1, 2020		(146)	30,156	36,882	3,823	40,705
Profit		—	4,711	4,711	1,035	5,746
Other comprehensive income		1,693		1,693	48	1,741
Total comprehensive income		1,693	4,711	6,404	1,083	7,487
Change in scope of consolidation		—		—	245	245
Changes in ownership interest in subsidiaries		—		—	21	21
Purchase of treasury shares	25	—		(755)		(755)
Disposal of treasury shares		—		(8)		(8)
Forfeiture of share acquisition rights	34	(3)		—		—
Transfer to retained earnings	35	(670)	670	—		—
Dividends	26	—	(2,327)	(2,327)	(45)	(2,372)
Total transactions with owners		(673)	(1,658)	(3,091)	221	(2,870)
Balance at March 31, 2021		874	33,210	40,195	5,127	45,322

Fiscal year ended March 31, 2021

	Notes	Equity attributable to owners of parent					
					Other components of equity		
		Share capital	Capital surplus	Treasury shares	Exchange differences on translation of foreign operations	Share acquisition rights	Financial assets measured at fair value through other comprehensive income
		Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
Balance at April 1, 2020		38,810	25,714	(2,457)	(2,556)	1,237	–
Profit							
Other comprehensive income					9,249		6,051
Total comprehensive income		–	–	–	9,249	–	6,051
Change in scope of consolidation							
Changes in ownership interest in subsidiaries							
Purchase of treasury shares	25			(6,819)			
Disposal of treasury shares			(72)				
Forfeiture of share acquisition rights	34		27			(27)	
Transfer to retained earnings	35						(6,051)
Dividends	26						
Total transactions with owners		–	(45)	(6,819)	–	(27)	(6,051)
Balance at March 31, 2021		38,810	25,668	(9,285)	6,684	1,210	–

	Notes	Equity attributable to owners of parent			Non-controlling interests	Total
		Other components of equity				
		Total	Retained earnings	Total		
		Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
Balance at April 1, 2020		(1,319)	272,363	333,111	34,529	367,639
Profit		–	42,549	42,549	9,348	51,897
Other comprehensive income		15,291		15,291	434	15,724
Total comprehensive income		15,291	42,549	57,840	9,781	67,621
Change in scope of consolidation		–		–	2,213	2,213
Changes in ownership interest in subsidiaries		–		–	190	190
Purchase of treasury shares	25	–		(6,819)		(6,819)
Disposal of treasury shares		–		(72)		(72)
Forfeiture of share acquisition rights	34	(27)		–		–
Transfer to retained earnings	35	(6,051)	6,051	–		–
Dividends	26	–	(21,017)	(21,017)	(406)	(21,423)
Total transactions with owners		(6,078)	(14,975)	(27,917)	1,996	(25,921)
Balance at March 31, 2021		7,894	299,946	363,033	46,306	409,339

4) Consolidated Statement of Cash Flows

	Notes	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Cash flows from operating activities				
Profit before tax		7,826	4,611	70,683
Depreciation and amortization		8,772	8,550	79,227
Impairment losses		1,071	1,751	9,673
Gain on bargain purchase		(1,185)	–	(10,703)
Interest and dividend income		(93)	(102)	(840)
Interest expenses		730	745	6,593
Foreign exchange loss (gain)		(250)	185	(2,258)
Share of loss (profit) of investments accounted for using equity method		(493)	(242)	(4,453)
Loss (gain) on sale of non-current assets		(219)	(138)	(1,978)
Loss on retirement of non-current assets		14	64	126
Decrease (increase) in trade receivables		(1,151)	1,013	(10,396)
Decrease (increase) in inventories		607	(1,817)	5,482
Increase (decrease) in trade payables		(1,542)	(2,277)	(13,927)
Increase (decrease) in contract liabilities		4,348	208	39,270
Increase (decrease) in accrued consumption taxes		761	(253)	6,873
Other		(94)	(1,090)	(849)
Subtotal		19,105	11,210	172,552
Interest and dividends received		179	150	1,617
Interest paid		(750)	(734)	(6,774)
Income taxes refund (paid)		(2,079)	(2,265)	(18,777)
Net cash provided by (used in) operating activities		16,454	8,361	148,609
Cash flows from investing activities				
Payments into time deposits		(7)	(23)	(63)
Proceeds from withdrawal of time deposits		5	169	45
Purchase of property, plant and equipment		(5,797)	(11,260)	(52,357)
Proceeds from sale of property, plant and equipment		2,706	2,600	24,440
Purchase of intangible assets		(73)	(58)	(659)
Payments for investments in associates		–	(4,238)	–
Proceeds from sale of investment securities		13	63	117
Proceeds from (payments for) acquisition of subsidiaries	7	289	(1,195)	2,610
Payments for loans receivable		(91)	(359)	(822)
Collection of loans receivable		170	552	1,535
Payments of leasehold deposits and guarantee deposits		(120)	(138)	(1,084)
Proceeds from collection of leasehold deposits and guarantee deposits		118	83	1,066
Payments for acquisition of business	7	–	(1,568)	–
Proceeds from sale of businesses		200	–	1,806
Other		6	17	54
Net cash provided by (used in) investing activities		(2,580)	(15,356)	(23,302)

	Notes	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Cash flows from financing activities				
Net increase (decrease) in short-term borrowings	33	(9,416)	11,799	(85,043)
Proceeds from long-term borrowings	33	14,173	12,160	128,008
Repayments of long-term borrowings	33	(9,969)	(6,313)	(90,038)
Redemption of bonds	33	(14)	(14)	(126)
Purchase of treasury shares		(755)	–	(6,819)
Proceeds from sale of treasury shares		13	–	117
Dividends paid	26	(2,327)	(2,347)	(21,017)
Dividends paid to non-controlling interests		(45)	(49)	(406)
Repayments of lease liabilities	33	(6,111)	(6,135)	(55,193)
Other		(1)	2	(9)
Net cash provided by (used in) financing activities		(14,453)	9,104	(130,536)
Effect of exchange rate changes on cash and cash equivalents		283	(145)	2,556
Net increase (decrease) in cash and cash equivalents		(295)	1,964	(2,664)
Cash and cash equivalents at beginning of period	8	9,490	7,514	85,712
Increase in cash and cash equivalents from newly consolidated subsidiaries		–	12	–
Cash and cash equivalents at end of period	8	9,195	9,490	83,047

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, 2021, 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

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

The consolidated financial statements were approved on June 30, 2021, 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.

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 60 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
- Customer-related assets: 15 years

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

(10) Leases

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

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 IFRS 16 “Lease,” etc.

Step 1: Identify contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

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

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

1) Sale of goods

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

2) Rendering of services

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

3) Interest income

Interest income is recognized using the effective interest method.

4) Dividends

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

5) Revenues from leases

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

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

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

(16) Government grants

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

(17) Income taxes

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

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

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

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

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

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

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

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

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

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

(18) Earnings per share

Basic earnings per share are calculated by dividing profit or loss attributable to ordinary equity holders of parent entity by the weighted average number of ordinary shares outstanding after adjustment to treasury shares during the period. Diluted earnings per share are 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.

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.

(1) Impairment of fixed assets

For the carrying amounts of the Group's fixed 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 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. Value in use reflects past experience and external information, and is calculated by discounting the estimated amount of cash flows based on the business plan for the next three years approved by the management and the growth rate to the present value using the discount rate of 4.1 to 10.6% 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% 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.
The above estimates include uncontrollable uncertainties. In the event that estimates regarding the valuation of fixed assets change due to unforeseeable changes in underlying assumptions, additional impairment losses may consequently be recognized for the Group in the future.

(2) Impairment of goodwill

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

Value in use reflects past experience and external information, and is calculated by discounting the estimated amount of cash flows based on the business plan for the next three years approved by the management and the growth rate to the present value using the discount rate of 4.1 to 10.6% 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% 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.

The above estimates include uncontrollable uncertainties. In the event that estimates regarding the valuation of goodwill change due to unforeseeable changes in underlying assumptions, additional impairment losses may consequently be recognized for the Group in the future.

