Consolidated Financial Statements

VT HOLDINGS CO., LTD.

Year Ended March 31, 2022

１． Overview of Operating Results

(1) Overview of Operating Results for the year ended March 31, 2022

1) Overview of financial results

Domestic new car sales maintained a recovery trend beginning the last half of the previous fiscal year and extending to the 1st quarter of this consolidated fiscal year. However, from the 2nd quarter of the consolidated fiscal year onward, domestic new car sales trended below the previous year due to production delays and reductions by automakers facing shortages of semiconductors and parts. For the entire current consolidated fiscal year, domestic new car sales were 90.5% the levels of the preceding year.

In this environment, domestic sales in the core Automobile Sales-Related Business for the current consolidated fiscal year remained strong, particularly for new vehicles, due to an emphasis on expanding sales in spite of the effect of production suspensions at manufacturers Honda and Nissan. Internationally, subsidiaries in Europe were impacted by lockdowns and similar measures, while there were also signs of a rebound after measures were lifted. As a result, the Group's total automobile sales, both new and used, increased 5,435 vehicles to 93,073 vehicles (106.2% YoY).

In the Housing-related Business, new orders and deliveries remained strong and were not significantly impacted by the Covid-19 pandemic.

The Group posted other non-operating profit or loss in conjunction with the partial sale of equity held in equity method affiliates during the 1st quarter of the consolidated fiscal year.

As a result, consolidated results for the current consolidated fiscal year were consolidated revenue of ¥237,930 million (119.2% YoY), operating profit of ¥10,192 million (132.1% YoY), pretax profit ¥17,959 million (229.5% YoY), and profit attributable to owners of parent of ¥11,678 million (247.9% YoY).

2) Business overview by segment

[Automobile Sales-Related Business]

In the new cars segment, the Group sold 7,415 Honda vehicles (121.1% YoY) and 16,840 Nissan vehicles (96.6% YoY) on the domestic market, for total new car sales, including international markets, of 45,050 vehicles (108.9% YoY), an increase over the previous year in terms of volume, revenue and profit.

In the used cars segment, export volumes, which were stagnant in the previous year, recovered to 7,291 vehicles (125.1% YoY), and total used car sales volumes, aggregating domestic and international sales, posted a significant increase, primarily from international markets. The Group sold a total of 48,023 used cars (103.8% YoY), an increase in volume over the previous year. Revenue and profit likewise increased thanks to strong prices in the used car market.

In the services segment, the Group emphasized expanding sales of checkup and statutory inspection services, repairs, and fee-generating services. The result was an increase in both revenue and profit, with particular contribution coming from European subsidiaries, which were reopened after temporary closures.

The car rental segment recorded an increase in both revenue and profit thanks to the relaxation of stay-at-home orders and similar measures, and to demand for loaner vehicles due to delays in the delivery of new vehicles.

As a result, the Automobile Sales-Related Business recorded revenue of ¥221,772 million (118.8% YoY), for operating profit ¥8,066 million (164.6% YoY).

[Housing-related Business]

In the condominium business, new orders and deliveries both remained strong due to an expansion in sales areas and the development of new customer bases. During the current consolidated fiscal year, the Group brought to market seven new condominium buildings with 219 units. These units, together with finished inventories, resulted in closures for 174 units (168 units the previous year) and deliveries of 167 units (179 units the previous year).

In the custom construction and detached housing business, solid performance by a greater Tokyo area detached housing company that was converted to a consolidated subsidiary at the end of the 2nd quarter of March 31, 2021 contributed to an expansion in overall results. The Group continued to land stable orders for custom construction projects for automotive dealerships and other commercial facilities.

As a result, the Housing-related Business recorded revenue of ¥16,016 million (126.5% YoY) and operating profit of ¥1,433 million (66.0% YoY). Note that the increase in operating profit was due partially to the lack of other operating profit, which was posted during the previous year in conjunction with an M&A deal.

(2) Forecasts for the next fiscal year

Business conditions are worsening in many countries and regions, and we anticipate that many sectors in the Japanese economy will also continue to face difficult circumstances. There are many factors adversely impacting economies around the world, including the inability to bring the Covid-19 pandemic to an end, recent lockdowns in China, ongoing concerns about protectionism and the formation of economic blocs, increasing geopolitical risks and other uncertainties and, within this context, the growing military tensions resulting from the Russian invasion of Ukraine.

The domestic and international automotive industry continues to be impacted on both the production and sales sides by the Covid-19 pandemic, and the lack of solutions to the semiconductor and parts shortages. For the Group's Automobile Sales-Related Business, we anticipate that current conditions will continue in the new cars segment as longer delivery lead times become chronic.

Turning to the future, progress is being seen in vaccination against Covid 19, while the emergence of new variants means that there is no end to the pandemic in sight. Meanwhile, the outlook for Ukraine is completely opaque. We therefore expect challenging business conditions to continue for the foreseeable future, and do not expect a full-fledged recovery in the economy to begin until after the first half of the next fiscal year.

The Housing-related Business is supported by growing demand for detached suburban housing due to the expansion in telecommuting and work-from-home measures. Land purchasing and building construction prices are both up sharply, and we expect that this, together with the impact on consumer sentiment from the Covid-19 pandemic and the situation in Ukraine, will continue to make conditions difficult.

In light of these circumstances, the Group and its companies will redouble efforts to expand sales of new cars, improve CS, further expand the revenue base in the used car and services segments, improve operational efficiency, and reduce expenses. Alongside this, we will also endeavor to expand the scale of our business through M&A.

Results forecast are based on the following foreign exchange rate assumptions: ¥160.92 to the British pound, ¥136.77 to the euro, ¥92.15 to the Australian dollar, and ¥8.46 to the South African rand. Results forecasts for this year assume the conditions and foreign exchanges described above.

As a result, the Group forecasts the following consolidated results for the fiscal year ending March 2023: revenue of ¥248,000 million, operating profit of ¥9,000 million, pretax profit of ¥8,700 million, and profit attributable to owners of parent of ¥5,500 million.

* The results forecasts above were created as a conservative decision by the Company's management based on information available at the time of this writing and include risks and uncertainties. Actual results depend upon a wide range of factors and may be significantly different from these forecasts. Among the most material factors impacting actual results are the economic conditions, market trends, Japanese yen foreign exchange rates, and domestic and international interest rate trends in the business areas of the Company, its consolidated subsidiaries, and its equity method affiliates.

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; currently 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, 2022 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, 2022	As of March 31, 2021	As of March 31, 2022
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Assets				
Current assets				
Cash and cash equivalents	8	11,844	9,195	96,757
Trade and other receivables	9,36	19,694	16,660	160,886
Other financial assets	10,36	87	137	711
Inventories	11	37,543	42,475	306,699
Other current assets	12,20	4,579	4,781	37,407
Total current assets		73,748	73,247	602,467
Non-current assets				
Property, plant and equipment	13,20	68,250	62,833	557,552
Goodwill	14	13,513	12,684	110,391
Intangible assets	14,20	1088	956	8,888
Investment property	15	6,448	6,616	52,675
Investments accounted for using equity method	6,17	4,277	8,674	34,940
Other financial assets	10,36	19,479	7,699	159,129
Deferred tax assets	18	1,146	1,184	9,362
Other non-current assets	12	100	116	817
Total non-current assets		114,301	100,763	933,755
Total assets		188,049	174,011	1,536,223

	Notes	As of March 31, 2022	As of March 31, 2021	As of March 31, 2022
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Liabilities and equity				
Liabilities				
Current liabilities				
Bonds and borrowings	19,36	28,274	23,738	230,978
Trade and other payables	21,36	35,577	38,220	290,638
Other financial liabilities	19,36	6,485	6,125	52,978
Income taxes payable		2,479	1,191	20,252
Contract liabilities	27	12,103	13,585	98,873
Other current liabilities	24	3,294	2,717	26,910
Total current liabilities		88,212	85,577	720,627
Non-current liabilities				
Bonds and borrowings	19,36	18,027	20,688	147,267
Other financial liabilities	19,36	18,258	18,314	149,154
Provisions	23	585	551	4779
Deferred tax liabilities	18	3,997	1,749	32,653
Other non-current liabilities	24	2,035	1,809	16,624
Total non-current liabilities		42,903	43,111	350,486
Total liabilities		131,115	128,689	1,071,113
Equity				
Share capital	25	4,297	4,297	35,103
Capital surplus	25	2,975	2,842	24,304
Treasury shares	25	(866)	(1028)	(7,075)
Other components of equity		1,539	874	12,573
Retained earnings	25	43,397	33,210	354,522
Total equity attributable to owners of parent		51,342	40,195	419,427
Non-controlling interests		5,592	5,127	45,683
Total equity		56,934	45,322	465,109
Total liabilities and equity		188,049	174,011	1,536,223

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, 2022	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Revenue	6,27	237,930	199,535	1,943,714
Cost of sales		198,039	166,398	1,617,834
Gross profit		39,891	33,136	325,880
Selling, general and administrative expenses	28	29,929	26,917	244,498
Other income	29	584	2,725	4,771
Other expenses	29	354	1,231	2,892
Operating profit		10,192	7,713	83,261
Finance income	30	458	407	3,742
Finance costs	30	730	787	5,964
Share of profit of investments accounted for using equity method	17	223	493	1,822
Other non-operating income and expenses	31	7,817	-	63,859
Profit before tax		17,959	7,826	146,712
Income tax expense	18	5,537	2,080	45,233
Profit		12,422	5,746	101,479
Profit attributable to				
Owners of parent		11,678	4,711	95,401
Non-controlling interests		744	1,035	6,078
Profit		12,422	5,746	101,479
Earnings per share				
Basic earnings per share	33	101.01	40.61	825.18
Diluted earnings per share		–	–	–

