

**Consolidated Financial Statements**

**VT HOLDINGS CO., LTD.**

*Year Ended March 31, 2023*

## 1. Overview of Operating Results

### (1) Overview of operating results for the fiscal year ended March 31, 2023

#### 1) Overview of financial results

Forward-looking statements in this document are based on the judgments made by the Group (the Company and its consolidated subsidiaries) as of March 31, 2023.

New car sales in Japan continued to present a year-on-year decline attributable to delayed and reduced production by automakers due to the shortages of semiconductors and parts until August 2022, but started to increase year on year in September 2022. The new car sales in Japan for the fiscal year ended March 31, 2023 were 104.0% year on year.

In this environment, the Automobile Sales-Related Business, which is the core business of the Group, received solid orders in Japan primarily for new models of both Honda and Nissan in the fiscal year ended March 31, 2023. The recent changes, a small reduction in the impact of production slowdown at automakers and an increase in the number of imported cars, helped turning new car sales upward. As for used car sales, though the shortage of products diminished from the beginning of 2023 toward the end of the fiscal year, it was not enough to make up for the previous declines. Outside Japan, while new car sales were robust, used car sales declined due to product shortages as in Japan. As a result, the Group's total car sales, both new and used, decreased by 2,058 vehicles to 91,015 vehicles (97.8% YoY). The business as a whole, however, increased revenue.

In the Housing-related Business, the Group was impacted by soaring land and material prices. However, the results of a construction company that became a consolidated subsidiary in November 2021 and a detached housing company that became a consolidated subsidiary in October 2022 added to the results. In addition, gain on bargain purchase of ¥1,834 million was recorded as other income in association with new consolidation. As a result, the business as a whole performed well.

The Group posted other non-operating income of ¥7,817 million in association with partial sale of shares in an associate accounted for using the equity method in the fiscal year ended March 31, 2022. There was no major non-operating profit or loss in the fiscal year ended March 31, 2023.

As a result, consolidated results for the fiscal year ended March 31, 2023 include revenue of ¥266,329 million (111.9% YoY), operating profit of ¥12,856 million (126.1% YoY), profit before tax of ¥12,646 million (70.4% YoY), and profit attributable to owners of parent of ¥7,180 million (61.5% YoY).

#### 2) Business overview by segment

##### [Automobile Sales-Related Business]

In the new cars segment, the Group sold 7,311 Honda vehicles (98.6% YoY) and 17,169 Nissan vehicles (102.0% YoY) in Japan. New car sales of the entire Group, including sales outside Japan, were 48,115 vehicles (106.8% YoY), a year-on-year increase in the number of cars sold. The segment posted year-on-year increases in revenue and profit.

In the used cars segment, the Group exported 5,908 vehicles (81.0% YoY). Exports primarily from Japan declined. Used car sales in Japan and overseas also declined. Used car sales of the entire Group were 42,900 vehicles (89.3% YoY), a year-on-year decline in the number of cars sold. While the Group made an effort to sell highly profitable models, the decline in used car prices from the beginning of 2023 had a negative impact on profit. The segment posted a year-on-year increase in revenue and a year-on-year decline in profit.

In the services segment, the Group focused on expanding sales of JCI and other inspection services, repairs, and fee-generating services. The segment posted year-on-year increases in revenue and profit.

In the car rentals segment, the impact of people's refraining from going out had mostly gone, and demand for substitute cars increased due to delays in the delivery of new cars. The segment posted year-on-year increases in revenue and profit.

As a result, the Automobile Sales-Related Business recorded revenue of ¥244,328 million (110.2% YoY) and operating profit of ¥8,626 million (106.9% YoY).

##### [Housing-related Business]

In the condominium business, the Group brought to market three new condominium buildings with 100 units in the fiscal year ended March 31, 2023. Compared to the fiscal year ended March 31, 2022, the number of new units for sale was smaller, and the sales schedules for some condominiums were delayed. Consequently, a total of 95 new and existing units were sold (174 units in the fiscal year ended March 31, 2022), and 122 units were delivered (167 units in the fiscal year ended March 31, 2022).

In the detached housing business, as the Group was able to constantly secure land for properties in good locations, both orders and deliveries were solid. In addition, the results of the detached housing companies in the Kyushu and Chubu areas that became consolidated subsidiaries in October 2022 added and contributed to the results of the Group. Consequently, the Group sold 224 units in the fiscal year ended March 31, 2023 (98 units in the fiscal year ended March 31, 2022) and delivered 234 units (105

units in the fiscal year ended March 31, 2022).

In the custom construction business, the full-year results of a construction company in the Chubu area that became a consolidated subsidiary in November 2021 added to the results of the Group and contributed to the expansion of the business. In addition, the Group continued to receive stable orders for projects for automotive dealerships and other commercial facilities.

As a result, the Housing-related Business recorded revenue of ¥21,860 million (136.5% YoY) and operating profit of ¥3,396 million (237.1% YoY).

## (2) Future outlook

As for the future outlook, though restrictions on activities attributable to the impact of COVID-19 have been eased globally and social and economic activities are on a recovery trend, the challenging business environment is expected to continue due to the increases in prices, primarily those of energy and raw materials, against the backdrop of the geopolitical risks that have surfaced following Russia's invasion of Ukraine, rising labor costs and interest rates, subsequent currency fluctuations, depressed consumer confidence, and falling used car prices, among other factors.

In the automobile industry in Japan and overseas, while the problem of shortages of semiconductors and parts has not been fully resolved yet and still has an impact on production and sales, the supply shortage of new cars has gradually been alleviated. In the Automobile Sales-Related Business of the Group, the lengthened vehicle delivery times are expected to gradually shorten, and the current situation in the new cars segment is anticipated to improve slightly toward the second half of the fiscal year ending March 31, 2024. As for used cars, the abnormally high prices in the used car markets due to the supply shortage of new cars have gradually regained stability since the second half of the fiscal year ended March 31, 2023 as the supply shortage of new cars has been relieved. As a result, used car prices are on a downward trend. Under such circumstances, we will work harder to expand new car sales at each company of the Group, further increase gross profit per vehicle, including revenue from peripheral services, further grow basic earnings in the used cars segment and the services segments, raise operational efficiency, reduce costs, and further boost customer satisfaction. We will also continue to actively promote business expansion through M&A.

In the Housing-related Business, further increases in land prices for condominiums and ready-built houses, global surges in lumber prices, rises in the prices of construction materials due to the impact of the situation in Ukraine, etc., and increases in labor costs due to the aging of construction workers and labor shortages are expected. Even in the real estate market, which has remained relatively strong, it is difficult to predict the future. We will strive to reduce costs and secure construction workers by expanding information sources and purchasing routes, optimizing prices through acquiring land at appropriate prices based on market conditions and joint purchases by subsidiaries, in-sourcing design and construction, training younger engineers through exchange of engineers among subsidiaries, and in-sourcing construction utilizing foreign employees.

In addition, as Group-wide initiatives, we will change business processes by promoting digital transformation (DX) to sustainably increase corporate value and strengthen human capital to realize value to customers. We will flexibly respond to the diverse needs of our customers in Japan and overseas, take on new challenges, and transform the current situation.

Foreign exchange rates underlying the financial results forecasts are: ¥165.58 to the British pound, ¥145.72 to the euro, ¥89.71 to the Australian dollar, and ¥7.49 to the South African rand. The financial results forecasts for the fiscal year ending March 31, 2024 are based on the conditions and expectations stated earlier and these foreign exchange rate assumptions.

In the fiscal year ended March 31, 2023, gain on bargain purchase of ¥1,834 million was recorded as other income as an extraordinary factor. No significant extraordinary factors are expected in the fiscal year ending March 31, 2024.

As a result, the Group forecasts the following consolidated financial results for the fiscal year ending March 31, 2024: revenue of ¥290,000 million, operating profit of ¥12,000 million, profit before tax of ¥11,600 million, and profit attributable to owners of parent of ¥7,500 million.

\* The financial results forecasts presented above are prepared based on conservative judgements by the management of the Company using information currently available and include risks and uncertainties. Actual results may be significantly different from these forecasts due to various factors. Among the most significant factors that may impact actual results are the economic conditions and market trends surrounding the business domains of the Company, its consolidated subsidiaries, and its associates accounted for using the equity method as well as foreign exchange rates of the Japanese yen and interest rate trends in Japan and overseas.

## V 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. have been 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; the “Regulation on Financial Statements”).

The Company falls under a special company submitting financial statements and prepares the non-consolidated financial statements pursuant to the provisions of Article 127 of the Regulation on Financial Statements.

Figures presented in the non-consolidated financial statements, etc. have been rounded down to the nearest million yen.

### 2 Audit Certification

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, 2023 were audited by Tokai Audit Corporation.

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

The Company makes special efforts to ensure the appropriateness of consolidated financial statements, etc. and develops a system for the appropriate preparation of consolidated financial statements, etc. 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. based on IFRS, the Company has developed accounting policies and accounting principles of the Group, which are in accordance with IFRS, and performs accounting procedures based on them.

1 Consolidated Financial Statements, etc.

(1) Consolidated Financial Statements

1) Consolidated Statement of Financial Position

	Notes	As of March 31, 2023	As of March 31, 2022	As of March 31, 2023
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Assets				
Current assets				
Cash and cash equivalents	8	12,644	11,844	94,683
Trade and other receivables	9,36	22,541	19,694	168,796
Other financial assets	10,36	125	87	936
Inventories	11,19	56,206	37,543	420,893
Other current assets	12,20	6,013	4,579	45,028
Total current assets		97,529	73,748	730,335
Non-current assets				
Property, plant and equipment	13,19,20	73,386	68,250	549,543
Goodwill	14	13,376	13,513	100,165
Intangible assets	14,20	1,185	1,088	8,874
Investment property	15,19	7,299	6,448	54,658
Investments accounted for using equity method	6,17	4,501	4,277	33,705
Other financial assets	10,36	30,953	19,479	231,788
Deferred tax assets	18	1,490	1,146	11,158
Other non-current assets	12	113	100	846
Total non-current assets		132,304	114,301	990,744
Total assets		229,834	188,049	1,721,087

	Notes	As of March 31, 2023	As of March 31, 2022	As of March 31, 2023
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Liabilities and equity				
Liabilities				
Current liabilities				
Bonds and borrowings	19,36	42,134	28,274	315,516
Trade and other payables	21,36	45,669	35,577	341,987
Other financial liabilities	19,36	6,487	6,485	48,577
Income taxes payable		1,709	2,479	12,798
Contract liabilities	27	10,947	12,103	81,975
Other current liabilities	24	2,675	3,294	20,031
Total current liabilities		109,620	88,212	820,878
Non-current liabilities				
Bonds and borrowings	19,36	19,199	18,027	143,770
Other financial liabilities	19,36	18,039	18,258	135,083
Provisions	23	569	585	4,261
Deferred tax liabilities	18	7,574	3,997	56,717
Other non-current liabilities	24	2,092	2,035	15,666
Total non-current liabilities		47,473	42,903	355,496
Total liabilities		157,093	131,115	1,176,374
Equity				
Share capital	25	4,297	4,297	32,178
Capital surplus	25	3,150	2,975	23,588
Treasury shares	25	(866)	(866)	(6,485)
Other components of equity		1,789	1,539	13,397
Retained earnings	25	56,130	43,397	420,323
Total equity attributable to owners of parent		64,500	51,342	483,001
Non-controlling interests		8,240	5,592	61,704
Total equity		72,740	56,934	544,706
Total liabilities and equity		229,834	188,049	1,721,087