(3) Recoverability of deferred tax asset

The Group recognizes deferred tax assets only for tax loss carryforwards, tax credits and deductible temporary differences for which the deduction of future taxable income is probable. 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.

The above estimates include uncontrollable uncertainties. In the event that estimates regarding the valuation of collectibility of deferred tax assets change due to unforeseeable changes in underlying assumptions, the Group may reduce deferred tax assets in the future.

(4) Accounting estimates regarding the impacts of COVID-19

The COVID-19 pandemic has had widespread impact on the economy and corporate activities, and it is difficult to predict at this time the impact on the Group, and when the pandemic will be contained. Accounting estimates for the current fiscal year ended March 31 ,2021 are made based on the assumption that the impact of COVID-19 will continue for a certain period of time in the following fiscal year ended March 31 ,2022. The above assumption involves considerable uncertainty, and depending on the situation regarding COVID-19 outbreaks and their effect on the economy, there may be a material impact on the consolidated financial statements for the following fiscal year ended March 31 ,2022 onward.

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 segment profit

Intersegment revenue is based on prevailing market prices.
The profit in the reportable segments is based on operating profit.

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

Fiscal year ended March 31, 2021

	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	186,711	12,660	164	199,535	—	199,535
Intersegment revenue or transfers	82	1,395	1,757	3,235	(3,235)	—
Total	186,793	14,055	1,921	202,770	(3,235)	199,535
Segment profit	4,901	2,170	755	7,826	(113)	7,713
Finance income						407
Finance costs						787
Share of profit of investments accounted for using equity method						493
Profit before tax						7,826
Other items						
Segment assets	151,867	16,680	13,666	182,214	(8,203)	174,011
Depreciation and amortization	8,597	82	138	8,817	(44)	8,772
Impairment losses	1,037	34	—	1,071	(0)	1,071
Investments accounted for using equity method	117	—	8,557	8,674	—	8,674
Capital expenditures	10,116	48	8	10,172	58	10,230

(Notes) 1. "Other" consists of group-wide departments of management.
2. Adjustments are as follows
(1) The adjustments of segment profit of ¥(113) million represents elimination of intersegment transactions.
(2) The adjustments of segment assets of ¥(8,203) million represents the elimination of inter-segment receivables and assets.
(3) The adjustments of depreciation and amortization of ¥(44) million represents the impact of consolidation adjustments between segments.
(4) The adjustments of capital expenditure of ¥58 million represents the impact of consolidation adjustments between segments.
3. Segment profit in Housing-related Business includes gain on bargain purchase of ¥1,185 million due to the acquisition of shares in TAKI HOUSE Co., Ltd.

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. Adjustmentss are as follows

(1)The adjustments of segment profit of ¥(88) million represents elimination of intersegment transactions.

(2) The adjustments of segment assets of ¥(7,176) million represents the elimination of inter-segment receivables and assets.

(3) The adjustments of depreciation and amortization of ¥(40) million represents the impact of consolidation adjustments between segments.

(4) The adjustments of capital expenditure of ¥(115) million represents the impact of consolidation adjustments between segments.

Fiscal year ended March 31, 2021

	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	1,686,335	114,342	1,481	1,802,159	—	1,802,159
Intersegment revenue or transfers	741	12,599	15,869	29,218	(29,218)	—
Total	1,687,076	126,942	17,350	1,831,376	(29,218)	1,802,159
Segment profit	44,265	19,599	6,819	70,683	(1,021)	69,662
Finance income						3,676
Finance costs						7,108
Share of profit of investments accounted for using equity method						4,453
Profit before tax						70,683
Other items						0
Segment assets	1,371,631	150,650	123,428	1,645,719	(74,088)	1,571,631
Depreciation and amortization	77,646	741	1,246	79,633	(397)	79,227
Impairment losses	9,366	307	—	9,673	0	9,673
Investments accounted for using equity method	1,057	—	77,285	78,342	–	78,342
Capital expenditures	91,366	434	72	91,871	524	92,395

(Notes) 1. “Other” consists of group-wide departments of management.
2. Adjustmentss are as follows
(1)The adjustments of segment profit of $(1,021) thousand represents elimination of intersegment transactions.
(2) The adjustments of segment assets of $(74,088) thousand represents the elimination of inter-segment receivables and assets.
(3) The adjustments of depreciation and amortization of $(397) thousand represents the impact of consolidation adjustments between segments.
(4) The adjustments of capital expenditure of $524 thousand represents the impact of consolidation adjustments between segments.
3. Segment profit in Housing-related Business includes gain on bargain purchase of $10,703 thousand due to the acquisition of shares in TAKI HOUSE Co., Ltd.

(3) Information related to products and services

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

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
	Millions of yen	Millions of yen	Thousands of U.S. dollars
New cars	96,480	100,279	871,387
Used cars	46,688	49,740	421,676
Services	34,900	37,084	315,210
Car rentals	8,364	9,140	75,542
Housing	12,660	10,729	114,342
Other	442	495	3,992
Total	199,535	207,468	1,802,159

(4) Information about geographic information

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

Revenue from external customers

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Japan	129,970	128,727	1,173,862
Africa	3,701	4,042	33,427
North, Central and South America	328	738	2,962
Oceania	3,726	4,172	33,652
Europe	59,749	68,010	539,641
Asia	2,061	1,780	18,615
Total	199,535	207,468	1,802,159

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

Non-current assets

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Japan	88,987	87,355	803,712
Africa	274	273	2,475
Oceania	1,631	1,276	14,731
Europe	9,872	9,944	89,162
Total	100,763	98,849	910,070

(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, 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 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 Aimotoren CO.,LTD. A subsidiary of the Company, MOTOREN MIKAWA CO.,LTD., 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: Aimotoren CO.,LTD.
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 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.

Fiscal year ended March 31, 2021

(1) According to the resolution reached at the meeting of the Board of Directors held on June 17, 2020, MG HOME CO., LTD., a consolidated subsidiary of the Company, acquired all of the outstanding shares issued of TAKI HOUSE Co., Ltd. which operates a detached housing business in Kawasaki City, Kanagawa Prefecture, and made the company a wholly owned subsidiary of MG HOME CO., LTD. on July 27, 2020.

1) Overview of the business combination

a． The name and a description of the acquiree:

Company name: TAKI HOUSE Co., Ltd.

Business lines: Sales, construction, contract work of detached houses and custom-built houses, residential land development, real estate sales and brokerage, and other related operations

b． The acquisition date: July 27, 2020

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

d． The primary reasons for the business combination : To expand the Housing-related Business foundation through sharing know-how developed in the detached housing business within the Group.

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)	800	7,225
Fair value of assets acquired and liabilities assumed		
Current assets	4,521	40,833
Non-current assets	1,305	11,786
Total assets	5,827	52,628
Current liabilities	2,865	25,876
Non-current liabilities	976	8,815
Total liabilities	3,842	34,700
Net fair value of assets acquired and liabilities assumed	1,985	17,928
Gain on bargain purchase	1,185	10,703

(Note) 1. Acquisition related costs in the business combination are ¥99 million ($894 thousand) and they are recognized in full as “Selling and general administrative expenses” in the consolidated income statement.
2. As a result of measuring the acquired assets and assumed liabilities at fair value for the business combination and comparing them with the consideration paid, the gain on bargain purchase generated is recognized in “Other income” in the consolidated statement of profit or loss.

3) Cash flow associated with the acquisition

	Millions of yen	Thousands of U.S. dollars
Cash and cash equivalents spent on acquisition	800	7,225
Cash and cash equivalents held by the acquired entity at the time of acquisition	(1,101)	(9,944)
payments for acquisition of subsidiaries	301	2,719

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 November 23, 2020, Honda Cars Tokai Co., Ltd., a consolidated subsidiary of the Company, acquired additional shares of HONDA YONRINHANBAI MARUJUN CO., LTD which operates a Honda dealership in Ogaki City, Gifu Prefecture, and made the company a subsidiary on January 4, 2021.