Consolidated Statement of Comprehensive Income

	Notes	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Profit		12,422	5,746	101,479
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Financial assets measured at fair value through other comprehensive income	32	941	669	7,687
Share of other comprehensive income of investments accounted for using equity method	17,32	(5)	13	(41)
Total of items that will not be reclassified to profit or loss		936	682	7,646
Items that may be reclassified to profit or loss				
Exchange differences on translation of foreign operations	32	696	1,064	5,686
Share of other comprehensive income of investments accounted for using equity method	17,32	5	(5)	41
Total of items that may be reclassified to profit or loss		700	1,059	5,718
Other comprehensive income, net of tax		1,636	1,741	13,365
Comprehensive income		14,058	7,487	114,844
Comprehensive income attributable to				
Owners of parent		13,276	6,404	108,455
Non-controlling interests		782	1,083	6,388
Comprehensive income		14,058	7,487	114,844

3) Consolidated Statement of Changes in Equity

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
		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	35		3			(3)	
Transfer to retained earnings	36						(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	Retained earnings	Total	Non-controlling interests	Total
		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	35	(3)		—		—
Transfer to retained earnings	36	(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, 2022

	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, 2021		4,297	2,842	(1,028)	740	134	—
Profit							
Other comprehensive income					666		932
Total comprehensive income		—	—	—	666	—	932
Change in scope of consolidation							
Changes in ownership interest in subsidiaries			0				
Disposal of treasury shares	25		132	162			
Forfeiture of share acquisition rights	35		2			(2)	
Transfer to retained earnings	36						(932)
Dividends	26						
Total transactions with owners		—	133	162	—	(2)	(932)
Balance at March 31, 2022		4,297	2,975	(866)	1,407	132	—

	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, 2021		874	33,210	40,195	5,127	45,322
Profit		—	11,678	11,678	744	12,422
Other comprehensive income		1,598		1,598	38	1,636
Total comprehensive income		1,598	11,678	13,276	782	14,058
Change in scope of consolidation		—		—	23	23
Changes in ownership interest in subsidiaries		—		0	(262)	(262)
Disposal of treasury shares	25	—		293		293
Forfeiture of share acquisition rights	35	(2)		—		—
Transfer to retained earnings	36	(932)	932	—		—
Dividends	26	—	(2,422)	(2,422)	(78)	(2,500)
Total transactions with owners		(933)	(1,491)	(2,129)	(317)	(2,446)
Balance at March 31, 2022		1,539	43,397	51,342	5,592	56,934

Fiscal year ended March 31, 2022

	Notes	Equity attributable to owners of parent					
					Other components of equity		
		Share capital	Capital surplus	Treasury shares	Exchange differences on translation of foreign operations	Share acquisition rights	Financial assets measured at fair value through other comprehen-sive income
		Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
Balance at April 1, 2021		35,103	23,217	(8,398)	6,045	1,095	—
Profit							
Other comprehensive income					5,441		7,614
Total comprehensive income		—	—	—	5,441	—	7,614
Change in scope of consolidation							
Changes in ownership interest in subsidiaries			0				
Disposal of treasury shares	25		1,078	1,323			
Forfeiture of share acquisition rights	35		16			(16)	
Transfer to retained earnings	36						(7,614)
Dividends	26						
Total transactions with owners		—	1,087	1,323	—	(16)	(7,614)
Balance at March 31, 2022		35,103	24,304	(7,075)	11,494	1,078	—

	Notes	Equity attributable to owners of parent				
		Other components of equity	Retained earnings	Total	Non-controlling interests	Total
		Total				
		Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
Balance at April 1, 2021		7,140	271,301	328,364	41,884	370,248
Profit		—	95,401	95,401	6,078	101,479
Other comprehensive income		13,054		13,054	310	13,365
Total comprehensive income		13,054	95,401	108,455	6,388	114,844
Change in scope of consolidation		—		—	188	188
Changes in ownership interest in subsidiaries		—		0	(2,140)	(2,140)
Disposal of treasury shares	25	—		2,394		2,394
Forfeiture of share acquisition rights	35	(16)		—		—
Transfer to retained earnings	36	(7,614)	7,614	—		—
Dividends	26	—	(19,786)	(19,786)	(637)	(20,423)
Total transactions with owners		(7,622)	(12,180)	(17,392)	(2,590)	(19,982)
Balance at March 31, 2022		12,573	354,522	419,427	45,683	465,109

4) Consolidated Statement of Cash Flows

	Notes	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Cash flows from operating activities				
Profit before tax		17,959	7,826	146,712
Depreciation and amortization		9,568	8,772	78,164
Impairment losses		29	1,071	237
Gain on bargain purchase		–	(1,185)	–
Interest and dividend income		(189)	(93)	(1,544)
Interest expenses		700	730	5,718
Foreign exchange loss (gain)		(103)	(250)	(841)
Share of loss (profit) of investments accounted for using equity method		(223)	(493)	(1,822)
Gain on sales of equity method investments	31	(1,380)	–	(11,274)
Gain from remeasurement relating to discontinued application of the equity method	31	(6,436)	–	(52,577)
Loss (gain) on sale of non-current assets		11	(219)	90
Loss on retirement of non-current assets		33	14	270
Decrease (increase) in trade receivables		(1,873)	(1,151)	(15,301)
Decrease (increase) in inventories		7,876	607	64,341
Increase (decrease) in trade payables		(5,285)	(1,542)	(43,175)
Increase (decrease) in contract liabilities		(2,132)	4,348	(17,417)
Increase (decrease) in accrued consumption taxes		857	761	7,001
Other		403	(94)	3,292
Subtotal		19,813	19,105	161,858
Interest and dividends received		238	179	1,944
Interest paid		(696)	(750)	(5,686)
Income taxes refund (paid)		(2,537)	(2,079)	(20,725)
Net cash provided by (used in) operating activities		16,818	16,454	137,391
Cash flows from investing activities				
Payments into time deposits		(47)	(7)	(384)
Proceeds from withdrawal of time deposits		11	5	90
Purchase of property, plant and equipment		(8,839)	(5,797)	(72,208)
Proceeds from sale of property, plant and equipment		1,850	2,706	15,113
Purchase of intangible assets		(121)	(73)	(988)
Purchase of investment securities		(29)	(0)	(237)
Proceeds from sale of investment securities		9	13	74
Proceeds from (payments for) acquisition of subsidiaries	7	(735)	289	(6,004)

	Notes	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Proceeds from sale of associates		2,186	—	17,858
Payments for loans receivable		(15)	(91)	(123)
Collection of loans receivable		179	170	1,462
Payments of leasehold deposits and guarantee deposits		(123)	(120)	(1,005)
Proceeds from collection of leasehold deposits and guarantee deposits		110	118	899
Payments for acquisition of business		(35)	–	(286)
Proceeds from sale of businesses		–	200	—
Other		(13)	6	(106)
Net cash provided by (used in) investing activities		(5,610)	(2,580)	(45,830)

	Notes	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Cash flows from financing activities				
Net increase (decrease) in short-term borrowings	34	2,040	(9,416)	16,665
Proceeds from long-term borrowings	34	5,678	14,173	46,385
Repayments of long-term borrowings	34	(7,157)	(9,969)	(58,467)
Redemption of bonds	34	(13)	(14)	(106)
Capital contribution from non-controlling interests		23	—	188
Purchase of treasury shares	25	–	(755)	—
Proceeds from sale of treasury shares		–	13	—
Dividends paid	26	(2,422)	(2,327)	(19,786)
Dividends paid to non-controlling interests		(78)	(45)	(637)
Repayments of lease liabilities	34	(6,814)	(6,111)	(55,665)
Other		(1)	(1)	(8)
Net cash provided by (used in) financing activities		(8,744)	(14,453)	(71,432)
Effect of exchange rate changes on cash and cash equivalents		185	283	1,511
Net increase (decrease) in cash and cash equivalents		2,650	(295)	21,649
Cash and cash equivalents at beginning of period	8	9,195	9,490	75,116
Cash and cash equivalents at end of period	8	11,844	9,195	96,757

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, 2022, 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, 2022, 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 6.1 to 9.3% 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 6.1 to 9.3% 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, 2022 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, 2023.

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, 2023 onward.

(5) Accounting estimates of the impact situation in Ukraine

The current situation in Ukraine has a broad impact on economic and corporate activities, and it is difficult to forecast at the current point in time the impact that it will have on the Group. Nonetheless, the Company has prepared accounting estimates for the current fiscal year ended March 31, 2022 based on certain assumptions regarding the continuing impact of the situation for a certain period of time during the next fiscal year ended March 31, 2023.

The assumptions above are highly uncertain in nature and may have a material effect on the consolidated financial statements from the fiscal year ended March 31, 2023 onward depending on changes in international circumstances.