## 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, 2023	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Revenue	6,27	266,329	237,930	1,994,376
Cost of sales		222,422	198,039	1,665,583
Gross profit		43,907	39,891	328,793
Selling, general and administrative expenses	28	32,926	29,929	246,563
Other income	29	2,562	584	19,185
Other expenses	29	687	354	5,145
Operating profit		12,856	10,192	96,271
Finance income	30	413	458	3,093
Finance costs	30	866	730	6,485
Share of profit of investments accounted for using equity method	17	242	223	1,812
Other non-operating income and expenses	31	—	7,817	—
Profit before tax		12,646	17,959	94,698
Income tax expense	18	3,311	5,537	24,794
Profit		9,334	12,422	69,897
Profit attributable to				
Owners of parent		7,180	11,678	53,767
Non-controlling interests		2,154	744	16,130
Profit		9,334	12,422	69,897
Earnings per share		Yen	Yen	U.S. dollars
Basic earnings per share	33	61.91	101.01	0.46
Diluted earnings per share		—	—	—

## Consolidated Statement of Comprehensive Income

	Notes	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Profit		9,334	12,422	69,897
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Financial assets measured at fair value through other comprehensive income	32	8,178	941	61,240
Share of other comprehensive income of investments accounted for using equity method	17,32	(5)	(5)	(37)
Total of items that will not be reclassified to profit or loss		8,173	936	61,203
Items that may be reclassified to profit or loss				
Exchange differences on translation of foreign operations	32	374	696	2,801
Share of other comprehensive income of investments accounted for using equity method	17,32	29	5	217
Total of items that may be reclassified to profit or loss		403	700	3,018
Other comprehensive income, net of tax		8,576	1,636	64,220
Comprehensive income		17,911	14,058	134,125
Comprehensive income attributable to				
Owners of parent		15,718	13,276	117,703
Non-controlling interests		2,193	782	16,422
Comprehensive income		17,911	14,058	134,125



### 3) Consolidated Statement of Changes in Equity

Fiscal year ended March 31, 2022

		Equity attributable to owners of parent					
					Other components of equity		
Notes	Share capital	Capital surplus	Treasury shares	Exchange differences on translation of foreign operations	Share acquisition rights	Financial assets measured at fair value through other comprehensive income	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	
	4,297	2,842	(1,028)	740	134	–	
Balance as of April 1, 2021							
Profit							
Other comprehensive income	32			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)	
Balance as of March 31, 2022		4,297	2,975	(866)	1,407	132	

		Equity attributable to owners of parent				
Notes	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	
	874	33,210	40,195	5,127	45,322	
Balance as of April 1, 2021						
Profit	–	11,678	11,678	744	12,422	
Other comprehensive income	32	1,598	1,598	38	1,636	
Total comprehensive income		1,598	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)	(78)	(2,500)	
Total transactions with owners		(933)	(1,491)	(317)	(2,446)	
Balance as of March 31, 2022		1,539	43,397	5,592	56,934	

Fiscal year ended March 31, 2023

Equity attributable to owners of parent						
Notes	Share capital	Capital surplus	Treasury shares	Other components of equity		
				Exchange differences on translation of foreign operations	Share acquisition rights	Financial assets measured at fair value through other comprehensive income
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance as of April 1, 2022	4,297	2,975	(866)	1,407	132	–
Profit						
Other comprehensive income	32			375		8,162
Total comprehensive income	–	–	–	375	–	8,162
Changes in ownership interest in subsidiaries		48				
Disposal of treasury shares	25	(6)				
Forfeiture of share acquisition rights	35	132			(132)	
Issuance of share acquisition rights					8	
Transfer to retained earnings	36					(8,162)
Dividends	26					
Total transactions with owners	–	174	–	–	(124)	(8,162)
Balance as of March 31, 2023	4,297	3,150	(866)	1,782	8	–

Equity attributable to owners of parent					
Notes	Other components of equity	Retained earnings	Total	Non-controlling interests	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance as of April 1, 2022	1,539	43,397	51,342	5,592	56,934
Profit	–	7,180	7,180	2,154	9,334
Other comprehensive income	32	8,537	8,537	39	8,576
Total comprehensive income	8,537	7,180	15,718	2,193	17,911
Changes in ownership interest in subsidiaries	–		48	574	622
Disposal of treasury shares	25	–	(6)		(6)
Forfeiture of share acquisition rights	35	(132)	–		–
Issuance of share acquisition rights		8	8		8
Transfer to retained earnings	36	(8,162)	–		–
Dividends	26	(2,610)	(2,610)	(118)	(2,728)
Total transactions with owners	(8,287)	5,553	(2,560)	455	(2,104)
Balance as of March 31, 2023	1,789	56,130	64,500	8,240	72,740

Fiscal year ended March 31, 2023

Equity attributable to owners of parent						
Notes	Share capital	Capital surplus	Treasury shares	Other components of equity		
				Exchange differences on translation of foreign operations	Share acquisition rights	Financial assets measured at fair value through other comprehensive income
	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 as of April 1, 2022	32,178	22,280	(6,485)	10,536	988	–
Profit						
Other comprehensive income	32			2,808		61,120
Total comprehensive income				2,808		61,120
Changes in ownership interest in subsidiaries		359				
Disposal of treasury shares	25	(45)				
Forfeiture of share acquisition rights	35	988			(988)	
Issuance of share acquisition rights					60	
Transfer to retained earnings	36					(61,120)
Dividends	26					
Total transactions with owners		1,303			(929)	(61,120)
Balance as of March 31, 2023	32,178	23,588	(6,485)	13,344	60	–

Equity attributable to owners of parent					
Notes	Other components of equity	Retained earnings	Total	Non-controlling interests	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 as of April 1, 2022	11,525	324,974	384,469	41,875	426,344
Profit	–	53,767	53,767	16,130	69,897
Other comprehensive income	32	63,928	63,928	292	64,220
Total comprehensive income		53,767	117,703	16,422	134,125
Changes in ownership interest in subsidiaries			359	4,298	4,658
Disposal of treasury shares	25	–	(45)		(45)
Forfeiture of share acquisition rights	35	(988)	–		–
Issuance of share acquisition rights		60	60		60
Transfer to retained earnings	36	(61,120)	–		–
Dividends	26	(19,545)	(19,545)	(884)	(20,428)
Total transactions with owners		41,583	(19,170)	3,407	(15,756)
Balance as of March 31, 2023	13,397	420,323	483,001	61,704	544,706

#### 4) Consolidated Statement of Cash Flows

	Notes	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Cash flows from operating activities				
Profit before tax		12,646	17,959	94,698
Depreciation and amortization		10,665	9,568	79,864
Impairment losses		361	29	2,703
Gain on bargain purchase		(1,834)	–	(13,734)
Interest and dividend income		(257)	(189)	(1,925)
Interest expenses		823	700	6,163
Foreign exchange loss (gain)		62	(103)	464
Share of loss (profit) of investments accounted for using equity method		(242)	(223)	(1,812)
Gain on sales of equity method investments	31	–	(1,380)	–
Gain from remeasurement relating to discontinued application of the equity method	31	–	(6,436)	–
Loss (gain) on sale of non-current assets		4	11	30
Loss on retirement of non-current assets		96	33	719
Decrease (increase) in trade receivables		(118)	(1,873)	(884)
Decrease (increase) in inventories		(10,625)	7,876	(79,564)
Increase (decrease) in trade payables		6,047	(5,285)	45,282
Increase (decrease) in contract liabilities		(1,489)	(2,132)	(11,150)
Increase (decrease) in accrued consumption taxes		(574)	857	(4,298)
Other		472	403	3,535
Subtotal		16,037	19,813	120,091
Interest and dividends received		306	238	2,291
Interest paid		(791)	(696)	(5,923)
Income taxes refund (paid)		(4,379)	(2,537)	(32,792)
Net cash provided by (used in) operating activities		11,173	16,818	83,668
Cash flows from investing activities				
Payments into time deposits		(173)	(47)	(1,295)
Proceeds from withdrawal of time deposits		71	11	532
Purchase of property, plant and equipment		(13,499)	(8,839)	(101,086)
Proceeds from sale of property, plant and equipment		2,779	1,850	20,810
Purchase of intangible assets		(209)	(121)	(1,565)
Purchase of investment securities		(1)	(29)	(7)
Proceeds from sale of investment securities		340	9	2,546
Proceeds from (payments for) acquisition of subsidiaries	7	1,088	(735)	8,147
Proceeds from sale of associates		–	2,186	–
Payments for loans receivable		(14)	(15)	(105)
Collection of loans receivable		131	179	981
Payments of leasehold deposits and guarantee deposits		(297)	(123)	(2,224)
Proceeds from collection of leasehold deposits and guarantee deposits		74	110	554
Payments for acquisition of business		(112)	(35)	(839)
Proceeds from sale of businesses		31	–	232
Other		(4)	(13)	(30)
Net cash provided by (used in) investing activities		(9,794)	(5,610)	(73,341)

	Notes	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Cash flows from financing activities				
Net increase (decrease) in short-term borrowings	34	9,698	2,040	72,622
Proceeds from long-term borrowings	34	8,734	5,678	65,404
Repayments of long-term borrowings	34	(8,375)	(7,157)	(62,715)
Redemption of bonds	34	(291)	(13)	(2,179)
Proceeds from issuance of share acquisition rights		8	–	60
Capital contribution from non-controlling interests		25	23	187
Proceeds from sale of treasury shares		10	–	75
Dividends paid	26	(2,610)	(2,422)	(19,545)
Dividends paid to non-controlling interests		(118)	(78)	(884)
Repayments of lease liabilities	34	(7,702)	(6,814)	(57,676)
Other		(1)	(1)	(7)
Net cash provided by (used in) financing activities		(623)	(8,744)	(4,665)
Effect of exchange rate changes on cash and cash equivalents		43	185	322
Net increase (decrease) in cash and cash equivalents		799	2,650	5,9836
Cash and cash equivalents at beginning of period	8	11,844	9,195	88,693
Cash and cash equivalents at end of period	8	12,644	11,844	94,683

## Notes to Consolidated Financial Statements

### 1. REPORTING ENTITY

VT HOLDINGS CO., LTD. (the “Company”) is a company located in Japan. The addresses of the Company’s registered head office and principal offices are presented on the Company’s website (<https://www.vt-holdings.co.jp>). The Company’s consolidated financial statements, whose reporting period ended on March 31, 2023, present the financial condition and operating results of 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 Note “6. OPERATING SEGMENTS.”

### 2. BASIS OF PREPARATION

#### (1) Statement of compliance with IFRS

The Company satisfies all requirements to be a specified company complying with any 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). The consolidated financial statements of the Group are thus prepared in accordance with IFRS pursuant to the provisions of Article 93 of the aforementioned Regulation.

The consolidated financial statements were approved on June 29, 2023 by Kazuho Takahashi, President & CEO.