1) Overview of the business combination

a. The name and a description of the acquiree:

Company name: HONDA YONRINHANBAI MARUJUN CO., LTD

Business lines: Sales and general maintenance of Honda cars, and other related operations

b. The acquisition date: January 4, 2021

c. The percentage of voting equity interests acquired:

Percentage of voting equity interests immediately preceding the acquisition date	34%
Percentage of voting equity interests additionally acquired on the acquisition date	32%
Percentage of voting equity interests after the acquisition date	66%

d. The primary reasons for the business combination: To build a cooperative system by promoting alliances and to focus on strengthening sales of Honda cars in Gifu prefecture.

e. The description of how the acquirer obtained control of the acquiree :

Acquisition of shares in exchange for cash as consideration

2) Fair value of consideration and its breakdown

Acquisition-date fair value of shares of the acquiree held immediately preceding the acquisition date: ¥361 million ($3,260 thousand)

Fair value of the shares of the acquiree additionally acquired on the acquisition date: ¥340 million ($3,071 thousand)

Total amount of consideration: ¥701 million ($6,331 thousand)

3) Gain on step acquisitions

As a result of remeasuring the equity interest of the acquiree held immediately preceding the acquisition date at the acquisition-date fair value, a gain of ¥96 million ($867 thousand) related to step acquisitions was recognized under "Other income" in the consolidated statement of profit or loss.

4) 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)	701	6,331
Fair value of assets acquired and liabilities assumed		
Current assets	743	6,711
Non-current assets	620	5,600
Total assets	1,363	12,310
Current liabilities	499	4,507
Non-current liabilities	145	1,310
Total liabilities	644	5,816
Net fair value of assets acquired and liabilities assumed	719	6,494
Non-controlling interests	(245)	(2,213)
Goodwill	227	2,050

(Note) 1． Non-controlling interests are measured as the percentage of non-controlling interests with respect to the fair value of the acquiree's identifiable net assets.
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.

5) Cash flow associated with the acquisition

	Millions of yen	Thousands of U.S. dollars
Cash and cash equivalents spent on acquisition	340	3,071
Cash and cash equivalents held by the acquired entity at the time of acquisition	(338)	(3,053)
Revenues from acquisition of subsidiaries	2	18

6) 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, 2021	As of March 31, 2020	As of March 31, 2021
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Cash and deposits	9,100	7,790	82,189
Deposits paid	4	4	36
Short-term investments	101	1,696	912
Fixed deposit for a period exceeding three months	(10)	—	(90)
Total	9,195	9,490	83,047

The balances of "Cash and cash equivalents" in the consolidated statement of financial position as of March 31, 2021, March 31, 2020 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, 2021	As of March 31, 2020	As of March 31, 2021
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Accounts receivable - trade	6,199	5,329	55,988
Accounts receivable - other	2,997	2,332	27,068
Lease receivables and investment assets	7,355	8,863	66,429
Other	326	370	2,944
Allowance for doubtful accounts	(217)	(41)	(1,960)
Total	16,660	16,853	150,470

The above amounts include those of trade and other receivables to be collected over 12 months, which are ¥4,195 million ($37,888 thousand) and ¥5,252 million as of March 31, 2021, March 31, 2020 , 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, 2021	As of March 31, 2020	As of March 31, 2021
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Other financial assets			
Derivative assets	31	30	280
Stocks	4,246	3,258	38,349
Deposits	212	158	1,915
Loans receivable	1,476	1,523	13,331
Claims provable in bankruptcy, claims provable in rehabilitation	902	915	8,147
Other	1,872	1,752	16,908
Allowance for doubtful accounts	(903)	(916)	(8,156)
Total	7,836	6,721	70,773
Current assets	137	90	1,237
Non-current assets	7,699	6,630	69,536
Total	7,836	6,721	70,773

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, 2021	As of March 31, 2020	As of March 31, 2021
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Merchandise and finished goods	35,333	34,315	319,120
Work in process	7,057	3,544	63,737
Raw materials	5	5	45
Production supplies	80	72	723
Total	42,475	37,935	383,625
Inventories to be sold in greater than 12 months	2,018	837	18,226

The amounts of inventories recognized as expenses during the year ended March 31, 2021 and the year ended March 31, 2020 were ¥159,087 million ($1,436,841 thousand) and ¥166,107 million, respectively.

The amounts of inventory write-down recognized as expenses during the year ended March 31, 2021 and the year ended March 31, 2020 were ¥143 million ($1,292 thousand) and ¥93 million, respectively.

12. OTHER ASSETS

The breakdown of other assets is as follows:

	As of March 31, 2021	As of March 31, 2020	As of March 31, 2021
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Test-driving car	2,331	2,396	21,053
Advance payments to suppliers	1,293	1,040	11,678
Consumption taxes receivable	520	691	4,697
Other	754	689	6,810
Total	4,897	4,816	44,229
Current assets	4,781	4,694	43,181
Non-current assets	116	122	1,048
Total	4,897	4,816	44,229

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, 2021	As of March 31, 2020	As of March 31, 2021
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Property, plant and equipment	44,006	42,251	397,453
Right-of-use assets	18,827	20,036	170,042
Total	62,833	62,286	567,495

(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:

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, 2019	17,197	27,881	18,084	2,341	585	66,089
Adjustment on adoption of IFRS 16	—	(1,619)	(9,979)	(95)	—	(11,693)
As of April 1, 2019(adjusted)	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
Acquisition	74	1,924	2,938	234	431	5,601
Acquisition due to business combinations	980	561	125	27	—	1,692
Sale or disposal	(352)	(327)	(3,926)	(91)	(2)	(4,698)
Transfer of accounts	7	734	375	0	(685)	432
Exchange differences on translation of foreign operations	276	515	141	104	1	1,038
As of March 31, 2021	22,202	33,020	10,285	2,484	528	68,518

	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	191,628	267,458	96,026	19,942	7,063	582,126
Acquisition	668	17,377	26,535	2,113	3,893	50,587
Acquisition due to business combinations	8,851	5,067	1,129	244	–	15,282
Sale or disposal	(3,179)	(2,953)	(35,459)	(822)	(18)	(42,431)
Transfer of accounts	63	6,629	3,387	0	(6,187)	3,902
Exchange differences on translation of foreign operations	2,493	4,651	1,273	939	9	9,375
As of March 31, 2021	200,524	298,230	92,892	22,435	4,769	618,840

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, 2019	358	14,575	7,901	1,719	24,553
Adjustment on adoption of IFRS 16	—	(406)	(4,447)	(65)	(4,918)
As of April 1, 2019(adjusted)	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
Acquisition due to business combinations	—	203	81	25	308
Depreciation (Note)	—	1,115	2,372	168	3,655
Impairment losses	17	165	—	—	182
Sale or disposal	—	(215)	(1,860)	(104)	(2,179)
Transfer of accounts	—	(3)	11	0	9
Exchange differences on translation of foreign operations	—	183	67	83	333
As of March 31, 2021	370	17,258	5,073	1,811	24,511

	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	3,188	142,793	39,740	14,803	200,524
Acquisition due to business combinations	–	1,833	732	226	2,782
Depreciation (Note)	–	10,070	21,423	1,517	33,011
Impairment losses	154	1,490	–	–	1,644
Sale or disposal	–	(1,942)	(16,799)	(939)	(19,680)
Transfer of accounts	–	(27)	99	0	81
Exchange differences on translation of foreign operations	–	1,653	605	750	3,008
As of March 31, 2021	3,342	155,871	45,818	16,357	221,378

(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, 2019(adjusted)	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
As of March 31, 2021	21,832	15,762	5,212	673	528	44,006

	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, 2021	197,182	142,359	47,074	6,078	4,769	397,453

(3) Right-of-use assets

The carrying amounts of right-of-use assets included in property, plant and equipment are as follows:

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
As of March 31, 2021	3,366	8,583	6,817	62	18,827

	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, 2021	30,401	77,520	61,570	560	170,042

(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. There were no borrowing costs in the year ended March 31, 2021.