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, 2022

	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	221,772	16,016	141	237,930	—	237,930
Intersegment revenue or transfers	89	1,827	1,916	3,832	(3,832)	—
Total	221,861	17,844	2,058	241,762	(3,832)	237,930
Segment profit	8,066	1,433	820	10,319	(127)	10,192
Finance income						458
Finance costs						730
Share of profit of investments accounted for using equity method						223
Other non-operating income and expenses						7,817
Profit before tax						17,959
Other items						
Segment assets	156,126	20,829	20,288	197,243	(9,194)	188,049
Depreciation and amortization	9,394	98	130	9,621	(53)	9,568
Impairment losses	26	—	3	29	(0)	29

Investments accounted for using equity method	111	—	4,166	4,277	—	4,277
Capital expenditures	15,765	735	28	16,528	(505)	16,023

(Notes) 1. "Other" consists of group-wide departments of management.

2. Adjustmentss are as follows

(1)The adjustments of segment profit of ¥(127) million represents elimination of intersegment transactions.

(2) The adjustments of segment assets of ¥(9,194) million represents the elimination of inter-segment receivables and assets.

(3) The adjustments of depreciation and amortization of ¥(53) million represents the impact of consolidation adjustments between segments.

(4) The adjustments of capital expenditure of ¥(505) 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				
	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 for the Housing-related Business includes ¥1,185 million in gain on negative goodwill from the acquisition of stock in TAKI HOUSE Co., Ltd.

Fiscal year ended March 31, 2022

	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	1,811,715	130,839	1,152	1,943,714	—	1,943,714
Intersegment revenue or transfers	727	14,925	15,652	31,305	(31,305)	—
Total	1,812,442	145,772	16,812	1,975,018	(31,305)	1,943,714
Segment profit	65,893	11,707	6,699	84,299	(1,037)	83,261
Finance income						3,742
Finance costs						5,964
Share of profit of investments accounted for using equity method						1,822
Other non-operating income and expenses						63,859
Profit before tax						146,712
Other items						0
Segment assets	1,275,435	170,158	165,738	1,611,331	(75,108)	1,536,223
Depreciation and amortization	76,742	801	1,062	78,597	(433)	78,164
Impairment losses	212	—	25	237	0	237
Investments accounted for using equity method	907	—	34,033	34,940	—	34,940
Capital expenditures	128,788	6,004	229	135,022	(4,125)	130,896

(Notes) 1. "Other" consists of group-wide departments of management.

2. Adjustmentss are as follows

(1)The adjustments of segment profit of $(1,037) thousand represents elimination of intersegment transactions.

(2) The adjustments of segment assets of $(75,108) thousand represents the elimination of inter-segment receivables and assets.

(3) The adjustments of depreciation and amortization of $(433) thousand represents the impact of consolidation adjustments between segments.

(4) The adjustments of capital expenditure of $(4,125) thousand million represents the impact of consolidation adjustments between segments.

(3) Information related to products and services

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

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
New cars	113,689	96,480	928,756
Used cars	59,055	46,688	482,436
Services	38,686	34,900	316,036
Car rentals	10,040	8,364	82,019
Housing	16,016	12,660	130,839
Other	442	442	3,611
Total	237,930	199,535	1,943,714

(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, 2022	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Japan	142,862	129,970	1,167,078
Africa	6,766	3,701	55,273
North, Central and South America	565	328	4,616
Oceania	2,500	3,726	20,423
Europe	80,215	59,749	655,298
Asia	5,020	2,061	41,010
Total	237,930	199,535	1,943,714

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

Non-current assets

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Japan	100,187	88,987	818,454
Africa	290	274	2,369
Oceania	2,259	1,631	18,454
Europe	11,565	9,872	94,478
Total	114,301	100,763	933,755

(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, 2021

(1) Consolidated subsidiary MG HOME CO., LTD. (currently, "AMG Holdings Co., Ltd.") became a subsidiary in July 27, 2020 pursuant to a resolution of the Board of Directors on June 17, 2020 to acquire 100% of the issued and outstanding shares of TAKI HOUSE Co., Ltd., a company engaged in the detached housing development business in Kawasaki, Kanagawa.

1) Overview of the business combination

a. The name and a description of the acquiree:

Company name : TAKI HOUSE Co., Ltd.

Business lines : Sale, construction and subcontracting of detached housing and custom-built housing, residential land development, real estate transaction intermediation, and other ancillary services

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 our base of operations in the Housing-related Business by sharing within the Group expertise in detached housing development

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 and they are recognized in full as “Selling and general administrative expenses” in the consolidated income statement.

2. In conjunction with the business combination, the assets acquired and liabilities assumed were measured at fair value and compared with the considerations paid, resulting in the posting of negative goodwill under "other income" on 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)Consolidated subsidiary Honda Cars Tokai Co., Ltd. was converted to a subsidiary on January 4, 2021 pursuant to a resolution of the Board of Directors on November 23, 2020 to make an additional acquisition of stock in HONDA YONRINHANBAI MARUJUN CO., LTD., a company that operates Honda dealerships in the city of Ogaki, Gifu.

1) Overview of business combination

a. Name and businesses of acquired company

Name of acquired company:	HONDA YONRINHANBAI MARUJUN CO., LTD.
Description of business:	Honda automobile sales, general automobile maintenance and servicing, other ancillary businesses

b． The acquisition date : January 4, 2021

c. Percentage of capital equity with voting rights acquired

Percentage voting rights held immediately prior to the acquisition date	34%
Percentage voting rights additionally acquired on the acquisition date	32%
Percentage voting rights after acquisition	66%

d. Primary reasons for business combination

To promote a collaborative relationship and build a cooperative structure, focusing on the strengthening of sales of Honda vehicles in the Gifu area

e. Method of obtaining control in the acquired company

Acquisition of shares in exchange for cash as consideration

2) Fair value of consideration and its breakdown

Fair value on the acquisition date of shares in the acquired company held immediately prior to the acquisition date	¥361 million
Fair value of shares in the acquired company additionally acquired on the acquisition date	¥340 million
Total consideration	¥701 million

3) Gain generated from step acquisition

The capital equity in the acquired company held immediately prior to the acquisition date was re-measured at fair value on the acquisition date, resulting in the posting of a gain of ¥96 million due to multistage acquisition to "other revenues " on 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

(Notes) 1. Non-controlling interest is measured as the ratio of non-controlling interest to the fair value of the identifiable net assets of the acquired company.

2. The primary component in goodwill is the surplus revenue potential generated by the acquisition. Note that goodwill does not represent the amount expected to be included in calculations of profit and loss 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 company at the time of acquisition	(338)	(3,053)
Expenditure for 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.

Fiscal year ended March 31, 2022

(1)The Board of Directors resolved on March 19, 2021 to acquire 100% of the issued and outstanding shares in British automaker CATERHAM CARS GROUP LIMITED ("CCG" below), and on April 1, 2021, CCG and two of its subsidiaries were converted to subsidiaries of the Company.

1) Overview of the business combination

a． The name and a description of the acquiree:

Company name ： CATERHAM CARS GROUP LIMITED
Business lines ： Pure holding company for the CATERHAM Group that produces the "Super Seven" sports car

b． The acquisition date: April 1, 2021

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

d． The primary reasons for the business combination
To leverage operational expertise and manpower of the Group to improve the revenue structure of CATERHAM Group, enhance structures for collaboration in the imports business, and expand the operations of 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)	845	6,903
Fair value of assets acquired and liabilities assumed		
Current assets	1,012	8,267
Non-current assets	511	4,174
Total assets	1,523	12,442
Current liabilities	855	6,985
Non-current liabilities	459	3,750
Total liabilities	1,314	10,734
Net fair value of assets acquired and liabilities assumed	209	1,707
Goodwill	636	5,196

(Note)1. Acquisition related costs in the business combination are ¥45 million ($368 thousand) and they are recognized in full as "Selling and general administrative expenses" in the consolidated income statement.
2. The primary component in goodwill is the surplus revenue potential generated by the acquisition. Note that goodwill does not represent the amount expected to be deductible for tax purposes.

3) Fair value of monetary claims obtained, accounts receivable under the contract, and expected uncollectible amount

Fair value of the accounts receivable and other monetary claims obtained is ¥102 million, of which ¥102 million is accounts receivable under the contract and not expected to be recoverable.

4) Cash flow associated with the acquisition

	Millions of yen	Thousands of U.S. dollars
Cash and cash equivalents spent on acquisition	845	6,903
Cash and cash equivalents held by the acquired entity at the time of acquisition	(60)	(490)
payments for acquisition of subsidiaries	785	6,413

5) Effect of the acquisition on the performance results

Gain or loss information after the acquisition date for this business combination is not disclosed because the effect on the consolidated financial statements is not material.