#### (2) Basis of measurement

The consolidated financial statements of the Group are prepared on an acquisition 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 of the Company, and figures have been 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 adopted by a subsidiary differ from those adopted 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 is directly recognized in equity and attributed to the owners of the parent.

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

##### 2) Associates

The Group calls a company its associate when the Group does not control or jointly control it, but exerts significant influence on its financial affairs and operating policies.

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

If any accounting policies adopted by an associate differ from those adopted 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 value on the acquisition date of the assets transferred, liabilities assumed, and equity instruments issued by the Company in exchange for the 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 is smaller than the fair value, the difference is immediately recorded in 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 the initial accounting for a business combination is not finalized by the end of the fiscal year in which the business combination took place, 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 newly obtained information results in new recognition of those assets and liabilities. The measurement period may not exceed one year.

Once control over the acquiree is obtained, acquisition of additional non-controlling interests is accounted for as an equity transaction. Accordingly, the Group does not recognize goodwill attributable to such transaction.

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

- Deferred tax assets and liabilities, and assets and liabilities arising from employee benefit contracts
- Share-based payment agreements of the acquiree
- Assets or disposal groups that are classified as held for sale in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations."

## (3) Foreign currency translation

### 1) Foreign currency denominated transactions

Foreign currency denominated transactions are translated into the functional currency of each company of the Group by using the exchange rate on 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 on 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. 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 the date of accrual. 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 financial assets measured at fair value through profit or loss or those other than (a) and (b) are classified into financial assets measured at fair value through profit or loss.

Financial assets are initially recognized 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

Subsequent to the initial recognition, financial assets are measured as follows, depending on their 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 financial assets 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 gains or losses 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 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 the ownership of the financial asset are transferred through the transfer of the 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 the credit risk of each financial asset has increased significantly from initial recognition at the end of every reporting period. If the credit risk of a financial asset has not increased significantly from initial recognition, the expected credit losses of the financial asset are measured at an amount equal to the 12-month expected credit losses. On the other hand, if the credit risk of a financial asset has increased significantly from initial recognition, the expected credit losses of the financial asset are measured at an amount equal to the full lifetime expected credit losses.

In principle, it is presumed that the credit risk of 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) in addition to past-due information.

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

However, for trade receivables that do not contain a significant financing component, an allowance for doubtful accounts is always recognized at an amount equal to the full lifetime expected credit losses regardless of whether or not the credit risk has increased significantly 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 allowance for doubtful accounts to the amount that is required to be recognized at the closing date 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 measured at fair value.

### (ii) Subsequent measurement

Subsequent to the initial recognition, financial liabilities are measured as follows, depending on their 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 subsequent to the 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, is 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. Subsequent to the initial recognition, the derivative instruments are measured at fair value and changes in fair value are recognized in profit or loss for the period in principle. 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 the 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 determined to be or have been 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 are to 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 depreciation 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 depreciation 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 in 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 amortization and accumulated impairment losses from acquisition cost. Except for intangible assets with indefinite useful lives, amortization is recorded by the straight-line method over the estimated useful life of each asset. The estimated useful life of main assets 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 determines whether the contract is or contains a lease. The Group determines that a contract is or contains a lease if the contract transfers the right to control the use of an identified asset for a period of time in exchange for consideration.

When the Group determines that the contract is or contains a lease, a right-of-use asset and a 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 total lease payables, and the right-of-use asset is initially measured at the amount of the initial measurement of the lease liability adjusted for any prepaid lease payments.

Subsequent to the initial recognition, the right-of-use asset is depreciated over the shorter period of the lease term or useful life of the underlying asset by the straight-line method.

The lease liability is measured at the present value of the lease payments that have not been paid on the commencement date which is calculated using incremental borrowing rate. After the commencement of the lease, the carrying amount of the lease liability is reduced to reflect the interest expense on the lease liability and the lease payments made. If the lease terms are modified, the lease liability is remeasured to adjust the right-of-use asset.

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 profit or loss.

However, for a short-term lease with a lease term of 12 months or shorter, or a lease whose underlying asset is of low value, a

right-of-use asset and a lease liability are not recognized, and the lease payments are recognized as expenses by either the straight-line method or another systematic method 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 Group determines whether there is any indication of impairment at the end of every 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 every year.

The recoverable amount of an asset or a cash-generating unit is the higher of its value in use or its fair value less costs of disposal. 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 to reduce the carrying amount of the other assets of the unit on pro rata on the basis.

Impairment losses recognized for goodwill are not reversed. For impairment losses previously recognized for other assets, the Group assesses at the end of every 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 employees' provision of the services for which the contributions were made.

#### (13) Share-based payment

The Company has adopted a 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 modifies 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 as 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 economic benefits 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 by the straight-line method 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 meet 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 tax expense consists 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 profit.

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 nor taxable profit.

- 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 differences and it is probable that the temporary differences 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 profit will be available against which deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of every reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to use all or part of the benefit of the deferred tax assets. Unrecognized deferred tax assets are reassessed every period and are recognized to the extent that it has become probable that future taxable profit 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 at 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 are accounted for under the group tax sharing 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 adjusted for 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 each operating segment, whose financial information is separately available, are reviewed regularly by the Company's Board of Directors for the purpose of allocating management resources to individual segments and assessing financial results.

#### (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 the Group incurs them.

#### 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 the future periods thereafter.

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 Group determines whether there is any indication of impairment at the end of every 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 every year.

The recoverable amount of an asset or a cash-generating unit is the higher of its value in use or its fair value less costs of disposal. 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 fiscal years approved by the management and the growth rate to the present value using the discount rate of 6.7 to 13.6%, which is based on the after-tax weighted average cost of capital of the cash-generating units or the group 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 the 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 by the Group in the future.

##### (2) Impairment of goodwill

The Group tests the carrying amount of goodwill for impairment in every reporting period, and whenever there is an indication of impairment. The recoverable amount in an 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 fiscal years approved by the management and the growth rate to the present value using the discount rate of 6.7 to 13.6%, which is based on the after-tax weighted average cost of capital of the cash-generating units or the group 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 the 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 by 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 profit is probable. The carrying amount of deferred tax assets is reviewed at the end of every reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to use all or part of the benefit of the deferred tax assets.

The above estimates include uncontrollable uncertainties. In the event that estimates regarding the valuation of recoverability 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 impact of the spread of COVID-19

The spread of COVID-19 has had a broad impact on the economy and corporate activities, and it is difficult to predict at this time the impact that it will have on the Group, and when the pandemic will be contained. Accounting estimates for the current fiscal year ended March 31, 2023 were made based on the assumption that the impact of COVID-19 will continue for a certain

period of time in the following fiscal year ending March 31, 2024.

The assumption above is highly uncertain in nature, and depending on the situation regarding the spread of COVID-19 and its effect on the economy, there may be a material impact on the consolidated financial statements for the following fiscal year ending March 31, 2024 and the fiscal years afterwards.

(5) Accounting estimates regarding the impact of the current global situation surrounding Ukraine

The current global situation surrounding Ukraine has a broad impact on the economy and corporate activities, and it is difficult to predict at this time the impact that it will have on the Group. Accounting estimates for the current fiscal year ended March 31, 2023 were made based on the assumption that the impact will continue for a certain period of time in the following fiscal year ending March 31, 2024.

The assumption above is highly uncertain in nature, and depending on the changes in the global situation, there may be a material impact on the consolidated financial statements for the following fiscal year ending March 31, 2024 and the fiscal years afterwards.

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 Group 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 resources and assessing financial results.

The Group employs the holding company system. The Company formulates business strategies of the Group and takes charge of administration in general as a holding company, while its subsidiaries perform business activities. The Company classifies its segments by goods and services they handle, and its reportable segments are the Automobile Sales-Related Business and the Housing-related Business.

Automobile Sales-Related Business is engaged in automobile sales-related business, including new car dealership business, which is the core of the business and sells new and used cars and repairs cars, car importer business, used car export business, and car rental business.

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, profit, and other financial results by reportable segments of the Group are as follows:

Fiscal year ended March 31, 2023

	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	244,328	21,860	141	266,329	–	266,329
Intersegment revenue or transfers	87	2,594	2,169	4,850	(4,850)	–
Total	244,415	24,454	2,311	271,180	(4,850)	266,329
Segment profit	8,626	3,396	983	13,005	(149)	12,856
Finance income						413
Finance costs						866
Share of profit of investments accounted for using equity method						242
Profit before tax						12,646
Other items						
Segment assets	174,880	32,687	31,598	239,165	(9,331)	229,834
Depreciation and amortization	10,475	127	122	10,724	(58)	10,665
Impairment losses	361	–	–	361	–	361
Investments accounted for using equity method	168	–	4,333	4,501	–	4,501
Capital expenditures	19,836	160	115	20,110	(423)	19,687

(Notes) 1. “Other” consists primarily of management departments of the entire Group.

2. Adjustments are as follows.

(1) The adjustments of segment profit of ¥(149) million represent elimination of intersegment transactions.

(2) The adjustments of segment assets of ¥(9,331) million represent the elimination of inter-segment receivables and assets.

(3) The adjustments of depreciation and amortization of ¥(58) million represent the impact of consolidation adjustments between segments.

(4) The adjustments of capital expenditures of ¥(423) million represent the impact of consolidation adjustments between segments.

3. Segment profit for the Housing-related Business includes ¥1,834 million in gain on bargain purchase from the acquisition of stock in Kawasaki Housing Co., Ltd. and Houmante 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				
	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 primarily of management departments of the entire Group.

2. Adjustments are as follows.

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

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

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

(4) The adjustments of capital expenditures of ¥(505) million represent the impact of consolidation adjustments between segments.

Fiscal year ended March 31, 2023

	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	1,829,624	163,696	1,056	1,994,376	–	1,994,376
Intersegment revenue or transfers	651	19,425	16,242	36,319	(36,319)	–
Total	1,830,276	183,121	17,306	2,030,702	(36,319)	1,994,376
Segment profit	64,595	25,431	7,361	97,387	(1,116)	96,271
Finance income						3,093
Finance costs						6,485
Share of profit of investments accounted for using equity method						1,812
Profit before tax						94,698
Other items						
Segment assets	1,309,570	244,773	236,618	1,790,962	(69,874)	1,721,087
Depreciation and amortization	78,441	951	914	80,306	(434)	79,864
Impairment losses	2,703	–	–	2,703	–	2,703
Investments accounted for using equity method	1,258	–	32,447	33,705	–	33,705
Capital expenditures	148,540	1,198	861	150,592	(3,168)	147,424

(Notes) 1. “Other” consists primarily of management departments of the entire Group.

2. Adjustments are as follows.

(1) The adjustments of segment profit of \$(1,116) thousand represent elimination of intersegment transactions.

(2) The adjustments of segment assets of \$(69,874) thousand represent the elimination of inter-segment receivables and assets.

(3) The adjustments of depreciation and amortization of \$(434) thousand represent the impact of consolidation adjustments between segments.

(4) The adjustments of capital expenditures of \$(3,168) thousand represent the impact of consolidation adjustments between segments.

3. Segment profit for the Housing-related Business includes \$13,734 thousand in gain on bargain purchase from the acquisition of stock in Kawasaki Housing Co., Ltd. and Houmainte Co., Ltd.