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, 2021	As of March 31, 2020	As of March 31, 2021
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Intangible assets	952	694	8,598
Right-of-use assets	4	6	36
Total	956	700	8,634

(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:

Acquisition cost

	Goodwill	Intangible assets				
		Software	Customer-related assets	Leasehold right	Other	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of April 1, 2019	13,499	970	—	558	101	1,629
Acquisition	—	51	—	—	4	55
Acquisition due to business combinations	680	2	250	—	0	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	250	546	105	1,903
Acquisition	—	67	—	—	10	77
Acquisition due to business combinations	227	27	271	24	2	323
Sale or disposal	—	(19)	—	—	(0)	(20)
Exchange differences on translation of foreign operations	341	18	—	18	—	37
As of March 31, 2021	14,561	1,095	521	588	117	2,320

	Goodwill	Intangible assets				
		Software	Customer-related assets	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	Thousands of U.S. dollars
As of March 31, 2020	126,391	9,050	2,258	4,931	948	17,188
Acquisition	–	605	–	–	90	695
Acquisition due to business combinations	2,050	244	2,448	217	18	2,917
Sale or disposal	–	(172)	–	–	0	(181)
Exchange differences on translation of foreign operations	3,080	163	–	163	–	334
As of March 31, 2021	131,512	9,890	4,706	5,311	1,057	20,954

Accumulated amortization and impairment losses

	Goodwill	Intangible assets				
		Software	Customer-related assets	Leasehold right	Other	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of April 1, 2019	944	827	−	283	14	1,123
Acquisition due to business combinations	−	1	−	−	−	1
Amortization expense (Note)	−	65	8	35	1	110
Impairment losses	463	−	−	−	−	−
Sale or disposal	(7)	(7)	−	−	−	(7)
Exchange differences on translation of foreign operations	(31)	(9)	−	(8)	−	(18)
As of March 31, 2020	1,369	877	8	309	15	1,210
Acquisition due to business combinations	−	20	−	−	1	20
Amortization expense (Note)	−	65	21	35	1	122
Impairment losses	400	−	−	−	2	2
Sale or disposal	−	(19)	−	−	(0)	(20)
Exchange differences on translation of foreign operations	107	17	−	18	−	34
As of March 31, 2021	1,876	959	30	362	18	1,368

	Goodwill	Intangible assets				
		Software	Customer-related assets	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	Thousands of U.S. dollars
As of March 31, 2020	12,365	7,921	72	2,791	135	10,928
Acquisition due to business combinations	−	181	−	−	9	181
Amortization expense (Note)	−	587	190	316	9	1,102
Impairment losses	3,613	−	−	−	18	18
Sale or disposal	−	(172)	−	−	0	(181)
Exchange differences on translation of foreign operations	966	154	−	163	−	307
As of March 31, 2021	16,944	8,661	271	3,270	163	12,355

(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	Customer-related assets	Leasehold right	Other	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of April 1, 2019	12,554	143	－	275	87	505
As of March 31, 2020	12,624	125	242	237	90	694
As of March 31, 2021	12,684	136	491	226	99	952

	Goodwill	Intangible assets				
		Software	Customer-related assets	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	Thousands of U.S. dollars
As of March 31, 2021	114,559	1,228	4,435	2,041	894	8,598

(3) Right-of-use assets

The carrying amounts of right-of-use assets included in intangible assets are as follows:

Right-of-use assets	Software
	Millions of yen
As of April 1, 2019	8
As of March 31, 2020	6
As of March 31, 2021	4

	Software
	Thousands of U.S. dollars
As of March 31, 2021	36

(4) Intangible assets with indefinite useful lives

The Group had no significant intangible assets with indefinite useful lives as of March 31, 2021, March 31, 2020.

(5) Significant intangible assets

None of the intangible assets presented in the consolidated statement of financial position were individually significant as of March 31, 2021, March 31, 2020.

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, 2021	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Balance at beginning of period	9,102	8,275	82,207
Adjustment on adoption of IFRS 16	—	1,246	–
Balance at beginning of period (adjusted)	9,102	9,521	82,207
Acquisition	93	42	840
Acquisition due to business combinations	27	—	244
Sale or disposal	(66)	(461)	(596)
Transfer of accounts	13	—	117
Balance at end of period	9,169	9,102	82,813

Accumulated depreciation and impairment losses

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Balance at beginning of period	2,372	1,148	21,423
Adjustment on adoption of IFRS 16	—	1,135	–
Balance at beginning of period (adjusted)	2,372	2,283	21,423
Acquisition due to business combinations	2	—	18
Depreciation	171	152	1,544
Impairment losses	34	16	307
Sale or disposal	(23)	(79)	(208)
Transfer of accounts	(3)	—	(27)
Balance at end of period	2,553	2,372	23,058

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

	As of March 31, 2021		As of March 31, 2020		As of March 31, 2021	
	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	6,616	6,883	6,730	6,889	59,754	62,166

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, 2021	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Lease income	421	466	3,802
Direct operating expenses	272	334	2,457

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, 2021	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Property, plant and equipment			
Buildings and structures	17	—	154
Machinery and vehicles	165	434	1,490
Tools, furniture and fixtures	—	3	–
Leased assets	—	0	–
Right-of-use assets	453	834	4,091
Goodwill	400	463	3,613
Intangible assets			
Others	2	—	18
Investment property	34	16	307
Total	1,071	1,751	9,673

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.

The impairment loss on property, plant and equipment recognized in the fiscal year ended March 31, 2021 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, 2021 was attributable to Nissan Satio Saitama Co., Ltd., FLC Co., Ltd., SKY ABSOLUT AUTO (PTY) Ltd., 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, 2021	As of March 31, 2020	As of March 31, 2021
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Automobile Sales-Related Business	12,017	11,957	108,535
Housing-related Business	668	668	6,033
Total	12,684	12,624	114,559

Of the above, the carrying amount of significant goodwill in the year ended March 31, 2021 is Shizuoka Nissan Auto Sales Co., Ltd. (Automobile Sales-Related Business) of ¥3,268 million ($29,516 thousand) (the year ended March 31, 2020: ¥3,268 million), Nissan Satio Saitama Co., Ltd. (Automobile Sales-Related Business) of ¥2,024 million ($18,280 thousand) (the year ended March 31, 2020: ¥2,410 million), and Nagano Nissan Auto Co., Ltd. (Automobile Sales-Related Business) of ¥1,952 million ($17,630 thousand) (the year ended March 31, 2020: ¥1,952 million).

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

Value in use reflects past experience and external information, and is calculated by discounting the estimated amount of cash flows based on the business plan for the next three years approved by the management and the growth rate to the present value using the discount rate of 4.1 to 10.6% (the year ended March 31, 2020: 3.9 to 10.2%) 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% (the year ended March 31, 2020: 0.2 to 1.9%) 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., which develops, manufactures and sells car coatings, car wash chemicals and equipment, falls under the category of a significant associate.
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, 2021	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Percentage of ownership interest (%)	20.01%	20.01%	20.01%
Current assets	4,844	4,217	43,750
Non-current assets	5,351	3,835	48,329
Current liabilities	1,935	1,106	17,477
Non-current liabilities	1,083	1,349	9,781
Total equity	7,177	5,596	64,821
The Company's interest in equity	1,436	1,119	12,970
Goodwill and consolidation adjustments	3,125	3,156	28,224
Carrying amount of investments	4,561	4,276	41,194
Fair value of investments	13,980	4,006	126,264
Revenue	10,778	4,333	97,345
Comprehensive income	1,790	488	16,167
Dividends received by the Company	42	—	379

(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, 2021	As of March 31, 2020	As of March 31, 2021
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Total carrying amount	4,113	4,257	37,148

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

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Share of profit	166	160	1,499
Share of other comprehensive income	8	10	72
Share of comprehensive income	174	170	1,572