8. CASH AND CASH EQUIVALENTS

The breakdown of cash and cash equivalents is as follows:

	As of March 31, 2022	As of March 31, 2021	As of March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Cash and deposits	11,675	9,100	95,376
Deposits paid	14	4	114
Short-term investments	201	101	1,642
Fixed deposit for a period exceeding three months	(46)	(10)	(376)
Total	11,844	9,195	96,757

The balances of "Cash and cash equivalents" in the consolidated statement of financial position as of March 31, 2022, March 31, 2021 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, 2022	As of March 31, 2021	As of March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Accounts receivable - trade	9,997	6,199	81,668
Accounts receivable - other	2,080	2,997	16,992
Lease receivables and investment assets	7,284	7,355	59,505
Other	578	326	4,722
Allowance for doubtful accounts	(245)	(217)	(2,001)
Total	19,694	16,660	160,886

The above amounts include those of trade and other receivables to be collected over 12 months, which are ¥3,438 million ($28,086 thousand)and ¥4,195 million as of March 31, 2022, March 31, 2021 , 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, 2022	As of March 31, 2021	As of March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Other financial assets			
Derivative assets	54	31	441
Stocks	15,842	4,246	129,418
Deposits	368	212	3,006
Loans receivable	1,322	1,476	10,800
Claims provable in bankruptcy, claims provable in rehabilitation	936	902	7,646
Other	1,981	1,872	16,183
Allowance for doubtful accounts	(937)	(903)	(7,655)
Total	19,566	7,836	159,840
Current assets	87	137	711
Non-current assets	19,479	7,699	159,129
Total	19,566	7,836	159,840

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 "36. 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, 2022	As of March 31, 2021	As of March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Merchandise and finished goods	29,168	35,333	238,281
Work in process	7,853	7,057	64,153
Raw materials	438	5	3,578
Production supplies	84	80	686
Total	37,543	42,475	306,699
Inventories to be sold in greater than 12 months	2,038	2,018	16,649

The amounts of inventories recognized as expenses during the year ended March 31, 2022 and the year ended March 31, 2021 were ¥189,835 million ($1,550,813 thousand) and ¥159,087 million, respectively.

The amounts of inventory write-down recognized as expenses during March 31, 2021 was ¥143 million. This amount of inventory write-down for the current consolidated fiscal year has been omitted because the amount is not material.

12. OTHER ASSETS

The breakdown of other assets is as follows:

	As of March 31, 2022	As of March 31, 2021	As of March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Test-driving car	1,340	2,331	10,947
Advance payments to suppliers	1,572	1,293	12,842
Consumption taxes receivable	463	520	3,782
Contract assets	304	100	2,483
Other	1,000	654	8,169
Total	4,679	4,897	38,224
Current assets	4,579	4,781	37,407
Non-current assets	100	116	817
Total	4,679	4,897	38,224

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, 2022	As of March 31, 2021	As of March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Property, plant and equipment	48,364	44,006	395,098
Right-of-use assets	19,886	18,827	162,454
Total	68,250	62,833	557,552

(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, 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
Acquisition	514	1,943	6,016	213	62	8,749
Acquisition due to business combinations	144	397	205	231	—	978
Sale or disposal	—	(977)	(3,996)	(150)	—	(5,123)
Transfer of accounts	272	436	46	8	(200)	561
Exchange differences on translation of foreign operations	121	280	118	62	3	584
As of March 31, 2022	23,253	35,099	12,674	2,848	392	74,267

	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	181,374	269,749	84,021	20,292	4,313	559,742
Acquisition	4,199	15,873	49,146	1,740	506	71,473
Acquisition due to business combinations	1,176	3,243	1,675	1,887	–	7,990
Sale or disposal	–	(7,981)	(32,644)	(1,225)	–	(41,851)
Transfer of accounts	2,222	3,562	376	65	(1,634)	4,583
Exchange differences on translation of foreign operations	988	2,287	964	506	25	4,771
As of March 31, 2022	189,960	286,733	103,537	23,266	3,202	606,707

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, 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
Acquisition due to business combinations	—	226	170	195	592
Depreciation (Note)	—	1,233	2,349	208	3,790
Impairment losses	—	18	3	0	21
Sale or disposal	—	(944)	(2,135)	(144)	(3,223)
Transfer of accounts	—	5	(5)	(0)	(0)
Exchange differences on translation of foreign operations	—	121	42	49	212
As of March 31, 2022	370	17,918	5,497	2,119	25,903

	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	3,023	140,985	41,443	14,795	200,237
Acquisition due to business combinations	–	1,846	1,389	1,593	4,836
Depreciation (Note)	–	10,073	19,190	1,699	30,962
Impairment losses	–	147	25	0	172
Sale or disposal	–	(7,712)	(17,441)	(1,176)	(26,330)
Transfer of accounts	–	41	(41)	0	0
Exchange differences on translation of foreign operations	–	988	343	400	1,732
As of March 31, 2022	3,023	146,377	44,906	17,311	211,609

(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, 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
As of March 31, 2022	22,883	17,181	7,177	730	392	48,364

	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, 2022	186,937	140,356	58,631	5,964	3,202	395,098

(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 March 31, 2021	3,366	8,583	6,817	62	18,827
As of March 31, 2022	3,236	9,423	7,166	62	19,886

	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, 2022	26,436	76,979	58,541	506	162,454

(4) Borrowing costs

There are no material borrowing costs posted to assets as components of eligible assets acquisition cost for either the previous or the current consolidated fiscal year.

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, 2022	As of March 31, 2021	As of March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Intangible assets	1,085	952	8,864
Right-of-use assets	3	4	25
Total	1,088	956	8,888

(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, 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
Acquisition	－	56	－	－	63	119
Acquisition due to business combinations	652	32	139	－	733	905
Sale or disposal	－	(10)	－	－	－	(10)
Transfer of accounts	－	15	－	－	(12)	3
Exchange differences on translation of foreign operations	226	11	－	13	42	66
As of March 31, 2022	15,439	1,199	660	601	943	3,402

	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	118,953	8,945	4,256	4,804	956	18,953
Acquisition	−	457	−	−	515	972
Acquisition due to business combinations	5,326	261	1,136	−	5,988	7,393
Sale or disposal	−	(82)	−	−	−	(82)
Transfer of accounts	−	123	−	−	(98)	25
Exchange differences on translation of foreign operations	1,846	90	−	106	343	539
As of March 31, 2022	126,125	9,795	5,392	4,910	7,704	27,792

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, 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
Acquisition due to business combinations	－	27	－	－	708	735
Amortization expense (Note)	－	66	46	34	15	161
Impairment losses	－	－	－	－	0	0
Sale or disposal	－	(9)	－	－	－	(9)
Exchange differences on translation of foreign operations	50	10	－	12	38	61
As of March 31, 2022	1,926	1,053	76	408	780	2,317

	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	15,326	7,834	245	2,957	147	11,176
Acquisition due to business combinations	－	221	－	－	5,784	6,004
Amortization expense (Note)	－	539	376	278	123	1,315
Impairment losses	－	－	－	－	0	0
Sale or disposal	－	(74)	－	－	－	(74)
Exchange differences on translation of foreign operations	408	82	－	98	310	498
As of March 31, 2022	15,734	8,602	621	3,333	6,372	18,928

(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

8	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, 2020	12,624	125	242	237	90	694
As of March 31, 2021	12,684	136	491	226	99	952
As of March 31, 2022	13,513	146	584	193	163	1,085

	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, 2022	110,391	1,193	4,771	1,577	1,332	8,864

(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 March 31, 2021	4
As of March 31, 2022	3

	Software
	Thousands of U.S. dollars
As of March 31, 2022	25

(4) Intangible assets with indefinite useful lives

The Group had no significant intangible assets with indefinite useful lives as of March 31, 2022, March 31, 2021.

(5) Significant intangible assets

None of the intangible assets presented in the consolidated statement of financial position were individually significant as of March 31, 2022, March 31, 2021.

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, 2022	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Balance at beginning of period	9,169	9,102	74,904
Acquisition	794	93	6,486
Acquisition due to business combinations	316	27	2,581
Sale or disposal	(13)	(66)	(106)
Transfer of accounts	(1,340)	13	(10,947)
Balance at end of period	8,927	9,169	72,927

Accumulated depreciation and impairment losses

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Balance at beginning of period	2,553	2,372	20,856
Acquisition due to business combinations	145	2	1,185
Depreciation	164	171	1,340
Impairment losses	3	34	25
Sale or disposal	—	(23)	–
Transfer of accounts	(386)	(3)	(3,153)
Balance at end of period	2,479	2,553	20,252

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

	As of March 31, 2022		As of March 31, 2021		As of March 31, 2022	
	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	6,448	7,112	6,616	6,883	52,675	58,100

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 “36. FINANCIAL INSTRUMENTS.”

(2) Income and expenses arising from investment properties

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Lease income	403	421	3,292
Direct operating expenses	255	272	2,083

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, 2022	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Property, plant and equipment			
Buildings and structures	—	17	–
Machinery and vehicles	18	165	147
Tools, furniture and fixtures	3	—	25
Leased assets	0	—	0
Right-of-use assets	4	453	33
Goodwill	—	400	–
Intangible assets			
Others	0	2	0
Investment property	3	34	25
Total	29	1,071	237

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.

The impairment loss on property, plant and equipment recognized in the fiscal year ended March 31, 2022 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.

(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, 2022	As of March 31, 2021	As of March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Automobile Sales-Related Business	12,802	12,017	104,583
Housing-related Business	711	668	5,808
Total	13,513	12,684	110,391

Of the above, the carrying amount of significant goodwill in the year ended March 31, 2022 is Shizuoka Nissan Auto Sales Co., Ltd. (Automobile Sales-Related Business) of ¥3,268 million ($26,697 thousand) (the year ended March 31, 2021: ¥3,268 million), Nissan Satio Saitama Co., Ltd. (Automobile Sales-Related Business) of ¥2,024 million ($16,535 thousand) (the year ended March 31, 2021: ¥2,024 million), and Nagano Nissan Auto Co., Ltd. (Automobile Sales-Related Business) of ¥1,952 million ($15,946 thousand) (the year ended March 31, 2021: ¥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 6.1 to 9.3% (the year ended March 31, 2021: 5.7 to 14.8%) 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, 2021: 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.