(3) Information related to products and services

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

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
New cars	128,280	113,689	960,611
Used cars	61,050	59,055	457,166
Services	42,393	38,686	317,455
Car rentals	12,313	10,040	92,205
Housing	21,860	16,016	163,696
Other	433	442	3,242
Total	<u>266,329</u>	<u>237,930</u>	<u>1,994,376</u>

(4) Geographical information

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

Revenue from external customers

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Japan	153,122	142,862	1,146,638
Africa	9,360	6,766	70,091
North, Central and South America	495	565	3,707
Oceania	2,990	2,500	22,390
Europe	95,188	80,215	712,805
Asia	5,175	5,020	38,752
Total	<u>266,329</u>	<u>237,930</u>	<u>1,994,376</u>

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

Non-current assets

	As of March 31, 2023	As of March 31, 2022	As of March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Japan	117,432	100,187	879,377
Africa	384	290	2,876
Oceania	2,638	2,259	19,754
Europe	11,850	11,565	88,737
Total	<u>132,304</u>	<u>114,301</u>	<u>990,744</u>

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

(5) Information about major customers

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

## 7. BUSINESS COMBINATION

Fiscal year ended March 31, 2022

- (1) The Company resolved at a meeting of the Board of Directors held on March 19, 2021 to acquire 100% of the issued and outstanding shares in the British automaker CATERHAM CARS GROUP LIMITED (“CCG”). CCG and two of its subsidiaries became subsidiaries of the Company on April 1, 2021.

### 1) Overview of the business combination

- a. Name of the acquiree and description of its business:

Name of the acquiree: CATERHAM CARS GROUP LIMITED

Description of business: Pure holding company for the CATERHAM Group, which produces the sports car Super Seven

- b. Acquisition date: April 1, 2021

- c. Percentage of voting equity interests acquired: 100%

- d. Primary reasons for the business combination:

To improve the revenue structure of the CATERHAM Group by drawing on the operational expertise and manpower of the Group and expand the business of the Group by building a stronger collaborative framework in the importer business

- e. Description of how the acquirer obtained control of the acquiree:

Acquisition of shares in exchange for cash as consideration

### 2) Fair value of consideration paid, assets acquired, and liabilities assumed as of the acquisition date

	Millions of yen	Thousands of U.S. dollars
Fair value of consideration paid (cash)	845	6,328
Fair value of assets acquired and liabilities assumed		
Current assets	1,012	7,578
Non-current assets	511	3,827
Total assets	1,523	11,405
Current liabilities	855	6,403
Non-current liabilities	459	3,437
Total liabilities	1,314	9,840
Net fair value of assets acquired and liabilities assumed	209	1,565
Goodwill	636	4,763

(Notes) 1. Acquisition related costs in the business combination are ¥45 million and they are recognized in full as selling, general and administrative expenses in the consolidated statement of profit or loss.

2. A primary component in goodwill is the excess earning power arising from acquisitions. No amount of goodwill is expected to be deductible for tax purposes.

### 3) Fair value of acquired receivables, contractual receivables, and estimated uncollectible amounts

Of the fair value of acquired trade and other receivables of ¥102 million, contractual receivables are ¥102 million, and none is expected to be uncollectible.

4) Cash flow associated with the acquisition

	Millions of yen	Thousands of U.S. dollars
Cash and cash equivalents spent on the acquisition	845	6,328
Cash and cash equivalents held by the acquiree at the time of acquisition	(60)	(449)
Payments for acquisition of subsidiaries	785	5,878

5) Effect of the acquisition on the financial results

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

Fiscal year ended March 31, 2023

AMG Holdings Co., Ltd., a consolidated subsidiary of the Company, resolved at a meeting of its Board of Directors held on August 8, 2022 to acquire 100% of the issued and outstanding shares in Kawasaki Housing Co., Ltd. and Houmainte Co., Ltd., companies engaged in the detached housing business in Kumamoto City, Kumamoto Prefecture. The two companies became subsidiaries of the Company on October 4, 2022.

(1) Kawasaki Housing Co., Ltd.

1) Overview of the business combination

a. Name of the acquiree and description of its business:

Name of the acquiree: Kawasaki Housing Co., Ltd.

Description of business: Sale and construction of detached houses, etc.

b. Acquisition date: October 4, 2022

c. Percentage of voting equity interests acquired: 100%

d. Primary reasons for the business combination:

To increase the size of sales and profit in the detached housing business

e. Description of how the acquirer obtained control of the acquiree:

Acquisition of shares in exchange for cash as consideration

2) Fair value of consideration paid, assets acquired, and liabilities assumed as of the acquisition date

	Millions of yen	Thousands of U.S. dollars
Fair value of consideration paid (cash)	354	2,651
Fair value of assets acquired and liabilities assumed		
Current assets	7,419	55,556
Non-current assets	587	4,396
Total assets	8,006	59,952
Current liabilities	4,786	35,839
Non-current liabilities	1,122	8,402
Total liabilities	5,908	44,241
Net fair value of assets acquired and liabilities assumed	2,098	15,711
Gain on bargain purchase	1,744	13,060

(Note) 1. Acquisition related costs in the business combination are ¥30 million (\$225 thousand) and they are recognized in full as selling, general and administrative expenses in the consolidated statement of profit or loss.

2. In the business combination, the assets acquired and liabilities assumed were measured at fair value and compared with the considerations paid. Consequently, gain on bargain purchase was recognized under other income in the consolidated statement of profit or loss.

3) Fair value of acquired receivables, contractual receivables, and estimated uncollectible amounts

Of the fair value of acquired trade and other receivables of ¥128 million, contractual receivables are ¥128 million, and none is expected to be uncollectible.

4) Cash flow associated with the acquisition

	Millions of yen	Thousands of U.S. dollars
Cash and cash equivalents spent on the acquisition	354	2,651
Cash and cash equivalents held by the acquiree at the time of acquisition	(1,360)	(10,184)
Proceeds from the acquisition of subsidiaries	1,007	7,541

5) Effect of the acquisition on the financial results

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

(2) Houmaine Co., Ltd.

1) Overview of the business combination

a. Name of the acquiree and description of its business:

Name of the acquiree: Houmaine Co., Ltd.

Description of business: Sale, purchase, lease, management, intermediation, etc. of real estate

b. Acquisition date: October 4, 2022

c. Percentage of voting equity interests acquired: 100%

d. Primary reasons for the business combination:

To merge it with Kawasaki Housing Co., Ltd., maintain a relationship to provide a series of services from sale of houses to after-sale maintenance, and increase the size of sales and profit in the detached housing business in a comprehensive manner

e. Description of how the acquirer obtained control of the acquiree:

Acquisition of shares in exchange for cash as consideration

2) Fair value of consideration paid, assets acquired, and liabilities assumed as of the acquisition date

	Millions of yen	Thousands of U.S. dollars
Fair value of consideration paid (cash)	18	135
Fair value of assets acquired and liabilities assumed		
Current assets	408	3,055
Non-current assets	61	457
Total assets	469	3,512
Current liabilities	141	1,056
Non-current liabilities	221	1,655
Total liabilities	362	2,711
Net fair value of assets acquired and liabilities assumed	107	801
Gain on bargain purchase	89	666

(Note) 1. Acquisition related costs in the business combination are ¥2 million (\$15 thousand) and they are recognized in full as selling, general and administrative expenses in the consolidated statement of profit or loss.

2. In the business combination, the assets acquired and liabilities assumed were measured at fair value and compared with the considerations paid. Consequently, gain on bargain purchase was recognized under other income in the consolidated statement of profit or loss.



3) Fair value of acquired receivables, contractual receivables, and estimated uncollectible amounts

Of the fair value of acquired trade and other receivables of ¥12 million, contractual receivables are ¥12 million, and none is expected to be uncollectible.

4) Cash flow associated with the acquisition

	Millions of yen	Thousands of U.S. dollars
Cash and cash equivalents spent on the acquisition	18	135
Cash and cash equivalents held by the acquiree at the time of acquisition	(99)	(741)
Proceeds from the acquisition of subsidiaries	81	607

5) Effect of the acquisition on the financial results

Gain or loss information after the acquisition date of the business combination is not disclosed as 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, 2023	As of March 31, 2022	As of March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Cash and deposits	12,514	11,675	93,710
Deposits paid	5	14	37
Short-term investments	250	201	1,872
Fixed deposits with maturity longer than three months	(124)	(46)	(929)
Total	12,644	11,844	94,683

The balances of cash and cash equivalents in the consolidated statement of financial position as of March 31, 2023 and March 31, 2022 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, 2023	As of March 31, 2022	As of March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Accounts receivable - trade	10,406	9,997	77,924
Accounts receivable - other	2,515	2,080	18,833
Lease receivables and investments in leases	9,227	7,284	69,095
Other	625	578	4,680
Allowance for doubtful accounts	(232)	(245)	(1,737)
Total	22,541	19,694	168,796

The above amounts include those of trade and other receivables due in more than 12 months. They amounted to ¥4,646 million (\$34,791 thousand) and ¥3,438 million as of March 31, 2023 and March 31, 2022, 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, 2023	As of March 31, 2022	As of March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Other financial assets			
Derivative assets	30	54	225
Securities	27,157	15,842	203,362
Deposits	485	368	3,632
Loans receivable	1,211	1,322	9,068
Claims provable in bankruptcy, claims provable in rehabilitation	928	936	6,949
Other	2,195	1,981	16,437
Allowance for doubtful accounts	(929)	(937)	(6,957)
Total	<u>31,078</u>	<u>19,566</u>	<u>232,724</u>
Current assets	125	87	936
Non-current assets	<u>30,953</u>	<u>19,479</u>	<u>231,788</u>
Total	<u>31,078</u>	<u>19,566</u>	<u>232,724</u>

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 items 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, 2023	As of March 31, 2022	As of March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Merchandise and finished goods	40,637	29,168	304,306
Work in process	14,751	7,853	110,461
Raw materials	723	438	5,414
Production supplies	95	84	711
Total	<u>56,206</u>	<u>37,543</u>	<u>420,893</u>
Inventories to be sold in greater than 12 months	<u>5,392</u>	<u>2,038</u>	<u>40,377</u>

The amounts of inventories recognized as expenses during the fiscal years ended March 31, 2023 and March 31, 2022 were ¥212,717 million (\$1,592,908 thousand) and ¥189,835 million, respectively.

The amount of the write-downs of the inventory recognized as expenses during the fiscal year ended March 31, 2022 has been omitted as the amount is not material. The amount of write-downs during the fiscal year ended March 31, 2023 was ¥270 million (\$2,022 thousand).