(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, 2021

	As of April 1, 2020	Recognized in profit or loss	Recognized in other comprehensive income	Business combinations	Other	As of March 31, 2021
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Inventories	233	8	―	1	―	242
Non-current assets	(865)	384	―	(83)	(2)	(565)
Investment securities	(717)	(6)	(304)	―	4	(1,023)
Unused tax losses	272	(62)	―	―	―	210
Other	660	(113)	―	19	4	571
Total	(417)	212	(304)	(62)	6	(565)

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, 2021

	As of April 1, 2020	Recognized in profit or loss	Recognized in other comprehensive income	Business combinations	Other	As of March 31, 2021
	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	2,104	72	−	9	−	2,186
Non-current assets	(7,813)	3,468	−	(750)	(18)	(5,103)
Investment securities	(6,476)	(54)	(2,746)	−	36	(9,240)
Unused tax losses	2,457	(560)	−	−	−	1,897
Other	5,961	(1,021)	−	172	36	5,157
Total	(3,766)	1,915	(2,746)	(560)	54	(5,103)

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

	As of March 31, 2021	As of March 31, 2020	As of March 31, 2021
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Unused tax losses	3,065	2,137	27,682
Deductible temporary differences	11,777	10,860	106,367
Total	14,842	12,997	134,050

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

	As of March 31, 2021	As of March 31, 2020	As of March 31, 2021
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Not later than one year	–	–	–
Later than one year and not later than two years	–	–	–
Later than two years and not later than three years	–	–	–
Later than three years and not later than four years	–	–	–
Later than four years	3,065	2,137	27,682
Total	3,065	2,137	27,682

Taxable temporary differences related to investments in subsidiaries, that were not recognized as deferred tax liabilities totaled ¥30,059 million ($271,487 thousand) and ¥28,358 million as of March 31, 2021, March 31, 2020 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, 2021	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Current tax expense	2,291	2,195	20,692
Deferred tax expense	(212)	(143)	(1,915)
Total	2,080	2,052	18,786

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

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020
	%	%
Japanese statutory tax rates	30.6	30.6
Non-tax-deductible expenses	0.6	1.0
Unrecognized deferred tax assets	(1.0)	4.9
Difference on applicable tax rates for subsidiaries	0.7	3.5
Utilization and recognition of tax loss carryforwards	0.3	2.8
Impairment loss on goodwill, etc.	0.1	3.1
Tax credit	(0.3)	(0.8)
Gain on bargain purchase	(4.6)	–
Other	0.3	(0.5)
Average effective tax rates	26.6	44.5

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, 2021- and the fiscal year ended March 31, 2020 are 30.6%, 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, 2021	As of March 31, 2020	As of March 31, 2021	Average interest rate	Due date
	Millions of yen	Millions of yen	Thousands of U.S. dollars	%	
Short-term borrowings	17,280	24,344	156,069	0.41	–
Current portion of long-term borrowings	6,448	7,757	58,237	0.26	–
Current portion of bonds	10	9	90	0.60	–
Long-term borrowings	20,578	13,870	185,856	0.27	2022 – 2035
Bonds payable	110	100	993	0.40	2023
Lease liabilities (short-term)	6,125	5,763	55,320	1.10	–
Lease liabilities (long-term)	17,721	18,741	160,052	1.29	2022 - 2055
Other	592	634	5,347	–	–
Total	68,865	71,218	621,974	–	–
Current liabilities	29,863	37,874	269,716	–	–
Non-current liabilities	39,002	33,345	352,258	–	–
Total	68,865	71,218	621,974	–	–

(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, 2021	As of March 31, 2020	As of March 31, 2021
			Millions of yen	Millions of yen	Thousands of U.S. dollars
Koyo Jidousha CO., LTD.	The 5th unsecured straight bonds	March30, 2018	100 (−)	100 (−)	903 (–)
MG HOME CO., LTD.	The 11th unsecured straight bonds	September 25, 2013	− (−)	9 (9)	- (-)
TAKI HOUSE CO., LTD.	The 1th unsecured straight bonds	January 12, 2018	20 (10)	− (−)	181 (90)
	Total		120 (10)	109 (9)	1,084 (90)

Company name	Coupon rate	Collateral	Redemption date
	%		
Koyo Jidousha CO., LTD.	0.38	None	March30,2023
MG HOME CO., LTD.	–	–	–
TAKI HOUSE CO., LTD.	0.60	None	January 25,2023
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, 2021	As of March 31, 2020	As of March 31, 2021
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Property, plant and equipment	9,870	7,936	89,144
Inventories	9,398	11,287	84,881
Investment property	1,307	1,037	11,805
Other	206	161	1,861
Total	20,781	20,421	187,690

20. LEASES

(1) Lessee

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
Increase	632	4,927	43	673	–	1,991	8,267
Depreciation	(1,577)	(2,356)	(18)	(871)	(2)	(664)	(5,488)
Impairment losses	(207)	(12)	–	(234)	–	–	(453)
other	(1,099)	(742)	(0)	(367)	–	(1,258)	(3,467)
Balance at March 31, 2021	8,583	6,817	62	3,366	4	1,054	19,885

(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, 2021	As of March 31, 2020	As of March 31, 2021
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Interest expenses on lease liabilities	430	473	3,884
Short-term lease expenses	272	331	2,457
Expenses of leases of low-value assets	249	244	2,249

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

	As of March 31, 2021	As of March 31, 2020	As of March 31, 2021
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Total amount of cash outflows for leases	6,633	6,710	59,908

(2) Lessor

1) Finance leases

The Group leases cars as a lessor for finance leases.
Lease income from the operating leases is as follows:

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Lease income	684	718	6,178

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

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Due within one year	3,694	4,182	33,363
Due after one year through two years	2,687	3,066	24,268
Due after two year through three years	1,370	1,984	12,374
Due after three year through four years	528	784	4,769
Due after four year through five years	145	94	1,310
Due after five years	9	3	81
Total	8,433	10,112	76,165
Unearned finance income	1,078	1,249	9,736
Unguaranteed residual value (discounted)	—	—	–
Net investment in the lease	7,355	8,863	66,429

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, 2021	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Lease income	421	466	3,802

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

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Due within one year	248	391	2,240
Due after one year through two years	52	135	470
Due after two year through three years	21	34	190
Due after three year through four years	19	19	172
Due after four year through five years	19	19	172
Due after five years	80	99	723
Total	439	699	3,965

21. TRADE AND OTHER PAYABLES

The breakdown of trade and other payables is as follows:

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Accounts payable - trade	27,546	27,410	248,790
Accounts payable - other	4,084	4,063	36,886
Sublease investment liabilities	6,590	8,806	59,520
Total	38,220	40,279	345,195

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, 2021 and 2020 were ¥413 million ($3,730 thousand) and ¥407 million, respectively.

23. PROVISIONS

The breakdown of provisions and their changes are as follows:

	Asset retirement obligations
	Millions of yen
As of April 1, 2019	458
Interest expense over the discount period	6
Increases	33
Increase by business combination	—
Decreases (utilized)	—
As of March 31, 2020	497
Interest expense over the discount period	6
Increases	25
Increase by business combination	23
Decreases (utilized)	—
As of March 31, 2021	551

	Asset retirement obligations
	Thousands of U.S. dollars
As of March 31, 2020	4,489
Interest expense over the discount period	54
Increases	226
Increase by business combination	208
Decreases (utilized)	–
As of March 31, 2021	4,977

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

	As of March 31, 2021	As of March 31, 2020	As of March 31, 2021
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Non-current liabilities	551	497	4,977
Total	551	497	4,977

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, 2021	As of March 31, 2020	As of March 31, 2021
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Accrued bonuses	1,161	1,104	10,486
Deposits received	553	412	4,995
Accrued consumption taxes	820	544	7,406
Other	1,991	1,776	17,982
Total	4,526	3,835	40,878
Current liabilities	2,717	2,270	24,539
Non-current liabilities	1,809	1,565	16,339
Total	4,526	3,835	40,878

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, 2021	Fiscal year ended March 31, 2020
	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, 2021	Fiscal year ended March 31, 2020
	Shares	Shares
Treasury shares		
Balance at beginning of period	2,026,580	2,026,580
Increase during the period (Note 2)	2,000,000	–
Decrease during the period	—	–
Balance at end of period	4,026,580	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.
2. The additional 2,000,000 treasury shares in the year ended March 31, 2021 were acquired according to the resolution reached at the meeting of the Board of Directors held on May 27, 2020. The total acquisition cost of the shares is ¥755 million ($6,819 thousand).