There is risk of impairment loss if the major assumptions used in impairment testing at the end of the current consolidated fiscal year are changed. For example, a 3.3% rise in the pretax weighted average cost of capital or a 3.2% decline in total estimated future cash flow, including terminal value, could generate impairment loss.

17. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

(1) Material investments in associates

In March 31, 2021, KeePer Technical Laboratory Co., Ltd., a company that develops, manufactures and sells car coatings and car washing chemicals, constituted a material affiliated company. However, it was removed from equity-method affiliates after the sale of a part of the stock in KeePer Technical Laboratory held by the Company on May 28, 2021.

Therefore, in the current consolidated fiscal year, there are no equity-method affiliates of the Group that do not individually constitute material affiliates.

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Percentage of ownership interest (%)	—	20.01%	—
Current assets	—	4,844	—
Non-current assets	—	5,351	—
Current liabilities	—	1,935	—
Non-current liabilities	—	1,083	—
Total equity	—	7,177	—
The Company's interest in equity	—	1,436	—
Goodwill and consolidation adjustments	—	3,125	—
Carrying amount of investments	—	4,561	—
Fair value of investments	—	13,980	—
Revenue	—	10,778	—
Comprehensive income	—	1,790	—
Dividends received by the Company	—	42	—

(2) Investments in associates individually immaterial to the Group

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

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	As of March 31, 2022	As of March 31, 2021	As of March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Total carrying amount	4,277	4,113	34,940

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

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Share of profit	223	166	1,822
Share of other comprehensive income	(1)	8	(8)
Share of comprehensive income	222	174	1,814

(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, 2022

	As of April 1, 2021	Recognized in profit or loss	Recognized in other comprehensive income	Business combinations	Other	As of March 31, 2022
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Inventories	242	(9)	－	－	－	233
Non-current assets	(565)	21	－	(47)	(1)	(592)
Investment securities	(1,023)	(2,065)	(415)	－	－	(3,504)
Unused tax losses	210	(60)	－	－	－	151
Other	571	287	－	(2)	6	862
Total	(565)	(1,826)	(415)	(49)	5	(2,851)

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, 2022

	As of April 1, 2021	Recognized in profit or loss	Recognized in other comprehensive income	Business combinations	Other	As of March 31, 2022
	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	1,977	(74)	－	－	－	1,903
Non-current assets	(4,616)	172	－	(384)	(8)	(4,836)
Investment securities	(8,357)	(16,870)	(3,390)	－	－	(28,625)
Unused tax losses	1,716	(490)	－	－	－	1,234
Other	4,665	2,345	－	(16)	49	7,042
Total	(4,616)	(14,917)	(3,390)	(400)	41	(23,291)

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

	As of March 31, 2022	As of March 31, 2021	As of March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Unused tax losses	5,601	3,065	45,756
Deductible temporary differences	12,056	11,777	98,489
Total	17,656	14,842	144,237

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

	As of March 31, 2022	As of March 31, 2021	As of March 31, 2022
	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	5,601	3,065	45,756
Total	5,601	3,065	45,756

Taxable temporary differences related to investments in subsidiaries, that were not recognized as deferred tax liabilities totaled ¥33,124 ($270,599 thousand) million and ¥30,059 million as of March 31, 2022, March 31, 2021 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, 2022	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Current tax expense	3,712	2,291	30,324
Deferred tax expense	1,826	(212)	14,917
Total	5,537	2,080	45,233

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

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021
	%	%
Japanese statutory tax rates	30.6	30.6
Non-tax-deductible expenses	0.3	0.6
Unrecognized deferred tax assets	0.1	(1.0)
Difference on applicable tax rates for subsidiaries	0.6	0.7
Utilization and recognition of tax loss carryforwards	(0.4)	0.3
Impairment loss on goodwill, etc.	—	0.1
Tax credit	—	(0.3)
Gain on bargain purchase	—	(4.6)
Other	(0.3)	0.3
Average effective tax rates	30.8	26.6

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, 2022- and the fiscal year ended March 31, 2021 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, 2022	As of March 31, 2021	As of March 31, 2022	Average interest rate	Due date
	Millions of yen	Millions of yen	Thousands of U.S. dollars	%	
Short-term borrowings	20,326	17,280	166,049	0.44	–
Current portion of long-term borrowings	7,823	6,448	63,908	0.33	–
Current portion of bonds	125	10	1,021	0.38	–
Long-term borrowings	18,009	20,578	147,120	0.28	2023 – 2035
Bonds payable	18	110	147	0.29	2023 – 2025
Lease liabilities (short-term)	6,485	6,125	52,978	1.12	–
Lease liabilities (long-term)	17,658	17,721	144,253	1.35	2023 - 2055
Other	600	592	4,902	—	–
Total	71,044	68,865	580,377	—	–
Current liabilities	34,759	29,863	283,956	—	–
Non-current liabilities	36,285	39,002	296,422	—	–
Total	71,044	68,865	580,377	–	–

(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, 2022	As of March 31, 2021	As of March 31, 2022
			Millions of yen	Millions of yen	Thousands of U.S. dollars
Koyo Jidousha Co., Ltd.	The 5th unsecured straight bonds	March30, 2018	100 (100)	100 (−)	817 (817)
TAKI HOUSE Co., Ltd.	The 1th unsecured straight bonds	January 12, 2018	10 (10)	20 (10)	82 (82)
TAKAGAKI Gumi, Inc.	The 1th unsecured straight bonds	December 25, 2017	6 (6)	— (−)	49 (49)
TAKAGAKI Gumi, Inc.	The 2th unsecured straight bonds	April 25, 2018	6 (3)	— (−)	49 (25)
TAKAGAKI Gumi, Inc.	The 3th unsecured straight bonds	June 25, 2020	21 (6)	— (−)	172 (49)
	Total		143	120	1,168

(125)	(10)	(1,021)

Company name	Coupon rate	Collateral	Redemption date
	%		
Koyo Jidousha Co., Ltd.	0.38	None	March30,2023
TAKI HOUSE Co., Ltd.	0.60	None	January 25,2023
TAKAGAKI Gumi, Inc.	0.21	None	December 22,2022
TAKAGAKI Gumi, Inc.	0.21	None	April25,2023
TAKAGAKI Gumi, Inc.	0.30	None	June25,2025
Total	–	–	–

(Note)1. The figures in parentheses are the amounts of current portion of bonds.

2. TAKAGAKI Gumi, Inc. is newly consolidated beginning the current consolidated fiscal year, and there is no previous consolidated fiscal year balance for the Group.

(2) Assets pledged as collateral

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

	As of March 31, 2022	As of March 31, 2021	As of March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Property, plant and equipment	9,895	9,870	80,835
Inventories	13,839	9,398	113,054
Investment property	860	1,307	7,026
Other	223	206	1,822
Total	24,817	20,781	202,737

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. For contracts with extension options and cancellation options, the Group determines the leasing period based on a reasonable determination of the certainty of these options being exercised.

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, 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
Increase	2,262	3,884	15	792	―	857	7,809
Depreciation	(1,669)	(2,903)	(17)	(864)	(2)	(533)	(5,987)
Impairment losses	(4)	―	―	(0)	―	―	(4)
Other	252	(631)	2	(59)	―	(845)	(1,281)
Balance at March 31, 2022	9,423	7,166	62	3,236	3	533	20,423

(Note) The balance of lease liabilities by due date is described in Note “36. FINANCIAL INSTRUMENTS (4) Liquidity risk management.”

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

	As of March 31, 2022	As of March 31, 2021	As of March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Interest expenses on lease liabilities	441	430	3,603
Short-term lease expenses	326	272	2,663
Expenses of leases of low-	238	249	1,944

value assets			

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

	As of March 31, 2022	As of March 31, 2021	As of March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Total amount of cash outflows for leases	7,378	6,633	60,273

(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, 2022	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Lease income	701	684	5,727

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

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Due within one year	4,378	3,694	35,765
Due after one year through two years	2,131	2,687	17,409
Due after two year through three years	1,196	1,370	9,770
Due after three year through four years	448	528	3,660
Due after four year through five years	107	145	874
Due after five years	10	9	82
Total	8,270	8,433	67,560
Unearned finance income	986	1,078	8,055
Unguaranteed residual value (discounted)	—	—	–
Net investment in the lease	7,284	7,355	59,505

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, 2022	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Lease income	403	421	3,292

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

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Due within one year	254	248	2,075
Due after one year through two years	82	52	670
Due after two year through three years	32	21	261
Due after three year through four years	22	19	180
Due after four year through five years	22	19	180
Due after five years	73	80	596
Total	484	439	3,954

21. TRADE AND OTHER PAYABLES

The breakdown of trade and other payables is as follows:

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Accounts payable - trade	23,186	27,546	189,413
Accounts payable - other	5,086	4,084	41,549
Sublease investment liabilities	6,328	6,590	51,695
Notes payable	976	—	7,973
Total	35,577	38,220	290,638

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, 2022 and 2021 were ¥436 million ($3,562 thousand) and ¥413 million, respectively.