## 12. OTHER ASSETS

The breakdown of other assets is as follows:

	As of March 31, 2023	As of March 31, 2022	As of March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Test-driving cars	1,652	1,340	12,371
Advance payments to suppliers	2,107	1,572	15,778
Consumption taxes receivable	732	463	5,482
Contract assets	412	304	3,085
Other	1,224	1,000	9,166
Total	<u>6,126</u>	<u>4,679</u>	<u>45,874</u>
Current assets	6,013	4,579	45,028
Non-current assets	113	100	846
Total	<u>6,126</u>	<u>4,679</u>	<u>45,874</u>

## 13. PROPERTY, PLANT AND EQUIPMENT

### (1) Breakdown of property, plant and equipment

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

	As of March 31, 2023	As of March 31, 2022	As of March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Property, plant and equipment	53,702	48,364	402,142
Right-of-use assets	19,684	19,886	147,402
Total	<u>73,386</u>	<u>68,250</u>	<u>549,543</u>

### (2) Changes during period

Changes in acquisition costs, accumulated depreciation and accumulated impairment losses, and carrying amounts of property, plant and equipment are as follows:

Acquisition costs

	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, 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
Acquisition	508	2,261	7,344	305	2,094	12,512
Acquisition due to business combinations	161	228	83	23	–	495
Sale or disposal	(57)	(933)	(4,689)	(167)	–	(5,845)
Transfer of accounts	(658)	92	553	7	(171)	(178)
Exchange differences on translation of foreign operations	(9)	184	122	42	10	350
As of March 31, 2023	23,198	36,931	16,087	3,059	2,325	81,600

	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	174,128	262,835	94,908	21,327	2,935	556,140
Acquisition	3,804	16,931	54,995	2,284	15,681	93,695
Acquisition due to business combinations	1,206	1,707	622	172	–	3,707
Sale or disposal	(427)	(6,987)	(35,113)	(1,251)	–	(43,770)
Transfer of accounts	(4,927)	689	4,141	52	(1,281)	(1,333)
Exchange differences on translation of foreign operations	(67)	1,378	914	315	75	2,621
As of March 31, 2023	173,716	276,554	120,466	22,907	17,411	611,053

Accumulated depreciation and accumulated 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, 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
Acquisition due to business combinations	–	32	63	20	114
Depreciation (Note)	–	1,342	2,978	214	4,534
Impairment losses	–	52	1	5	58
Sale or disposal	(6)	(755)	(1,983)	(164)	(2,908)
Transfer of accounts	–	(11)	13	–	2
Exchange differences on translation of foreign operations	–	128	30	37	194
As of March 31, 2023	365	18,705	6,598	2,231	27,898

	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	2,771	134,177	41,164	15,868	193,972
Acquisition due to business combinations	–	240	472	150	854
Depreciation (Note)	–	10,049	22,300	1,603	33,952
Impairment losses	–	389	7	37	434
Sale or disposal	(45)	(5,654)	(14,849)	(1,228)	(21,776)
Transfer of accounts	–	(82)	97	–	15
Exchange differences on translation of foreign operations	–	959	225	277	1,453
As of March 31, 2023	2,733	140,070	49,408	16,707	208,911

(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 amounts

	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, 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
As of March 31, 2023	22,833	18,226	9,489	829	2,325	53,702

	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, 2023	170,982	136,483	71,057	6,208	17,411	402,142

(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, 2022	3,236	9,423	7,166	62	19,886
As of March 31, 2023	3,187	8,987	7,428	83	19,684

Right-of-use assets	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, 2023	23,866	67,298	55,624	622	147,402

(4) Borrowing costs

There were no material borrowing costs capitalized as a component of the acquisition cost of qualifying assets during the fiscal years ended March 31, 2023 and March 31, 2022.

#### 14. GOODWILL AND INTANGIBLE ASSETS

##### (1) Breakdown of intangible assets

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

	As of March 31, 2023	As of March 31, 2022	As of March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Intangible assets	1,184	1,085	8,866
Right-of-use assets	1	3	7
Total	<u>1,185</u>	<u>1,088</u>	<u>8,874</u>

##### (2) Changes during period

Changes in acquisition costs, accumulated amortization and accumulated impairment losses, and carrying amounts of goodwill and intangible assets are as follows:

###### Acquisition costs

	Goodwill		Intangible assets			
	Millions of yen	Software Millions of yen	Customer- related assets Millions of yen	Leasehold rights Millions of yen	Other Millions of yen	Total Millions of yen
As of April 1, 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	<u>15,439</u>	<u>1,199</u>	<u>660</u>	<u>601</u>	<u>943</u>	<u>3,402</u>
Acquisition	–	37	39	–	166	242
Acquisition due to business combinations	–	9	–	–	–	9
Sale or disposal	–	(14)	–	–	(0)	(14)
Exchange differences on translation of foreign operations	175	8	–	16	26	50
As of March 31, 2023	<u>15,613</u>	<u>1,238</u>	<u>699</u>	<u>617</u>	<u>1,135</u>	<u>3,689</u>

	Goodwill		Intangible assets			
		Software	Customer-related assets	Leasehold rights	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	115,613	8,979	4,942	4,501	7,062	25,476
Acquisition	–	277	292	–	1,243	1,812
Acquisition due to business combinations	–	67	–	–	–	67
Sale or disposal	–	(105)	–	–	(0)	(105)
Exchange differences on translation of foreign operations	1,310	60	–	120	195	374
As of March 31, 2023	116,916	9,271	5,234	4,620	8,499	27,625



Accumulated amortization and accumulated impairment losses

	Intangible assets					
	Goodwill	Intangible assets				Total
	Millions of yen	Software	Customer-related assets	Leasehold rights	Other	
Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	
As of April 1, 2021	1,876	959	30	362	18	1,368
Acquisition due to business combinations	–	27	–	–	708	735
Amortization	–	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
Acquisition due to business combinations	–	2	–	–	–	2
Amortization	–	58	45	31	21	155
Impairment losses	303	–	–	–	–	–
Sale or disposal	–	(14)	–	–	(0)	(14)
Exchange differences on translation of foreign operations	8	7	–	16	22	46
As of March 31, 2023	2,237	1,107	120	455	823	2,505

	Intangible assets					
	Goodwill	Intangible assets				Total
	Thousands of U.S. dollars	Software	Customer-related assets	Leasehold rights	Other	
Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	
As of March 31, 2022	14,423	7,885	569	3,055	5,841	17,351
Acquisition due to business combinations	–	15	–	–	–	15
Amortization	–	434	337	232	157	1,161
Impairment losses	2,269	–	–	–	–	–
Sale or disposal	–	(105)	–	–	(0)	(105)
Exchange differences on translation of foreign operations	60	52	–	120	165	344
As of March 31, 2023	16,752	8,290	899	3,407	6,163	18,758

(Note) Amortization of intangible assets is included in cost of sales and selling, general and administrative expenses in the consolidated statement of profit or loss.

Carrying amounts

	Intangible assets					
	Goodwill					Total
	Millions of yen	Software	Customer-related assets	Leasehold rights	Other	Millions of yen
As of April 1, 2021	12,684	136	491	226	99	952
As of March 31, 2022	13,513	146	584	193	163	1,085
As of March 31, 2023	13,376	132	579	162	312	1,184

	Intangible assets					
	Goodwill					Total
	Thousands of U.S. dollars	Software	Customer-related assets	Leasehold rights	Other	Thousands of U.S. dollars
As of March 31, 2023	100,165	988	4,336	1,213	2,336	8,866

(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, 2022	3
As of March 31, 2023	1

Right-of-use assets	Software
	Thousands of U.S. dollars
As of March 31, 2023	7

(4) Intangible assets with indefinite useful lives

The Group had no significant intangible assets with indefinite useful lives as of March 31, 2023 and March 31, 2022.

(5) Significant intangible assets

None of the intangible assets recognized in the consolidated statement of financial position were individually significant as of March 31, 2023 and March 31, 2022.

## 15. INVESTMENT PROPERTY

### (1) Changes during period

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

#### Acquisition costs

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Balance at beginning of period	8,927	9,169	66,849
Acquisition	342	794	2,561
Acquisition due to business combinations	43	316	322
Sale or disposal	(6)	(13)	(45)
Transfer of accounts	650	(1,340)	4,867
Balance at end of period	<u>9,957</u>	<u>8,927</u>	<u>74,562</u>

#### Accumulated depreciation and accumulated impairment losses

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Balance at beginning of period	2,479	2,553	18,564
Acquisition due to business combinations	17	145	127
Depreciation	153	164	1,146
Impairment losses	–	3	–
Sale or disposal	(2)	–	(15)
Transfer of accounts	10	(386)	75
Balance at end of period	<u>2,658</u>	<u>2,479</u>	<u>19,904</u>

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

	As of March 31, 2023		As of March 31, 2022		As of March 31, 2023	
	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	7,299	7,850	6,448	7,112	54,658	58,784

The fair value of an investment property is mainly based on real estate appraisals by outside real estate appraisers, etc. The valuation is based on market evidence that reflects the transaction prices of similar assets in accordance with the valuation standards of the country where the property is located.

The fair value of investment properties is classified as Level 3 in the fair value hierarchy as it is determined using valuation techniques that incorporate unobservable inputs. Details on the fair value hierarchy is stated in Note “36. FINANCIAL INSTRUMENTS.”

(2) Income and expenses arising from investment properties

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Lease income	440	403	3,295
Direct operating expenses	273	255	2,044

16. IMPAIRMENT OF NON-FINANCIAL ASSETS

(1) Impairment losses

In determining impairment losses, the Group groups assets based on the smallest identifiable groups of assets that generate largely independent cash inflows.

Impairment losses are recorded as other expenses in the consolidated statement of profit or loss.

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

The breakdown of impairment losses by segment is stated in Note “6. OPERATING SEGMENTS.”

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Property, plant and equipment			
Buildings and structures	52	18	389
Machinery and vehicles	1	3	7
Tools, furniture and fixtures	5	0	37
Right-of-use assets	0	4	0
Goodwill	303	–	2,269
Intangible assets			
Other	–	0	–
Investment property	–	3	–
Total	<u>361</u>	<u>29</u>	<u>2,703</u>

The impairment losses on property, plant and equipment recognized in the fiscal year ended March 31, 2022 were attributable mainly to buildings and structures and right-of-use assets of the Automobile Sales-Related Business. The carrying amount of an asset group whose investment amount was expected to be difficult to recover due to a decline in profitability or other factors was reduced to its recoverable amount.

The impairment losses on property, plant and equipment recognized in the fiscal year ended March 31, 2023 were attributable mainly to buildings and structures and tools, furniture and fixtures of the Automobile Sales-Related Business. The carrying amount of an asset group whose investment amount was expected to be difficult to recover due to a decline in profitability or other factors was reduced to its recoverable amount.

The impairment loss on goodwill recognized in the fiscal year ended March 31, 2023 was attributable to CATERHAM CARS GROUP LIMITED, a consolidated subsidiary of the Company. The carrying amount of goodwill was reduced to its recoverable amount as the subsidiary was unlikely to generate revenue that had been expected at the time of acquisition of its shares. The recoverable amount was measured at value in use. The value in use was determined by discounting to the present value the estimated future cash flows based on past experience and external information.

(2) Impairment of goodwill

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

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

	As of March 31, 2023	As of March 31, 2022	As of March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Automobile Sales-Related Business	12,665	12,802	94,840
Housing-related Business	711	711	5,324
Total	13,376	13,513	100,165

Of the above, the carrying amounts of significant goodwill in the fiscal year ended March 31, 2023 were: Shizuoka Nissan Auto Sales Co., Ltd. (Automobile Sales-Related Business): ¥3,268 million (\$24,472 thousand) (the fiscal year ended March 31, 2022: ¥3,268 million), Nissan Satio Saitama Co., Ltd. (Automobile Sales-Related Business): ¥2,024 million (\$15,157 thousand) (the fiscal year ended March 31, 2022: ¥2,024 million), and Nagano Nissan Auto Co., Ltd. (Automobile Sales-Related Business): ¥1,952 million (\$14,617 thousand) (the fiscal year ended March 31, 2022: ¥1,952 million).