(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, 2021

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 (10,603)	10.00 (0.09)	March 31, 2020	June 15, 2020
Board of Directors meeting held on November 13, 2020	Ordinary share	1,154 (10,423)	10.00 (0.09)	September 30, 2020	December 4, 2020

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	Yen		
Board of Directors meeting held on May 13, 2019	Ordinary share	1,174	10.00	March 31, 2019	June 10, 2019
Board of Directors meeting held on November 13, 2019	Ordinary share	1,174	10.00	September 30, 2019	December 2, 2019

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

Fiscal year ended March 31, 2021

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 14, 2021	Ordinary share	1,154 (10,423)	10.00 (0.09)	March 31, 2021	June 14, 2021

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	Yen		
Board of Directors meeting held on May 27, 2020	Ordinary share	1,174	10.00	March 31, 2020	June 15, 2020

27. REVENUE

(1) Disaggregation of revenue

1) Revenue recognized from contracts with customers and other sources

	As of March 31, 2021	As of March 31, 2020	As of March 31, 2021
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Revenue recognized from contracts with customers	198,851	206,750	1,795,981
Revenue recognized from other sources	684	718	6,178
Total	199,535	207,468	1,802,159

2) Relation between disaggregated revenue and segment revenue

Fiscal year ended March 31, 2021

	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	96,480	—	—	96,480
Used cars	46,688	—	—	46,688
Services	34,900	—	—	34,900
Car rentals	8,364	—	—	8,364
Housing	—	12,660	—	12,660
Other	278	—	164	442
	186,711	12,660	164	199,535
Timing of revenue recognition				
Goods transferred at a point in time	178,069	9,423	—	187,492
Services transferred over time	8,642	3,237	164	12,043
	186,711	12,660	164	199,535

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, 2021

	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	871,387	–	–	871,387
Used cars	421,676	–	–	421,676
Services	315,210	–	–	315,210
Car rentals	75,542	–	–	75,542
Housing	–	114,342	–	114,342
Other	2,511	–	1,481	3,992
	1,686,335	114,342	1,481	1,802,159
Timing of revenue recognition				
Goods transferred at a point in time	1,608,282	85,107	–	1,693,389
Services transferred over time	78,053	29,236	1,481	108,770
	1,686,335	114,342	1,481	1,802,159

(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 sells condominiums and detached houses and provides construction services for custom-built houses and commercial facilities. The transaction prices are calculated based on relevant costs for contracts with customers. With respect to the performance obligation of sales of condominiums and other property, revenues are recognized at a point in time when property is transferred. With respect to the performance obligation of construction contracts, revenues are recognized according to the input method, where revenues are recognized based on the costs and expenses incurred as a percentage of the total construction contract. The consideration is paid within approximately two months from the date when the performance obligation is satisfied.

(3) Contract balances

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

	As of April 1, 2019	As of March 31, 2020	As of March 31, 2021
	Millions of yen	Millions of yen	Millions of yen
Receivables arising from contracts with customers	6,531	5,329	6,247
Contract liabilities	8,694	8,873	13,585

	As of March 31, 2021
	Thousands of U.S. dollars
Receivables arising from contracts with customers	56,422
Contract liabilities	122,697

The increase of contract liabilities is mainly due to the increase of the advances received from customers of car sales related to Automobile Sales-Related Business.

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, 2021	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
	Millions of yen	Millions of yen	Thousands of U.S. dollars
The amounts of revenues recognized in the reporting period that were included in the beginning balance of contract liabilities	6,237	5,721	56,331

(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, 2021	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Personnel expenses	15,529	15,505	140,255
Depreciation and amortization (Note)	3,965	3,909	35,811
Other (Note)	7,423	7,672	67,043
Total	26,917	27,087	243,109

(Note) "Advertising expenses," separately presented in the year ended March 31, 2020, have been included in "Other" in the year ended March 31, 2021, due to their reduced 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, 2020.

As a result, an amount of 1,487 million yen presented in "Advertising expenses" in the year ended March 31, 2020 has been reclassified as "Other".

29. OTHER INCOME AND EXPENSES

The breakdown of other income is as follows:

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Incentive income	148	190	1,337
Gain on sale of non-current assets	224	147	2,023
Gain on bargain purchase	1,185	—	10,703
Government grant income（Note）	631	—	5,699
Other	536	298	4,841
Total	2,725	635	24,612

(Note) Government grant income primarily represents employment-related grants.

The breakdown of other expenses is as follows:

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Loss on sale of non-current assets	5	9	45
Loss on retirement of non-current assets	14	64	126
Impairment loss	1,071	1,751	9,673
Other(Note)	141	345	1,273
Total	1,231	2,169	11,118

(Note) "Loss on removal of non-current assets," separately presented in the year ended March 31 , 2020, have been included in "Other " in the year ended March 31 , 2021, due to their reduced 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, 2020.
As a result, an amount of 235 million yen presented in "Loss on removal of non-current assets," in the year ended March 31, 2020 has been reclassified as "Other".

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30. FINANCE INCOME AND FINANCE COSTS

The breakdown of finance income is as follows:

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Interest income			
Financial assets measured at amortized cost	21	33	190
Dividend income			
Financial assets measured at fair value through profit or loss	6	5	54
Financial assets measured at fair value through other comprehensive income	66	64	596
Foreign exchange gain	277	—	2,502
Other	38	10	343
Total	407	112	3,676

The breakdown of finance costs is as follows:

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Interest expenses			
Financial liabilities measured at amortized cost	730	745	6,593
Foreign exchange loss	—	221	–
Other	57	54	515
Total	787	1,019	7,108

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, 2021	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
	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	973	(637)	8,788
Tax effect	(304)	189	(2,746)
Financial assets measured at fair value through other comprehensive income	669	(447)	6,042
Exchange differences on translation of foreign operations			
Amount that occurred during the period	1,064	(500)	9,610
Reclassification adjustment	—	–	–
Before tax effect adjustments	1,064	(500)	9,610
Exchange differences on translation of foreign operations	1,064	(500)	9,610
Share of other comprehensive income of investments accounted for using equity method			
Amount that occurred during the period	8	10	72
Share of other comprehensive income of investments accounted for using equity method	8	10	72
Total other comprehensive income	1,741	(938)	15,724

32. EARNINGS PER SHARE

Basis for calculating basic earnings per share is as follows:

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Profit attributable to owners of parent	4,711	2,079	42,549
Weighted average number of ordinary shares outstanding (Shares)	116,015,440	117,354,454	116,015,440
	Yen	Yen	U.S. dollars
Basic earnings per share	40.61	17.72	0.37

Basis for calculating diluted earnings per share is as follows:

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Profit used to calculate basic earnings per share	4,711	2,079	42,549
Adjustment for dilutive potential common stocks of associates accounted for using equity method	–	(0)	–
Profit used to calculate diluted earnings per share	4,711	2,079	42,549
Diluted average number of common stocks during the period	116,015,440	117,354,454	116,015,440
	Yen	Yen	U.S. dollars
Diluted earnings per share	40.61	17.72	0.37

(Note) Diluted earnings per share for the year ended March 31, 2021 was the same as the basic earnings per share because there were no dilutive potential shares for the year ended March 31, 2021.