23. PROVISIONS

The breakdown of provisions and their changes are as follows:

	Asset retirement obligations
	Millions of yen
As of April 1, 2020	497
Interest expense over the discount period	6
Increases	25
Increase by business combination	23
Decreases (utilized)	—
As of March 31, 2021	551
Interest expense over the discount period	8
Increases	28
Increase by business combination	(1)
Decreases (utilized)	585
As of March 31, 2022	497

	Asset retirement obligations
	Thousands of U.S. dollars
As of March 31, 2021	4,501
Interest expense over the discount period	65
Increases	229
Increase by business combination	(8)
Decreases (utilized)	4,779
As of March 31, 2022	4,060

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

	As of March 31, 2022	As of March 31, 2021	As of March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Non-current liabilities	585	551	4,779
Total	585	551	4,779

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, 2022	As of March 31, 2021	As of March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Accrued bonuses	1,250	1,161	10,212
Deposits received	552	553	4,509
Accrued consumption	1,273	820	10,399

taxes			
Other	2,254	1,991	18,414
Total	5,329	4,526	43,534
			0
Current liabilities	3,294	2,717	26,910
Non-current liabilities	2,035	1,809	16,624
Total	5,329	4,526	43,534

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, 2022	Fiscal year ended March 31, 2021
	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, 2022	Fiscal year ended March 31, 2021
	Shares	Shares
Treasury shares		
Balance at beginning of period	4,026,580	2,026,580
Increase during the period (Note 2)	—	2,000,000
Decrease during the period	633,216	—
Balance at end of period	3,393,364	4,026,580

Notes: 1. The 2,000,000-share increase in treasury stock during March 31, 2021 was the result of acquisition under a resolution of the Board of Directors on May 27, 2020. The acquisition price of the stock totals ¥755 million.

2. The 633,216-share decline in treasury stock during the current consolidated fiscal year is the result of a delivery of that stock on November 1, 2021 as considerations for shares in consolidated subsidiary HONDA YONRINHANBAI MARUJUN CO., LTD. in conjunction with a stock swap to convert HONDA YONRINHANBAI MARUJUN to a wholly-owned subsidiary. The total acquisition price of the delivered stock is ¥162 million.

(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, 2022

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 (9,427)	10.00 (82)	March 31, 2021	June 14, 2021
Board of Directors meeting held on November 15, 2021	Ordinary share	1,269 (10,367)	11.00 (90)	September 30, 2021	December 3, 2021

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	Yen		
Board of Directors meeting held on May 27, 2020	Ordinary share	1,174	10.00	March 31, 2020	June 15, 2020
Board of Directors meeting held on November 13, 2020	Ordinary share	1,154	10.00	September 30, 2020	December 4, 2020

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

Fiscal year ended March 31, 2022

Date of resolution	Classes of shares	Total amount of dividends	Dividend per share	Record date	Effective date
		Millions of yen (Thousands of U.S. dollars)	Yen (U.S. dollars)		
Board of Directors meeting held on May 13, 2022	Ordinary share	1,276 (10,424)	11.00 (90)	March 31, 2022	June 13, 2022

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	Yen		
Board of Directors meeting held on May 14, 2021	Ordinary share	1,154	10.00	March 31, 2021	June 14, 2021

27. REVENUE

(1) Disaggregation of revenue

1) Revenue recognized from contracts with customers and other sources

	As of March 31, 2022	As of March 31, 2021	As of March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Revenue recognized from contracts with customers	237,229	198,851	1,937,987
Revenue recognized from other sources	701	684	5,727
Total	237,930	199,535	1,943,714

2) Relation between disaggregated revenue and segment revenue

Fiscal year ended March 31, 2022

	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	113,689	—	—	113,689
Used cars	59,055	—	—	59,055
Services	38,686	—	—	38,686
Car rentals	9,339	—	—	9,339
Housing	—	16,016	—	16,016
Other	301	—	141	442
	221,071	16,016	141	237,229
Timing of revenue recognition				
Goods transferred at a point in time	210,154	12,326	—	222,480
Services transferred over time	10,917	3,690	141	14,749
	221,071	16,016	141	237,229

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	7,680	—	—	7,680
Housing	—	12,660	—	12,660

Other	278	—	164	442
	186,027	12,660	164	198,851
Timing of revenue recognition				
Goods transferred at a point in time	178,069	9,423	—	187,492
Services transferred over time	7,958	3,237	164	11,359
	186,027	12,660	164	198,851

Fiscal year ended March 31, 2022

	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	928,756	–	–	928,756
Used cars	482,436	–	–	482,436
Services	316,036	–	–	316,036
Car rentals	76,293	–	–	76,293
Housing	–	130,839	–	130,839
Other	2,459	–	1,152	3,611
	1,805,988	130,839	1,152	1,937,987
Timing of revenue recognition	0	0	0	0
Goods transferred at a point in time	1,716,804	100,694	–	1,817,499
Services transferred over time	89,184	30,145	1,152	120,489
	1,805,988	130,839	1,152	1,937,987

(2) Information on the performance obligations

1) Automobile Sales-Related Business

In the new car segment, the Group generally purchases new cars from automakers, which it then sells, while some companies manufacture vehicles and sell to sales agencies. Transaction prices are calculated based on prices in contracts with customers. The Group may intermediate returns and refund claims against automakers and parts manufacturers in some cases. However, the Group does not, as a rule, incur obligations as a result.

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

In the House-related Business, the Group sells condominiums and detached houses, and provides subcontracting services for custom-built houses and commercial facilities. Transaction prices are calculated from the prices of contracts with customers. Construction subcontracting agreements require the satisfaction of performance obligations over a predetermined period of time, and revenue is recognized for these agreements based on progress toward satisfaction of performance obligations. Progress is measured as construction cost generated by the final day of the reporting period as a percentage of the total expected construction cost. For other agreements, revenue is recognized at a single point in time when the object is delivered, based on a determination that the customer has obtained control and performance obligations have been satisfied at the time of delivery. Considerations are generally paid within two months of date on which performance obligations are satisfied.

(3) Contract balances

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

	As of April 1, 2020	As of March 31, 2021	As of March 31, 2022
	Millions of yen	Millions of yen	Millions of yen
Receivables arising from contracts with customers	5,329	6,247	10,152
Contract assets	29	100	304
Contract liabilities	8,873	13,585	12,103

	As of March 31, 2022
	Thousands of U.S. dollars
Receivables arising from contracts with customers	82,934
Contract assets	2,483
Contract liabilities	98,873

Contract assets consist primarily in construction agreements in the Housing-related Business for which all or a part of performance obligations have been performed as of the final day of the period, while the Group retains rights with regards to the considerations of goods and services for which claims have not yet been made. These contract assets are transferred to monetary claims at the time rights to considerations become unconditional. The increase is primarily the result of satisfaction of performance obligations for relevant construction agreements.

Contract liabilities are primarily related to advances received from customers, and the declined is primarily the result of recognizing advances received in the sale of vehicles in the Automobile Sales-Related Business as revenue.

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, 2022	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
	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	10,693	6,237	87,354

(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, 2022	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Personnel expenses	17,644	15,529	144,139
Depreciation and amortization (Note)	3,930	3,965	32,105
Advertising expenses(Note)	1,510	1,195	12,336
Other (Note)	6,845	6,228	55,919
Total	29,929	26,917	244,498

Note: “advertising expenses”, which had been included in “Other” for the fiscal year ended March 31, 2021, was reclassified and presented separately for the fiscal year ended March 31, 2022, as the line item has become individually material. 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, 2021

29. OTHER INCOME AND EXPENSES

The breakdown of other income is as follows:

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Gain on sale of non-current assets	2	224	16
Gain on bargain purchase	—	1,185	–
Other(Note)	582	1,316	4,755
Total	584	2,725	4,771

Note: "incentives income" and "government grant income", which had been presented individually for the fiscal year ended March 31, 2021, was reclassified in "Others" for the fiscal year ended March 31, 2022, as the line items have become individually less material. The notes to March 31, 2021 have been reorganized to reflect these changes in presentation.
As a result, the ¥148 million presented as "incentives income" and the ¥631 million presented as "government grant income" for March 31, 2021 are reclassified as "other."

The breakdown of other expenses is as follows:

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Loss on sale of non-current assets	12	5	98
Loss on retirement of non-current assets	33	14	270
Impairment loss	29	1,071	237
Other	281	141	2,296
Total	354	1,231	2,892

30. FINANCE INCOME AND FINANCE COSTS

The breakdown of finance income is as follows:

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Interest income			
Financial assets measured at amortized cost	21	21	172
Dividend income			0
Financial assets measured at fair value through profit or loss	7	6	57
Financial assets measured at fair value through other comprehensive income	161	66	1,315
Foreign exchange gain	252	277	2,059
Other	17	38	139
Total	458	407	3,742

The breakdown of finance costs is as follows:

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Interest expenses			
Financial liabilities measured at amortized cost	700	730	5,718
Other	30	57	245
Total	730	787	5,964

31. OTHER NON-OPERATING PROFITS/LOSSES

Previous fiscal year ended March 31, 2021
Not applicable.

The current fiscal year ended March 31, 2022
Other non-operating profit or loss for the current consolidated fiscal year consists of ¥1,380 million and proceeds from the sale of stock in KeePer Technical Laboratory Co., Ltd., to which the equity method was applied, and ¥6,436 million in profit re-measured at fair value on the day at which equity method application was terminated for the remaining equity.