The Group tests goodwill for impairment in every reporting period, or whenever there is an indication of impairment. The recoverable amount in an 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 fiscal years approved by the management and the growth rate to the present value using the discount rate of 6.7 to 13.6% (the fiscal year ended March 31, 2022: 6.1 to 9.3%), which is based on the weighted average cost of capital of the cash-generating units or the group of cash-generating units. The growth rate is determined to be 0% (the fiscal year ended March 31, 2022: 0%) in view of the long-term average growth rate in the industry or country to which the cash-generating unit or the group of cash-generating units belongs, and does not exceed the long-term average growth rate of the market.

There is a risk of impairment losses if the major assumptions used in impairment testing at the end of the fiscal year ended March 31, 2023 are changed. For example, a 39.7% rise in the pretax weighted average cost of capital or a 16.5% decline in total estimated future cash flows, including terminal value, could generate impairment losses.

17. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

(1) Investments in associates

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

	As of March 31, 2023	As of March 31, 2022	As of March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Total carrying amount	4,501	4,277	33,705

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

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Share of profit	242	223	1,812
Share of other comprehensive income	24	(1)	180
Share of comprehensive income	267	222	1,999

(2) Company not classified as an associate despite the Group's holding of 20% or more of its voting rights

Although the Group holds 20% or more of the voting rights of Nissan Parts Nagano Sales Co., Ltd., it is not classified as an associate as it is controlled by its largest shareholder as the parent and therefore the Group is unable to 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, 2023

	As of April 1, 2022	Recognized in profit or loss	Recognized in other comprehensive income	Business combinations	Other	As of March 31, 2023
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Inventories	233	235	–	13	–	481
Non-current assets	(592)	(162)	–	1	–	(752)
Investment securities	(3,504)	8	(3,458)	(0)	–	(6,955)
Unused tax losses	151	(44)	–	10	–	116
Other	862	158	–	25	(20)	1,025
<b>Total</b>	<b>(2,851)</b>	<b>196</b>	<b>(3,458)</b>	<b>49</b>	<b>(20)</b>	<b>(6,084)</b>

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
<b>Total</b>	<b>(565)</b>	<b>(1,826)</b>	<b>(415)</b>	<b>(49)</b>	<b>5</b>	<b>(2,851)</b>

Fiscal year ended March 31, 2023

	As of April 1, 2022	Recognized in profit or loss	Recognized in other comprehensive income	Business combinations	Other	As of March 31, 2023
	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	1,745	1,760	–	97	–	3,602
Non-current assets	(4,433)	(1,213)	–	7	–	(5,631)
Investment securities	(26,239)	60	(25,895)	(0)	–	(52,082)
Unused tax losses	1,131	(329)	–	75	–	869
Other	6,455	1,183	–	187	(150)	7,676
<b>Total</b>	<b>(21,349)</b>	<b>1,468</b>	<b>(25,895)</b>	<b>367</b>	<b>(150)</b>	<b>(45,559)</b>

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

	As of March 31, 2023	As of March 31, 2022	As of March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Unused tax losses	5,441	5,601	40,744
Deductible temporary differences	35,280	12,056	264,191
Total	<u>40,721</u>	<u>17,656</u>	<u>304,935</u>

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

	As of March 31, 2023	As of March 31, 2022	As of March 31, 2023
	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	5,441	5,601	40,744
Total	<u>5,441</u>	<u>5,601</u>	<u>40,744</u>

Taxable temporary differences related to investments in subsidiaries that were not recognized as deferred tax liabilities totaled ¥37,859 million (\$283,503 thousand) and ¥33,124 million as of March 31, 2023 and March 31, 2022, respectively. These taxable temporary differences were not recognized as deferred tax liabilities as the Group is able to control the timing of their reversal and it is probable that they will not reverse in the foreseeable future.

(2) Income tax expense

The breakdown of income tax expense is as follows:

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Current tax expense	3,507	3,712	26,262
Deferred tax expense	(196)	1,826	(1,468)
Total	3,311	5,537	24,794

Factors causing the difference between the statutory effective tax rate and the average effective tax rate are as follows:

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
	%	%
Statutory effective tax rate	30.6	30.6
Non-tax-deductible expenses	0.3	0.4
Unrecognized deferred tax assets	0.1	(2.4)
Difference from applicable tax rates for subsidiaries	0.6	1.5
Utilization and recognition of tax loss carryforwards	(0.4)	(0.2)
Impairment losses on goodwill, etc.	–	0.7
Tax credit	–	(1.1)
Gain on bargain purchase	–	(4.4)
Other	(0.3)	0.9
Average effective tax rate	30.8	26.2

The Group is subject primarily to the corporate tax, inhabitant tax and business tax. The Group's statutory effective tax rate calculated based on these taxes for the fiscal year ended March 31, 2023 and the fiscal year ended March 31, 2022 was 30.6%. 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, 2023	As of March 31, 2022	As of March 31, 2023	Average interest rate	Due date
	Millions of yen	Millions of yen	Thousands of U.S. dollars	%	
Short-term borrowings	33,563	20,326	251,333	0.75	—
Current portion of long-term borrowings	8,269	7,823	61,921	0.34	—
Current portion of bonds	301	125	2,254	0.48	—
Long-term borrowings	18,728	18,009	140,243	0.30	2024–2040
Bonds payable	471	18	3,527	0.47	2024–2027
Lease liabilities (short-term)	6,487	6,485	48,577	1.40	—
Lease liabilities (long-term)	17,382	17,658	130,163	1.38	2024–2055
Other	657	600	4,920	—	—
<b>Total</b>	<b>85,858</b>	<b>71,044</b>	<b>642,938</b>	—	—
Current liabilities	48,620	34,759	364,086	—	—
Non-current liabilities	37,238	36,285	278,853	—	—
<b>Total</b>	<b>85,858</b>	<b>71,044</b>	<b>642,938</b>	—	—

(Notes) 1. The average interest rates represent the weighted-average interest rates based on the 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 name	Issuance date	As of March 31, 2023	As of March 31, 2022	As of March 31, 2023	Coupon rate	Collateral	Redemption date
			Millions of yen	Millions of yen	Thousands of U.S. dollars	%		
Koyo Jidousha Co., Ltd.	The 5th unsecured straight bonds	March 30, 2018	— (—)	100 (100)	— (—)	0.38	None	March 30, 2023
TAKI HOUSE Co., Ltd.	The 1st unsecured straight bonds	January 12, 2018	— (—)	10 (10)	— (—)	0.60	None	January 25, 2023
TAKAGAKI Gumi, Inc.	The 1st unsecured straight bonds	December 25, 2017	— (—)	6 (6)	— (—)	0.21	None	December 22, 2022
TAKAGAKI Gumi, Inc.	The 2nd unsecured straight bonds	April 25, 2018	3 (3)	6 (3)	22 (22)	0.21	None	April 25, 2023
TAKAGAKI Gumi, Inc.	The 3rd unsecured straight bonds	June 25, 2020	15 (6)	21 (6)	112 (45)	0.30	None	June 25, 2025
Kawasaki Housing Co., Ltd.	The 6th unsecured straight bonds	August 27, 2018	10 (10)	— (—)	75 (75)	0.45	None	August 25, 2023
Kawasaki Housing Co., Ltd.	The 7th unsecured straight bonds	August 27, 2018	59 (22)	— (—)	442 (165)	0.50	None	August 27, 2025
Kawasaki Housing Co., Ltd.	The 8th unsecured straight bonds	September 25, 2018	10 (10)	— (—)	75 (75)	1.00	None	September 25, 2023
Kawasaki Housing Co., Ltd.	The 9th unsecured straight bonds	September 26, 2018	10 (10)	— (—)	75 (75)	0.55	None	September 26, 2023

Kawasaki Housing Co., Ltd.	The 10th unsecured straight bonds	September 26, 2018	10 (10)	– (–)	75 (75)	0.92	None	September 26, 2023
Kawasaki Housing Co., Ltd.	The 11th unsecured straight bonds	October 25, 2018	40 (40)	– (–)	300 (300)	0.35	None	October 25, 2023
Kawasaki Housing Co., Ltd.	The 12th unsecured straight bonds	June 25, 2019	30 (20)	– (–)	225 (150)	0.35	None	June 25, 2024
Kawasaki Housing Co., Ltd.	The 13th unsecured straight bonds	May 25, 2020	50 (20)	– (–)	374 (150)	0.35	None	May 23, 2025
Kawasaki Housing Co., Ltd.	The 14th unsecured straight bonds	June 30, 2020	50 (20)	– (–)	374 (150)	0.35	None	June 30, 2025
Kawasaki Housing Co., Ltd.	The 15th unsecured straight bonds	April 25, 2021	35 (10)	– (–)	262 (75)	1.12	None	April 25, 2026
Kawasaki Housing Co., Ltd.	The 16th unsecured straight bonds	July 12, 2021	70 (20)	– (–)	524 (150)	0.27	None	July 10, 2026
Kawasaki Housing Co., Ltd.	The 17th unsecured straight bonds	July 30, 2021	140 (40)	– (–)	1,048 (300)	0.65	None	July 30, 2026
Kawasaki Housing Co., Ltd.	The 18th unsecured straight bonds	October 25, 2021	80 (20)	– (–)	599 (150)	0.30	None	October 23, 2026
Kawasaki Housing Co., Ltd.	The 19th unsecured straight bonds	December 24, 2021	80 (20)	– (–)	599 (150)	0.46	None	December 24, 2026
Kawasaki Housing Co., Ltd.	The 20th unsecured straight bonds	February 25, 2022	80 (20)	– (–)	599 (150)	0.38	None	February 25, 2027
	Total		772 (301)	143 (125)	5,781 (2,254)	–	–	–

(Notes) 1. The figures in parentheses are the amounts of current portions of bonds.

2. Kawasaki Housing Co., Ltd. was newly consolidated in the fiscal year ended March 31, 2023. The balances of its bonds as of March 31, 2022 are not listed here as it was not yet a consolidated subsidiary of the Group then.

(2) Assets pledged as collateral

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

	As of March 31, 2023	As of March 31, 2022	As of March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Property, plant and equipment	9,983	9,895	74,757
Inventories	21,080	13,839	157,855
Investment property	843	860	6,313
Other	200	223	1,498
Total	32,107	24,817	240,430

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 necessary.

The terms and conditions of leases in the Group are negotiated on an individual basis, and the contract terms and conditions vary significantly both in Japan and overseas.

For a contract with an extension option and a termination option, the Group determines the lease term by assessing whether it is reasonably certain to exercise the option.

Many of the vehicle lease contracts contain a residual value guarantee provision.