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, 2021

			Changes without cash flows				
	As of April 1, 2020	Changes with cash flows	Increase (decrease) by business combination	Increase (decrease) by new leases	Exchange differences on translation of foreign operations	Other	As of March 31, 2021
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Short-term borrowings	24,344	(9,416)	2,169	－	184	－	17,280
Long-term borrowings	21,627	4,204	1,187	－	6	2	27,026
Bonds payable	109	(14)	25	－	－	－	120
Lease obligations	23,519	(6,117)	20	5,206	510	(347)	22,792
Construction assistance fund received	13	(1)	－	－	－	0	12
Total	69,613	(11,344)	3,401	5,206	700	(344)	67,231

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

Fiscal year ended March 31, 2020

					Changes without cash flows				
	As of April 1, 2019	Adjustment on adoption of IFRS 16	As of April 1, 2019 (adjusted)	Changes with cash flows	Increase (decrease) by business combination	Increase (decrease) by new leases	Exchange differences on translation of foreign operations	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	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

Fiscal year ended March 31, 2021

	As of April 1, 2020	Changes with cash flows	Changes without cash flows: Increase (decrease) by business combination	Increase (decrease) by new leases	Exchange differences on translation of foreign operations	Other	As of March 31, 2021
	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	219,870	(85,043)	19,590	–	1,662	–	156,069
Long-term borrowings	195,331	37,970	10,721	–	54	18	244,093
Bonds payable	984	(126)	226	–	–	–	1,084
Lease obligations	212,419	(55,247)	181	47,020	4,606	(3,134)	205,853
Construction assistance fund received	117	(9)	–	–	–	0	108
Total	628,730	(102,457)	30,717	47,020	6,322	(3,107)	607,216

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, 2021	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Right-of-use assets acquired by leases	4,719	7,173	42,621

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, 2021		Fiscal year ended March 31, 2020	
	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	521,000	718 (6)	536,000	718
Granted	–	–	–	–
Exercised	–	–	–	–
Forfeited	12,000	718 (6)	15,000	718
Expired	–	–	–	–
Ending balance – Outstanding	509,000	718 (6)	521,000	718
Ending balance – Exercisable	509,000	718 (6)	521,000	718

(Notes) 1. No stock options were exercised in the fiscal years ended March 31, 2021 and March 31, 2020..
2. The exercise prices of the outstanding stock options as of March 31, 2021 and March 31, 2020 were both ¥718.
3. The weighted average remaining contractual lives of the outstanding stock options as of March 31, 2021 and March 31, 2020 were 1.2 years and 2.2 years, respectively.

(3) Share-based payment expenses

No share-based payment expenses were recognized in the fiscal years ended March 31, 2021 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, 2021	As of March 31, 2020	As of March 31, 2021
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Interest-bearing liabilities	74,875	79,404	676,255
Cash and cash equivalents	9,195	9,490	83,047
Net interest-bearing liabilities	65,680	69,914	593,208
Equity ratio attributable to owners of the parent company (%)	23.1	22.0	23.1
Rate of return on equity attributable to owners of the parent company (%)	12.2	5.4	12.2

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

There is no significant capital restriction imposed on the Group.

(2) Financial risk management

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

(3) Credit risk management

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

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

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

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

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

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

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

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

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

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

	Assets recorded at an amount equal to 12-month expected credit losses	Assets recorded at an amount equal to lifetime expected credit losses		Total
		Credit-impaired financial assets for which credit risk has increased significantly since initial recognition	Financial assets for which allowance for doubtful accounts is always measured at an amount equal to lifetime expected credit losses	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance at April 1, 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)
Transfer to lifetime expected credit losses	—	—	—	—
Transfer to 12-month expected credit losses	—	—	—	—
Changes due to generation and collection of financial assets	—	(193)	(16)	(209)
Write-off	—	21	26	47
Exchange differences on translation of foreign operations	—	—	(2)	(2)
Balance at March 31, 2021	(1)	(1,086)	(33)	(1,120)

	Assets recorded at an amount equal to 12-month expected credit losses	Assets recorded at an amount equal to lifetime expected credit losses		Total
		Credit-impaired financial assets for which credit risk has increased significantly since initial recognition	Financial assets for which allowance for doubtful accounts is always measured at an amount equal to lifetime expected credit losses	
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
Balance at March 31, 2020	(9)	(8,264)	(370)	(8,643)
Transfer to lifetime expected credit losses	–	–	–	–
Transfer to 12-month expected credit losses	–	–	–	–
Changes due to generation and collection of financial assets	–	(1,743)	(145)	(1,888)
Write-off	–	190	235	424
Exchange differences on translation of foreign operations	–	–	(18)	(18)
Balance at March 31, 2021	(9)	(9,809)	(298)	(10,116)

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

	Assets recorded at an amount equal to 12-month expected credit losses	Assets recorded at an amount equal to lifetime expected credit losses		Total
		Credit-impaired financial assets for which credit risk has increased significantly since initial recognition	Financial assets for which allowance for doubtful accounts is always measured at an amount equal to lifetime expected credit losses	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of March 31, 2021	1,485	1,327	16,552	19,365
As of March 31, 2020	1,528	915	16,923	19,366

	Assets recorded at an amount equal to 12-month expected credit losses	Assets recorded at an amount equal to lifetime expected credit losses		Total
		Credit-impaired financial assets for which credit risk has increased significantly since initial recognition	Financial assets for which allowance for doubtful accounts is always measured at an amount equal to lifetime expected credit losses	
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of March 31, 2021	13,412	11,985	149,494	174,901

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, 2021 and March 31, 2020.

(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, 2021

	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	38,220	39,308	35,272	2,301	1,217	466	49	2
Borrowings	44,307	44,514	24,100	6,413	4,607	3,954	1,722	3,720
Bonds payable	120	120	10	110	—	—	—	—
Lease obligations	23,846	25,956	8,206	4,076	2,979	1,681	1,183	7,832
Other	592	592	1	10	2	1	1	577
Total	107,086	110,490	67,589	12,910	8,805	6,101	2,955	12,130

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, 2021

	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	345,195	355,022	318,569	20,782	10,992	4,209	443	18
Borrowings	400,172	402,041	217,666	57,921	41,609	35,712	15,553	33,598
Bonds payable	1,084	1,084	90	993	–	–	–	–
Lease obligations	215,372	234,429	74,115	36,814	26,906	15,182	10,685	70,737
Other	5,347	5,347	9	90	18	9	9	5,211
Total	967,178	997,923	610,450	116,600	79,525	55,103	26,689	109,556

(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, 2021	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
	Profit before tax Millions of yen	Profit before tax Millions of yen	Thousands of U.S. dollars
EUR	(9)	(8)	81
GBP	(7)	(6)	63

(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 .

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, 2021	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Profit before tax	(351)	(415)	(3,170)

(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, 2021	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Other comprehensive income (before tax effect)	(114)	(70)	(1,030)

(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 are not included in the table below because a disclosure of fair value is not required under IFRS 7 Financial Instruments: Disclosures.

	As of March 31, 2021		As of March 31, 2020		As of March 31, 2021	
	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	16,660	16,655	16,853	16,857	150,470	150,424
Other financial assets	2,972	2,892	2,929	2,898	26,842	26,120
Financial assets measured at fair value through profit or loss						
Other financial assets	855	855	745	745	7,722	7,722
Financial assets measured at fair value through other comprehensive income						
Other financial assets	4,008	4,008	3,047	3,047	36,199	36,199
Total	24,497	24,411	23,574	23,546	221,252	220,475
Financial liabilities measured at amortized cost						
Trade and other payables	38,220	38,215	40,279	40,283	345,195	345,150
Bonds and borrowings	44,427	44,430	46,080	46,081	401,255	401,283
Other financial liabilities	592	551	634	606	5,347	4,977
Total	83,239	83,196	86,993	86,970	751,797	751,409

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. Even if there is no active market for securities, in the case that there is a standard price publicly released such as an investment trust, the fair value is determined based on such information, and is classified as Level 2 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)
With respect to other financial liabilities, the fair value is determined by discounting future cash flows at an interest rate equal to an appropriate index such as the yield on government bonds. If other standard prices are published or presented, cash flows are determined based on such published and presented prices. 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, 2021

	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	–	238	–	238
Derivatives	–	31	–	31
Other	–	–	587	587
Financial assets measured at fair value through other comprehensive income				
Other financial assets				
Securities	1,142	–	2,866	4,008
Total	1,142	269	3,453	4,864