32. 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, 2022	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
	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	1,357	973	11,086
Tax effect	(415)	(304)	(3,390)
Financial assets measured at fair value through other comprehensive income	941	669	7,687
Exchange differences on translation of foreign operations			0
Amount that occurred during the period	696	1,064	5,686
Reclassification adjustment	—	—	–
Before tax effect adjustments	696	1,064	5,686
Exchange differences on translation of foreign operations	696	1,064	5,686
Share of other comprehensive income of investments accounted for using equity method			0
Amount that occurred during the period	(1)	8	(8)
Share of other comprehensive income of investments accounted for using equity method	(1)	8	(8)
Total other comprehensive income	1,636	1,741	13,365

33. EARNINGS PER SHARE

Basis for calculating basic earnings per share is as follows:

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Profit attributable to owners of parent	11,678	4,711	95,401
Weighted average number of ordinary shares outstanding (Shares)	115,616,415	116,015,440	944,501,389
	Yen	Yen	U.S. dollars
Basic earnings per share	101.01	40.61	825

Notes: Diluted earnings per share is not presented because there are no potential shares that would have a dilution effect.

34. 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, 2022

	As of April 1, 2021	Changes with cash flows	Changes without cash flows: Increase (decrease) by business combination	Changes without cash flows: Increase (decrease) by new leases	Changes without cash flows: Exchange differences on translation of foreign operations	Changes without cash flows: Other	As of March 31, 2022
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Short-term borrowings	17,280	2,040	876	—	129	—	20,326
Long-term borrowings	27,026	(1,479)	257	—	2	24	25,831
Bonds payable	120	(13)	36	—	—	—	143
Lease obligations	22,792	(6,814)	455	7,359	274	(455)	23,610
Construction assistance fund received	12	(1)	—	—	—	0	11
Total	67,231	(6,266)	1,624	7,359	406	(431)	69,922

Fiscal year ended March 31, 2021

	As of April 1, 2020	Changes with cash flows	Changes without cash flows: Increase (decrease) by business combination	Changes without cash flows: Increase (decrease) by new leases	Changes without cash flows: Exchange differences on translation of foreign operations	Changes without cash flows: Other	As of March 31, 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, 2022

	As of April 1, 2021	Changes with cash flows	Changes without cash flows: Increase (decrease) by business combination	Changes without cash flows: Increase (decrease) by new leases	Changes without cash flows: Exchange differences on translation of foreign operations	Changes without cash flows: Other	As of March 31, 2022
	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	141,165	16,665	7,156	–	1,054	–	166,049
Long-term borrowings	220,783	(12,082)	2,100	–	16	196	211,020
Bonds	980	(106)	294	–	–	–	1,168

payable							
Lease obligations	186,194	(55,665)	3,717	60,118	2,238	(3,717)	192,876
Construction assistance fund received	98	(8)	–	–	–	0	90
Total	549,228	(51,189)	13,267	60,118	3,317	(3,521)	571,212

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, 2022	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Right-of-use assets acquired by leases	7,023	4,719	57,373

35. 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, 2022		Fiscal year ended March 31, 2021	
	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	509,000	718 (5,866)	521,000	718
Granted	—	—	—	—
Exercised	—	—	—	—
Forfeited	7,000	718 (5,866)	12,000	718
Expired	—	—	—	—
Ending balance – Outstanding	502,000	718 (5,866)	509,000	718
Ending balance – Exercisable	502,000	718 (5,866)	509,000	718

(Notes) 1. No stock options were exercised in the fiscal years ended March 31, 2022 and March 31, 2021..

2. The exercise prices of the outstanding stock options as of March 31, 2022 and March 31, 2021 were both ¥718.

3. The weighted average remaining contractual lives of the outstanding stock options as of March 31, 2022 and March 31, 2021 were 0.2 years and 1.2 years, respectively.

(3) Share-based payment expenses

No share-based payment expenses were recognized in the fiscal years ended March 31, 2022 and March 31, 2021.

36. 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, 2022	As of March 31, 2021	As of March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Interest-bearing liabilities	76,784	74,875	627,269
Cash and cash equivalents	11,844	9,195	96,757
Net interest-bearing liabilities	64,940	65,680	530,512
Equity ratio attributable to owners of the parent company (%)	27.3	23.1	223
Rate of return on equity attributable to owners of the parent company (%)	25.5	12.2	208

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 lifetime expected credit losses		
	Assets recorded at an amount equal to 12-month expected credit losses	Credit-impaired financial assets for which credit risk has increased significantly since initial recognition	Financial assets for which allowance for doubtful accounts is always measured at an amount equal to lifetime expected credit losses	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance at April 1, 2020	(1)	(915)	(41)	(957)
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)
Changes due to generation and collection of financial assets	0	(76)	(2)	(78)
Write-off	—	7	11	18
Exchange differences on translation of foreign operations	—	—	(2)	(2)
Balance at March 31, 2022	(1)	(1,156)	(26)	(1,182)

	Assets recorded at an amount equal to 12-month expected credit losses	Assets recorded at an amount equal to lifetime expected credit losses: Credit-impaired financial assets for which credit risk has increased significantly since initial recognition	Assets recorded at an amount equal to lifetime expected credit losses: Financial assets for which allowance for doubtful accounts is always measured at an amount equal to lifetime expected credit losses	Total
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
Balance at March 31, 2021	(8)	(8,872)	(270)	(9,150)
Changes due to generation and collection of financial assets	0	(621)	(16)	(637)
Write-off	–	57	90	147
Exchange differences on translation of foreign operations	–	–	(16)	(16)
Balance at March 31, 2022	(8)	(9,444)	(212)	(9,656)

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

	Assets recorded at an amount equal to 12-month expected credit losses	Assets recorded at an amount equal to lifetime expected credit losses: Credit-impaired financial assets for which credit risk has increased significantly since initial recognition	Assets recorded at an amount equal to lifetime expected credit losses: Financial assets for which allowance for doubtful accounts is always measured at an amount equal to lifetime expected credit losses	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of March 31, 2022	1,324	1,304	19,876	22,503
As of March 31, 2021	1,485	1,327	16,552	19,365

	Assets recorded at an amount equal to 12-month expected credit losses	Assets recorded at an amount equal to lifetime expected credit losses: Credit-impaired financial assets for which credit risk has increased significantly since initial recognition	Assets recorded at an amount equal to lifetime expected credit losses: Financial assets for which allowance for doubtful accounts is always measured at an amount equal to lifetime expected credit losses	Total
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of March 31, 2022	10,816	10,653	162,372	183,833

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, 2022 and March 31, 2021.

(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, 2022

	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	35,577	36,606	33,157	1,931	1,116	356	44	2
Borrowings	46,158	46,332	28,211	6,028	5,129	2,358	1,641	2,965
Bonds payable	143	143	125	9	6	3	—	—
Lease obligations	24,144	26,730	8,705	4,492	2,979	1,644	1,289	7,620
Other	600	600	4	4	1	1	1	588
Total	106,621	110,412	70,202	12,464	9,232	4,363	2,976	11,176

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, 2022

	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	290,638	299,044	270,868	15,775	9,117	2,908	359	16
Borrowings	377,077	378,498	230,463	49,244	41,900	19,263	13,406	24,222
Bonds payable	1,168	1,168	1,021	74	49	25	–	–
Lease obligations	197,239	218,365	71,113	36,696	24,336	13,430	10,530	62,250
Other	4,902	4,902	33	33	8	8	8	4,804
Total	871,015	901,985	573,499	101,822	75,419	35,643	24,312	91,300

(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 US dollars,EUR 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, 2022	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
	Profit before tax Millions of yen	Profit before tax Millions of yen	Thousands of U.S. dollars
US dollars	(19)	(6)	(155)
EUR	(6)	(9)	(49)

Notes: "Pounds" presented in March 31, 2021 is not presented in the current consolidated fiscal year because the amount does not materially affect pretax profit for the current consolidated fiscal year.

"US dollars" has greater effect on pretax profit for the current consolidated fiscal year and is therefore presented together with the amount for March 31, 2021.

(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, 2022	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Profit before tax	(346)	(351)	(2,827)

(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, 2022	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Other comprehensive income (before tax effect)	(1,264)	(114)	(10,326)

(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, 2022		As of March 31, 2021		As of March 31, 2022	
	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	19,694	19,685	16,660	16,655	160,886	160,812
Other financial assets	2,993	2,867	2,972	2,892	24,451	23,421
Financial assets measured at fair value through profit or loss						
Other financial assets	986	986	855	855	8,055	8,055
Financial assets measured at fair value through other comprehensive income						
Other financial assets	15,587	15,587	4,008	4,008	127,334	127,334
Total	39,260	39,125	24,497	24,411	320,725	319,623
Financial liabilities measured at amortized cost						
Trade and other payables	35,577	35,568	38,220	38,215	290,638	290,564
Bonds and borrowings	46,301	46,311	44,427	44,430	378,245	378,327
Other financial liabilities	600	537	592	551	4,902	4,387
Total	82,478	82,416	83,239	83,196	673,785	673,278

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, 2022

	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	—	255	—	255
Derivatives	—	54	—	54
Other	—	—	677	677
Financial assets measured at fair value through other comprehensive income				
Other financial assets				
Securities	12,637	—	2,950	15,587
Total	12,637	309	3,627	16,573

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, 2022

	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	–	2,083	–	2,083
Derivatives	–	441	–	441
Other	–	–	5,531	5,531
Financial assets measured at fair value through other comprehensive income	0	0	0	0
Other financial assets	0	0	0	0
Securities	103,235	–	24,099	127,334
Total	103,235	2,524	29,630	135,389

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, 2022

Categories	Valuation technique	Significant unobservable inputs	Input value
Financial assets measured at fair value through other comprehensive income	Valuation technique using the market price of the comparable companies	EV to EBIT multiple Price to book value multiple Illiquidity discount	3.87x 0.8x 30.0%
Financial assets measured at fair value through other comprehensive income	Valuation technique using net asset value	–	–