The breakdown of the carrying amounts and depreciation of right-of-use assets is 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 as of 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 as of March 31, 2022	9,423	7,166	62	3,236	3	533	20,423
Increase	1,241	4,458	51	849	–	1,134	7,734
Depreciation	(1,776)	(3,130)	(30)	(886)	(2)	(508)	(6,331)
Impairment losses	–	(0)	–	–	–	–	(0)
Other	98	(1,067)	(0)	(12)	–	(469)	(1,450)
Balance as of March 31, 2023	8,987	7,428	83	3,187	1	690	20,376

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

The amounts recognized in the consolidated statement of profit or loss are as follows:

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Interest expenses on lease liabilities	423	441	3,168
Short-term lease expenses	449	326	3,362
Expenses of leases for which the underlying asset is of low value	226	238	1,692

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

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Total amount of cash outflows for leases	8,377	7,378	62,730

(2) Lessor

1) Finance leases

The Group leases vehicles as a lessor of finance leases.

Lease income from the finance leases is as follows:

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Lease income	833	701	6,238

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

	As of March 31, 2023	As of March 31, 2022	As of March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Due within one year	5,229	4,378	3,916
Due after one year through two years	2,744	2,131	20,548
Due after two years through three years	1,600	1,196	11,981
Due after three years through four years	719	448	5,384
Due after four years through five years	189	107	1,415
Due after five years	7	10	52
Total	10,488	8,270	78,538
Unearned finance income	1,261	986	9,443
Unguaranteed residual value (discounted)	–	–	–
Net investment in the lease	9,227	7,284	69,095

2) Operating leases

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

For a lease of a real estate property, the Group receives the cost of restoring the property to its original condition as a leasehold deposit.

Lease income from the operating leases is as follows:

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Lease income	440	403	3,295

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

	As of March 31, 2023	As of March 31, 2022	As of March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Due within one year	330	254	2,471
Due after one year through two years	114	82	854
Due after two years through three years	42	32	315
Due after three years through four years	35	22	262
Due after four years through five years	31	22	232
Due after five years	52	73	389
Total	603	484	4,516

## 21. TRADE AND OTHER PAYABLES

The breakdown of trade and other payables is as follows:

	As of March 31, 2023	As of March 31, 2022	As of March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Accounts payable - trade	30,586	23,186	229,040
Accounts payable - other	6,429	5,086	48,143
Sublease investment liabilities	8,056	6,328	60,326
Notes payable	598	976	4,478
Total	45,669	35,577	341,987

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 fiscal years ended March 31, 2023 and March 31, 2022 were ¥445 million (\$3,332 thousand) and ¥436 million, respectively.

## 23. PROVISIONS

The breakdown of provisions and their changes are as follows:

	Asset retirement obligations	
	Millions of yen	
As of April 1, 2021		551
Unwinding of the discount		8
Increases		28
Decreases (utilized)		(1)
As of March 31, 2022		585
Unwinding of the discount		7
Increases		15
Decreases (utilized)		(39)
As of March 31, 2023		569

	Asset retirement obligations	
	Thousands of U.S. dollars	
As of March 31, 2022		4,381
Unwinding of the discount		52
Increases		112
Decreases (utilized)		(292)
As of March 31, 2023		4,261

The breakdown of provisions in the consolidated statement of financial position is as follows:

	As of March 31, 2023	As of March 31, 2022	As of March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Non-current liabilities	569	585	4,261
Total	569	585	4,261

The amount to be paid in the future estimated based on past experience is recognized as asset retirement obligations to prepare for the obligation to return the land to its original condition at the termination of the real estate lease contracts for stores, etc. used by the Group. While future outflows of economic benefits are mainly 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, 2023	As of March 31, 2022	As of March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Accrued bonuses	1,305	1,250	9,772
Deposits received	798	552	5,976
Accrued consumption taxes	302	1,273	2,261
Other	2,363	2,254	17,695
Total	4,767	5,329	35,697
Current liabilities	2,675	3,294	20,031
Non-current liabilities	2,092	2,035	15,666
Total	4,767	5,329	35,697

## 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, 2023	Fiscal year ended March 31, 2022
	Shares	Shares
Number of shares authorized		
Ordinary shares	169,800,000	169,800,000
Number of shares issued		
Balance at beginning of period	119,381,034	119,381,034
Increase (decrease) during the period	–	–
Balance at end of period	<u>119,381,034</u>	<u>119,381,034</u>

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

### (2) Treasury shares

Changes in the number of treasury shares are as follows:

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022
	Shares	Shares
Treasury shares		
Balance at beginning of period	3,393,364	4,026,580
Increase during the period	–	–
Decrease during the period (Note)	–	633,216
Balance at end of period	<u>3,393,364</u>	<u>3,393,364</u>

(Note) The decrease in treasury shares of 633,216 during the fiscal year ended March 31, 2022 is due to a delivery of shares on November 1, 2021 as considerations for shares in HONDA YONRINHANBAI MARUJUN CO., LTD., which was a consolidated subsidiary of the Company, in a stock swap to make HONDA YONRINHANBAI MARUJUN a wholly-owned subsidiary. The total acquisition price of the delivered shares 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 shall 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 a 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 or legal retained earnings until the total 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 a general meeting of shareholders.

## 26. DIVIDENDS

The dividends paid are as follows:

Fiscal year ended March 31, 2023

Date of resolution	Class of shares	Total amount of dividends Millions of yen (Thousands of U.S. dollars)	Dividend per share Yen (U.S. dollars)	Record date	Effective date
Board of Directors meeting held on May 13, 2022	Ordinary shares	1,276 (9,555)	11.00 (0.08)	March 31, 2022	June 13, 2022
Board of Directors meeting held on November 14, 2022	Ordinary shares	1,334 (9,990)	11.50 (0.09)	September 30, 2022	December 2, 2022

Fiscal year ended March 31, 2022

Date of resolution	Class of shares	Total amount of dividends Millions of yen	Dividend per share Yen	Record date	Effective date
Board of Directors meeting held on May 14, 2021	Ordinary shares	1,154	10.00	March 31, 2021	June 14, 2021
Board of Directors meeting held on November 15, 2021	Ordinary shares	1,269	11.00	September 30, 2021	December 3, 2021

Dividends whose effective date falls in the next fiscal year are as follows:

Fiscal year ended March 31, 2023

Date of resolution	Class of shares	Total amount of dividends Millions of yen (Thousands of U.S. dollars)	Dividend per share Yen (U.S. dollars)	Record date	Effective date
Board of Directors meeting held on May 15, 2023	Ordinary shares	1,392 (10,424)	12.00 (0.09)	March 31, 2023	June 12, 2023

Fiscal year ended March 31, 2022

Date of resolution	Class of shares	Total amount of dividends Millions of yen	Dividend per share Yen	Record date	Effective date
Board of Directors meeting held on May 13, 2022	Ordinary shares	1,276	11.00	March 31, 2022	June 13, 2022



## 27. REVENUE

### (1) Disaggregation of revenue

#### 1) Revenue recognized from contracts with customers and other sources

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Revenue recognized from contracts with customers	265,056	237,229	1,984,843
Revenue recognized from other sources	1,273	701	9,533
Total	266,329	237,930	1,994,376

#### 2) Relations between disaggregated revenue and segment revenue

Fiscal year ended March 31, 2023

	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	128,280	–	–	128,280
Used cars	61,050	–	–	61,050
Services	42,393	–	–	42,393
Car rentals	11,480	–	–	11,480
Housing	–	21,800	–	21,800
Other	52	–	–	52
	243,255	21,800	–	265,056
Timing of revenue recognition				
Goods transferred at a point in time	230,454	15,332	–	245,785
Services transferred over time	12,801	6,469	–	19,270
	243,255	21,800	–	265,056

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
	<u>221,071</u>	<u>16,016</u>	<u>141</u>	<u>237,229</u>
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
	<u>221,071</u>	<u>16,016</u>	<u>141</u>	<u>237,229</u>

Fiscal year ended March 31, 2023

	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	960,611	–	–	960,611
Used cars	457,166	–	–	457,166
Services	317,455	–	–	317,455
Car rentals	85,967	–	–	85,967
Housing	–	163,247	–	163,247
Other	389	–	–	389
	<u>1,821,589</u>	<u>163,247</u>	<u>–</u>	<u>1,917,448</u>
Timing of revenue recognition				
Goods transferred at a point in time	1,725,730	114,812	–	1,840,535
Services transferred over time	95,859	48,442	–	144,301
	<u>1,821,589</u>	<u>163,247</u>	<u>–</u>	<u>1,917,448</u>

## (2) Information on the performance obligations

### 1) Automobile Sales-Related Business

In the new cars segment, the Group purchases new cars from automakers and sells them. Some companies in the Group manufacture vehicles and sell them to sales agencies. Transaction prices are calculated based on prices in contracts with customers. As for returns and obligations to make a refund, the Group may work as an agent and make a request for a refund to an automaker or a parts manufacturer. However, in most cases, no expenses are incurred by the Group.

In the used cars segment, the Group sells used cars received in exchange of new cars, used cars purchased at auction, used rental cars, etc. Transaction prices are calculated based on prices in contracts with customers. The Group may incur return and refund obligations due to faults in assessment. However, the Group does not estimate such obligations as they are insignificant.

The Group considers that performance obligations in the new cars segment and the used cars segment are satisfied upon delivery of cars. For auction or online sales in the used cars segment, performance obligations are considered to be satisfied on the date the winning bid was placed. The Group receives considerations mostly within one month from the date of satisfaction of the performance obligation.

In the services segment, the Group 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. As for returns of a part and obligations to make a refund, the Group may work as an agent and make a request for a refund to an automaker or a parts manufacturer. Expenses may be incurred by the Group due to failure to make a request. However, the Group does not estimate such expenses as the amount is insignificant. The Group considers that performance obligations are satisfied on the date of completion of work. The Group receives considerations mostly within one month from the date of satisfaction of the performance obligation.

For long-term maintenance package products for JCI and other inspections offered in the services segment, the Group receives payment at the conclusion of a contract. Transaction prices are based on the price list and reflect the impact of the time value of money. The Group makes a refund after deducting a registration fee. Revenue from a registration fee is recognized at the conclusion of a contract, and revenue from services other than a registration fee is recognized as the services are rendered.

In the car rentals segment, the Group leases or purchases cars from automobile dealerships and rent them. Transaction prices of rental cars are based on the price list. Transaction prices of leased cars are calculated based on prices in contracts with customers. There is no possibility of returns or refunds. The Group considers that performance obligations are satisfied over the term of the car rental or car lease. The Group receives considerations mostly within one month from the date of satisfaction of the performance obligation.

### 2) Housing-related Business

In the Housing-related Business, the Group sells condominiums and detached houses, and provides construction services for custom-built houses and commercial facilities. Transaction prices are calculated based on prices in contracts with customers. Revenue from a construction service contract whose performance obligation is satisfied over a certain period of time is recognized based on the progress toward the satisfaction of the performance obligation. The progress is measured based on the ratio of construction cost incurred by the final day of the reporting period to the total expected construction cost. For other contracts, revenue is recognized at a single point in time when the building is delivered, as the Group considers that the customer obtains control of it and the performance obligation is satisfied at the time of delivery. The Group receives considerations mostly within two months from the date of satisfaction of the performance obligation.