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, 2021

	Level 1	Level 2	Level 3	Total
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
Assets:				
Financial assets measured at fair value through profit or loss				
Other financial assets				
Securities	–	2,150	–	2,150
Derivatives	–	280	–	280
Other	–	–	5,302	5,302
Financial assets measured at fair value through other comprehensive income				
Other financial assets				
Securities	10,314	–	25,885	36,199
Total	10,314	2,430	31,187	43,931

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, 2021

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	5.06x 1.0x 30.0%
Financial assets measured at fair value through other comprehensive income	Valuation technique using net asset value	–	–

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	–	–

Significant unobservable inputs used in the fair value measurement of unlisted shares are the EV to EBIT multiple, the price to book value multiple and the illiquidity discount. A significant increase (decrease) in the EV to EBIT multiple will result in a significant increase (decrease) in fair value. A significant increase (decrease) in the price to book value multiple will result in a significant increase (decrease) in fair value. A significant increase (decrease) in illiquidity discount will result in a significant decrease (increase) in fair 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, 2021

	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	504	2,343	2,847
New consolidation	36	1	37
Total gains and losses	(16)	536	520
Profit or loss (Note 1)	(16)	—	(16)
Other comprehensive income (Note 2)	—	536	536
Purchases	79	0	79
Sales	(16)	(13)	(29)
Other	—	—	—
Balance at end of period	587	2,866	3,453
Changes in unrealized gains or losses recognized in profit or loss on assets held at the end of the reporting period (Note 1)	(16)	—	(16)

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, 2021

	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	4,552	21,161	25,714
New consolidation	325	9	334
Total gains and losses	(145)	4,841	4,697
Profit or loss (Note 1)	(145)	–	(145)
Other comprehensive income (Note 2)	–	4,841	4,841
Purchases	714	0	714
Sales	(145)	(117)	(262)
Other	–	–	–
Balance at end of period	5,302	25,885	31,187
Changes in unrealized gains or losses recognized in profit or loss on assets held at the end of the reporting period (Note 1)	(145)	–	(145)

(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:

	As of March 31, 2021	As of March 31, 2020	As of March 31, 2021
Issue	Millions of yen	Millions of yen	Thousands of U.S. dollars
Nissan Parts Tokai Sales Co., Ltd.	1,125	843	10,161
Nissan Parts Nagano Sales Co., Ltd.	552	466	4,986
House Freedom Co., Ltd.	452	198	4,082

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, 2021		Fiscal year ended March 31, 2020		Fiscal year ended March 31, 2021	
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
13	12	5	(0)	117	108

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, 2021 and the year ended March 31, 2020 were ¥670 million ($6,051 thousand) and ¥(453) million, respectively.

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

Fiscal year ended March 31, 2021		Fiscal year ended March 31, 2020		Fiscal year ended March 31, 2021	
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
-	66	0	63	-	596

36. PRINCIPAL SUBSIDIARIES

(1) Consolidate subsidiaries with significant non-controlling interests

The summary of financial information of the consolidated subsidiaries for which the Company recognizes significant non-controlling interests is as follows. The amounts in the summary of financial information are before the elimination of intra-group transactions.

MG HOME CO., LTD.

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

	As of March 31, 2021	As of March 31, 2020	As of March 31, 2021
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Percentage of the non-controlling interests (%)	57.66	57.42	57.66
Accumulated amount attributable to the non-controlling interests	1,920	1,708	17,341

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

	As of March 31, 2021	As of March 31, 2020	As of March 31, 2021
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Net income allocated to the non-controlling interests	205	337	1,852
Dividends paid to the non-controlling interests	16	12	145

condensed financial status

	As of March 31, 2021	As of March 31, 2020	As of March 31, 2021
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Current assets	7,257	5,702	65,544
Non-current assets	2,018	1,174	18,226
Current liabilities	4,432	3,283	40,029
Non-current liabilities	1,250	351	11,290
Equity	3,593	3,242	32,451

	Fiscal year endedMarch31, 2021	Fiscal year endedMarch31, 2020	Fiscal year endedMarch31, 2021
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Revenue	7,071	7,767	63,864
Profit	356	587	3,215
Comprehensive income	367	586	3,315
Cash flows from operating activities, net	2,328	(172)	21,026
Cash flows from investing activities, net	(2,417)	184	(21,830)
Cash flows from financing activities, net	648	46	5,853
Net increase (decrease) in cash and cash equivalents	559	58	5,049

37. RELATED PARTIES

(1) Related party transactions

Fiscal year ended March 31, 2021

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	Mogauto S.A	Sale of finished goods and merchandise, etc.	Purchase of parts	70	1
			Sale of parts	23	2
			Purchase of vehicles	265	―
			Borrowing of fund	578	34
			Repayment of fund	585	―
			Interest paid	6	―
	Mogadealer S.L	Sale of finished goods and merchandise, etc.	Purchase of parts	23	1
			Sale of parts	23	2
			Purchase of vehicles	1,178	5
			Borrowing of fund	27	28
			Repayment of fund	28	―
			Interest paid	0	―
	Resiro Plus S.L	Leasing of land	Leasing of land	24	0
	CLAMI S.L	Leasing of shops, etc.	Leasing of shops	336	1

(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
				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, 2021

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	Mogauto S.A	Sale of finished goods and merchandise, etc.	Purchase of parts	632	9
			Sale of parts	208	18
			Purchase of vehicles	2,393	–
			Borrowing of fund	5,220	307
			Repayment of fund	5,284	–
			Interest paid	54	–
	Mogadealer S.L	Sale of finished goods and merchandise, etc.	Purchase of parts	208	9
			Sale of parts	208	18
			Purchase of vehicles	10,639	45
			Borrowing of fund	244	253
			Repayment of fund	253	–
			Interest paid	0	–
	Resiro Plus S.L	Leasing of land	Leasing of land	217	0
	CLAMI S.L	Leasing of shops, etc.	Leasing of shops	3,035	9

(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, 2021	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Basic remuneration	233	233	2,104
Retirement benefits	50	50	452
Total	283	283	2,556

38. COMMITMENTS

The amount of the commitment on acquisition of assets was ¥547 million ($9,790 thousand) as of March 31, 2021 (the commitment on acquisition of assets was ¥1,084 million as of March 31, 2020).

39. CONTINGENT LIABILITIES

There are no pertinent items.

40. SUBSEQUENT EVENTS

Sale of a portion of shares of an associate

The Company applied for the purchase of treasury shares (hereinafter “the Purchase”) conducted by KeePer Technical Laboratory Co., Ltd. (hereinafter “KeePer Technical Laboratory”), an associate of the Company accounted for by the equity method, and on May 28, 2021, a portion of KeePer Technical Laboratory shares held by the Company were sold (hereinafter "the Sale of Shares"). As a result of the Sale of Shares, KeePer Technical Laboratory will be excluded from the Company’s associates accounted for by the equity method.

(1) Reason for sale of shares

A portion of shares were sold with the objective of improving the asset efficiency of the Group.

(2) Number of shares sold

1,000,000 shares of the 5,657,600 shares of KeePer Technical Laboratory common stock held by the Company

(3.54% of the total number of voting shares)

(Note) The percentage of the total number of voting shares is for reference, based on the population parameter as of December 31, 2020. Changes in treasury shares as a result of the Purchase are not taken into consideration.

(3) Purchaser of shares

KeePer Technical Laboratory Co., Ltd.

(4) Method of sale

Shares were sold through the Off-Auction Own Share Repurchase Trading System (ToSTNeT-3) on May 28, 2021.

(5) Impact on business performance

As a result of the Sale of Shares, a gain of ¥1,380 million ($12,464 thousand) on the sale of shares of associates and a valuation gain of ¥6,436 million ($58,129 thousand)generated by measuring the residual interest in the company’s shares at fair value in the consolidated financial statements for the first quarter of the year ending March 31, 2022 are expected to be recognized.