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	–	–

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, 2022

	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	587	2,866	3,453
New consolidation	34	7	41
Total gains and losses	2	55	57
Profit or loss (Note 1)	2	—	2
Other comprehensive income (Note 2)	—	55	55
Purchases	63	29	93
Sales	(9)	(8)	(16)
Balance at end of period	677	2,950	3,627
Changes in unrealized gains or losses recognized in profit or loss on assets held at the end of the reporting period (Note 1)	2	—	2

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)
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, 2022

	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	4,795	23,413	28,208
New consolidation	278	57	335
Total gains and losses	16	449	466
Profit or loss (Note 1)	16	–	16
Other comprehensive income (Note 2)	–	449	449
Purchases	515	237	760
Sales	(74)	(65)	(131)
Balance at end of period	5,531	24,099	29,630
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

(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:

Fiscal year ended March 31, 2021

	As of March 31, 2021
Issue	Millions of yen
Nissan Parts Tokai Sales Co., Ltd.	1,125
Nissan Parts Nagano Sales Co., Ltd.	552
House Freedom Co., Ltd.	452

Fiscal year ended March 31, 2022

	As of March 31, 2022	As of March 31, 2022
Issue	Millions of yen	Thousands of U.S. dollars
KeePer Technical Laboratory Co., Ltd.,	11,597	94,739
Nissan Parts Tokai Sales Co., Ltd.	1,065	8,700
Nissan Parts Nagano Sales Co., Ltd.	500	4,085

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, 2022		Fiscal year ended March 31, 2021		Fiscal year ended March 31, 2022	
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
8	3	13	12	65	25

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, 2022 and the year ended March 31, 2021 were ¥932 million ($7,614 thousand) and ¥670 million, respectively.

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

Fiscal year ended March 31, 2022		Fiscal year ended March 31, 2021		Fiscal year ended March 31, 2022	
Investments derecognized during the period	Investments held at the end of reporting period	Investments derecognized during the period	Investments held at the end of reporting period	Investments derecognized during the period	Investments held at the end of reporting period
Millions of yen	Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars	Thousands of U.S. dollars
0	161	-	66	0	1,315

37. PRINCIPAL SUBSIDIARIES

(1) Consolidate subsidiaries with significant non-controlling interests

MG HOME CO., LTD. (currently, "AMG Holdings Co., Ltd.") was recognized in March 31, 2021 as a material consolidated subsidiary in which the Group has non-controlling interest. The company converted to a holding-company structure as the result of a corporate separation with an effective date an April 1, 2021 in which wholly-owned subsidiary MG SPLIT PREPARATION COMPANY Co., Ltd. (currently, MG HOME, CO., LTD.) was the surviving company. On that date, MG Preparatory changed its name to AMG Holdings Co., Ltd.

Below is a summary of the financial information for the company for March 31, 2021. Figures in summary financial information are prior to the elimination of intra-Group transactions.

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

	As of March 31, 2021	As of March 31, 2021
	Millions of yen	Thousands of U.S. dollars
Percentage of the non-controlling interests (%)	57.66	57.66
Accumulated amount attributable to the non-controlling interests	1,920	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, 2021
	Millions of yen	Thousands of U.S. dollars
Net income allocated to the non-controlling interests	205	1,852
Dividends paid to the non-controlling interests	16	145

condensed financial status

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

	Fiscal year ended March31, 2021	Fiscal year ended March31, 2021
	Millions of yen	Thousands of U.S. dollars
Revenue	7,071	63,864
Profit	356	3,215
Comprehensive income	367	3,315
Cash flows from operating activities, net	2,328	21,026
Cash flows from investing activities, net	(2,417)	(21,830)
Cash flows from financing activities, net	648	5,853
Net increase (decrease) in cash and cash equivalents	559	5,049

(2) Change in equity owned by parent in subsidiary not resulting in loss of control
Previous fiscal year ended March 31, 2021
Not applicable.

The current fiscal year ended March 31, 2022
On November 1, 2021, a stock swap was performed in which the Company was the swap full parent company and consolidated subsidiary HONDA YONRINHANBAI MARUJUN CO., LTD. the swap wholly-owned subsidiary company. Treasury stock held by the Company was allocated to the stock delivered by the Company in the swap. As a result, the Company's percentage voting rights increased from 66% to 100%, non-controlling interest declined by ¥293 million, treasury stock declined by ¥162 million, and capital surplus increased by ¥132 million.

38. RELATED PARTIES

(1) Related party transactions

Fiscal year ended March 31, 2022

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	33	2
			Sale of parts	26	3
			Purchase of vehicles	165	25
			Sales of vehicles	8	—
			Borrowing of fund	34	36
			Repayment of fund	34	—
			Interest paid	0	—
	Mogadealer S.L	Sale of finished goods and merchandise, etc.	Purchase of parts	48	2
			Sale of parts	45	4
			Purchase of vehicles	1,337	—
			Sales of vehicles	40	48
			Borrowing of fund	28	29
			Repayment of fund	28	—
			Interest paid	0	—
	Resiro Plus S.L	Leasing of land	Leasing of land	24	—
	CLAMI S.L	Leasing of shops, etc.	Leasing of shops	364	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, 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, 2022

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	270	16
			Sale of parts	212	25
			Purchase of vehicles	1,348	204
			Sales of vehicles	65	–
			Borrowing of fund	278	294
			Repayment of fund	278	–
			Interest paid	0	–
	Mogadealer S.L	Sale of finished goods and merchandise, etc.	Purchase of parts	0	–
			Sale of parts	392	16
			Purchase of vehicles	368	33
			Sales of vehicles		
			Borrowing of fund	327	392
			Repayment of fund	229	237
			Interest paid	229	–
	Resiro Plus S.L	Leasing of land	Leasing of land	0	–
	CLAMI S.L	Leasing of shops, etc.	Leasing of shops	196	–

(2) Remuneration for key management personnel

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Basic remuneration	240	233	1,961
Retirement benefits	73	50	596
Total	313	283	2,557

39. COMMITMENTS

The amount of the commitment on acquisition of assets was ¥1,433 million ($11,707 thousand) as of March 31, 2022 (the commitment on acquisition of assets was ¥547 million as of March 31, 2021).

40. CONTINGENT LIABILITIES

There are no pertinent items.

41. SUBSEQUENT EVENTS

(Issue of stock acquisition rights under the third-party allotment)
The Company, pursuant to a resolution of the Board of Directors on April 8, 2022, issued the No. 6 Stock Acquisition Rights (currently "stock acquisition rights") as a third-party allotment. Pay-in of the full issue price for the stock acquisition rights was completed on April 26, 2022, and the stock acquisition rights were issued on that date.

Overview of allocation

(1) Allocation date	April 26, 2022
(2) Number of stock acquisition rights issued	60,000 rights
(3) Issue price	¥168 per stock acquisition right (total value of ¥10.08 million)
(4) Potential shares resulting from issue	Potential shares: 6,000,000 shares (100 shares per stock acquisition right) No maximum exercise price. The minimum exercise price is ¥500, and exercise at the minimum price also results in 6,000,000 potential shares. The company intends to use 2.8 million of the treasury stock that it holds (3,393,364 shares) as stock delivered upon exercise of the stock acquisition rights.
(5) Amount of funds raised (estimated net proceeds)	¥3,006,080,000 (Note)
(6) Exercise price and conditions on adjustment of exercise price	Initial exercise price: ¥500 On each effective date for exercise claims against the stock acquisition rights set forth in the issuing terms for the stock acquisition rights (currently "adjustment date"), the exercise price will be adjusted to an amount equivalent to 92% of the closing price in ordinary trading of the Company's common stock on the Tokyo Stock Exchange on the immediately preceding date (fractional yen amounts calculated to the 2nd decimal place and rounded up to the 2nd decimal place). However, the exercise price will be the minimum exercise price if the adjusted exercise price on the adjustment date is below the minimum exercise price.
(7) Placement and allocation method (assignee)	Third-party allotment to Tokai Tokyo Securities Co., Ltd. (currently "assignee")

(8) Others	After a notification of placement of the stock acquisition rights was filed pursuant to the Financial Instruments and Exchange Act and entered into effect, the Company executed a purchasing contract with the assignee. The terms and conditions of this contract are summarized below. 1) The Company may designate a period during which the assignee is not allowed to exercise all or a part of the stock acquisition rights, and may demand non-exercise of the stock acquisition rights 2) In certain circumstances, the assignee may demand purchase of the stock acquisition rights by furnishing notice to the Company, and the Company will purchase the stock acquisition rights upon demand 3) The assignee is prohibited from transferring the stock acquisition rights without the approval of the Board of Directors of the Company

Notes: The fund-raising amount is calculated by subtracting the estimated issuing expenses for the stock acquisition rights from the total of the pay-in amount for the stock acquisition rights plus the price of the assets invested and upon exercise of the stock acquisition rights. The total price of the assets invested in upon exercise of the stock acquisition rights is the amount found under the assumption that all of the stock acquisition rights are exercised at the initial exercise price (same as the minimum exercise price). The actual fund-raising amount will increase according to the level of the exercise price. The fund-raising amount may decrease if all or a part of the stock acquisition rights are not exercised during the exercise period, or if the stock acquisition rights are acquired and extinguished by the Company.