(3) Contract balances

Balances of receivables arising from contracts with customers, contract assets, and contract liabilities are as follows:

	As of April 1, 2021	As of March 31, 2022	As of March 31, 2023
	Millions of yen	Millions of yen	Millions of yen
Receivables arising from contracts with customers	6,247	10,152	10,543
Contract assets	100	304	412
Contract liabilities	13,585	12,103	10,947

  

	As of March 31, 2023
	Thousands of U.S. dollars
Receivables arising from contracts with customers	78,950
Contract assets	3,085
Contract liabilities	81,975

The contract assets primarily pertain to the Group's rights to consideration in exchange for goods or services in construction contracts in the Housing-related Business for which the Group has satisfied all or a part of its performance obligations, but not invoiced the customers as of the end of the fiscal year. When the rights to consideration become unconditional, the contract assets will be transferred to receivables. The increases are primarily due to the satisfaction of performance obligations for the construction contracts.

The contract liabilities are primarily related to advances received from customers. They decreased mainly due to the recognition of the advances received in the sale of vehicles in the Automobile Sales-Related Business as revenue.

The amount of revenue recognized in the reporting period that was included in the beginning balance of contract liabilities is as follows:

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
The amount of revenue recognized in the reporting period that was included in the beginning balance of contract liabilities	9,018	10,693	67,530

(4) Transaction prices 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. Considerations from contracts with corporate customers do not include any significant amount not included in the transaction prices.

(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, 2023	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Personnel expenses	19,234	17,644	144,032
Depreciation and amortization	4,008	3,930	30,013
Advertising expenses	1,683	1,510	12,603
Other	8,000	6,845	59,907
Total	32,926	29,929	246,563

## 29. OTHER INCOME AND EXPENSES

The breakdown of other income is as follows:

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Gain on sale of non-current assets	3	2	22
Gain on bargain purchase	1,834	–	13,734
Other	726	582	5,437
Total	2,562	584	19,185

The breakdown of other expenses is as follows:

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Loss on sale of non-current assets	7	12	52
Loss on retirement of non-current assets	96	33	719
Impairment losses	361	29	2,703
Other	224	281	1,677
Total	687	354	5,145

### 30. FINANCE INCOME AND FINANCE COSTS

The breakdown of finance income is as follows:

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Interest income			
Financial assets measured at amortized cost	31	21	232
Dividend income			
Financial assets measured at fair value through profit or loss	7	7	52
Financial assets measured at fair value through other comprehensive income	219	161	1,640
Foreign exchange gain	155	252	1,161
Other	1	17	7
Total	413	458	3,093

The breakdown of finance costs is as follows:

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Interest expenses			
Financial liabilities measured at amortized cost	823	700	6,163
Other	43	30	322
Total	866	730	6,485

### 31. OTHER NON-OPERATING INCOME AND EXPENSES

Fiscal year ended March 31, 2022

Other non-operating income and expenses for the fiscal year ended March 31, 2022 consist of ¥1,380 million in proceeds from the partial sale of shares in KeePer Technical Laboratory Co., Ltd., which was accounted for using the equity method, and ¥6,436 million in gain on remeasurement of the remaining shares at fair value on the day on which the application of the equity method ceased.

Fiscal year ended March 31, 2023

Not applicable.

### 32. OTHER COMPREHENSIVE INCOME

Amount earned 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, 2023	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Financial assets measured at fair value through other comprehensive income			
Amount earned during the period	11,637	1,357	87,142
Tax effect	(3,458)	(415)	(25,895)
Financial assets measured at fair value through other comprehensive income	8,178	941	61,240
Exchange differences on translation of foreign operations			
Amount earned during the period	374	696	2,801
Reclassification adjustment	—	—	—
Before tax effect adjustments	374	696	2,801
Exchange differences on translation of foreign operations	374	696	2,801
Share of other comprehensive income of investments accounted for using equity method			
Amount earned during the period	24	(1)	180
Share of other comprehensive income of investments accounted for using equity method	24	(1)	180
Total other comprehensive income	8,576	1,636	64,220

### 33. EARNINGS PER SHARE

Basis for calculating basic earnings per share is as follows:

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Profit attributable to owners of parent	7,180	11,678	53,767
Weighted average number of ordinary shares issued and outstanding (Shares)	115,987,670	115,616,415	868,561,255
	Yen	Yen	U.S. dollars
Basic earnings per share	61.91	101.01	0.5

(Note) Diluted earnings per share is not presented as 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, 2023

	Changes without cash flows						As of March 31, 2023
	As of April 1, 2022	Changes with cash flows	Changes from business combination	Changes from new leases	Exchange differences on translation of foreign operations	Other	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Short-term borrowings	20,326	9,698	3,365	–	173	(0)	33,563
Long-term borrowings	25,831	359	830	–	1	(24)	26,997
Bonds payable	143	(291)	920	–	–	–	772
Lease liabilities	23,610	(7,702)	9	7,159	119	(18)	23,179
Construction assistance fund received	11	(1)	–	–	–	0	10
<b>Total</b>	<b>69,922</b>	<b>2,063</b>	<b>5,125</b>	<b>7,159</b>	<b>294</b>	<b>(41)</b>	<b>84,522</b>

The above lease liabilities do not include lease liabilities from operating activities.

Fiscal year ended March 31, 2022

	Changes without cash flows						As of March 31, 2022
	As of April 1, 2021	Changes with cash flows	Changes from business combination	Changes from new leases	Exchange differences on translation of foreign operations	Other	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Short-term borrowings	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 liabilities	22,792	(6,814)	455	7,359	274	(455)	23,610
Construction assistance fund received	12	(1)	–	–	–	0	11
<b>Total</b>	<b>67,231</b>	<b>(6,266)</b>	<b>1,624</b>	<b>7,359</b>	<b>406</b>	<b>(431)</b>	<b>69,922</b>

The above lease liabilities do not include lease liabilities from operating activities.



Fiscal year ended March 31, 2023

	Changes without cash flows						As of March 31, 2023
	As of April 1, 2022	Changes with cash flows	Changes from business combination	Changes from new leases	Exchange differences on translation of foreign operations	Other	
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	
Short-term borrowings	152,209	72,622	25,198	–	1,295	(0)	251,333
Long-term borrowings	193,433	2,688	6,215	–	7	(180)	202,164
Bonds payable	1,071	(2,179)	6,889	–	–	–	5,781
Lease liabilities	176,801	(57,676)	67	53,609	891	(135)	173,573
Construction assistance fund received	82	(7)	–	–	–	0	75
<b>Total</b>	<b>523,603</b>	<b>15,449</b>	<b>38,378</b>	<b>53,609</b>	<b>2,202</b>	<b>(307)</b>	<b>632,934</b>

The above lease liabilities do not include lease liabilities from operating activities.

(2) Non-cash transactions

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

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Right-of-use assets acquired by leases	6,705	7,023	50,210

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 in the number of underlying shares.

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

	Fiscal year ended March 31, 2023		Fiscal year ended March 31, 2022	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
	Shares	Yen (U.S. dollars)	Shares	Yen
Beginning balance of outstanding options	502,000	718 (5,377)	509,000	718
Granted	–	–	–	–
Exercised	–	–	–	–
Forfeited	–	–	7,000	718
Expired	502,000	718 (5,377)	–	–
Ending balance of outstanding options	–	–	502,000	718
Ending balance of exercisable options	–	–	502,000	718

(Notes) 1. No stock options were exercised in the fiscal years ended March 31, 2023 and March 31, 2022.

2. The exercise price of the outstanding stock options as of March 31, 2022 was ¥718.

3. The weighted average remaining contractual life of the outstanding stock options as of March 31, 2022 was 0.2 years.

(3) Share-based payment expenses

No share-based payment expenses were recognized in the fiscal years ended March 31, 2023 and March 31, 2022

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 ratio of equity attributable to owners of the parent company, and the return on equity attributable to owners of the parent company.

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

	As of March 31, 2023	As of March 31, 2022	As of March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Interest-bearing liabilities	93,268	76,784	698,427
Cash and cash equivalents	12,644	11,844	94,683
Net interest-bearing liabilities	80,624	64,940	603,744
Ratio of equity attributable to owners of the parent company (%)	28.1	27.3	28.1
Return on equity attributable to owners of the parent company (%)	12.4	25.5	28.1

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

There are no significant capital regulations that apply to the Group.

(2) Financial risk management

The Group is exposed to financial risks (credit risk, liquidity risk, currency risk, interest rate risk, and market price fluctuation risk) in the course of performing business activities. The Group manages risks in accordance with certain policies to mitigate these financial risks. The Group uses derivative transactions to avoid the risk of currency fluctuation or the risk of interest rate fluctuation. The Group does not use derivative transactions for speculative purposes.

(3) Credit risk management

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

The carrying amounts of the financial assets presented in the consolidated financial statements are the maximum value of credit risk exposure of the financial assets of the Group.

With regard to trade receivables and loans receivable, the Group creates a database of the credit status of each business partner with whom it has ongoing transactions pursuant to its rules on credit and receivable management and updates the database regularly to monitor the credit status constantly in an effort to identify any concerns about collection due to deterioration in their financial conditions and other factors at early stages. In addition, when starting a new transaction, the Group runs a credit check prior to the transaction, results of which will be used to determine whether or not to start the transaction and specify credit terms.

As for derivative transactions, the Group limits counterparties to financial institutions with high credit ratings and thus considers that the credit risk from such transactions is extremely low.

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

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

Notwithstanding the foregoing, if the Group reasonably determines that it is unable to collect all or part of its financial assets, as in cases 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 determines the amount of allowance for doubtful accounts by assessing the collectability of its trade and other receivables as well as other financial assets (claims provable in bankruptcy and claims provable in rehabilitation) based on the credit status of the counterparties.

The breakdown of changes in allowance for doubtful accounts for trade and other receivables as well as other financial assets (claims provable in bankruptcy and claims provable in rehabilitation) is as follows. The Group classifies assets that are expected to be difficult to collect in future into credit-impaired financial assets. Such assets include those for which collection of interest has been delayed though part of payment has been made or those more than 90 days overdue for which payment has not been made regularly.

	Assets recorded at an amount equal to lifetime expected credit losses			Total
	Assets recorded at an amount equal to 12-month expected credit losses	Credit-impaired financial assets	Financial assets for which allowance for doubtful accounts is always measured at an amount equal to lifetime expected credit losses	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance as of April 1, 2021	(1)	(1,086)	(33)	(1,120)
Changes due to new acquisition and collection of financial assets	0	(76)	(2)	(78)
Write-offs	–	7	11	18
Exchange differences on translation of foreign operations	–	–	(2)	(2)
Balance as of March 31, 2022	(1)	(1,156)	(26)	(1,182)
Changes due to new acquisition and collection of financial assets	0	47	(26)	21
Write-offs	–	0	2	2
Exchange differences on translation of foreign operations	–	–	(1)	(1)
Balance as of March 31, 2023	(1)	(1,109)	(51)	(1,161)

	Assets recorded at an amount equal to lifetime expected credit losses			Total
	Assets recorded at an amount equal to 12-month expected credit losses	Credit-impaired financial assets	Financial assets for which allowance for doubtful accounts is always measured at an amount equal to lifetime expected credit losses	
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
Balance as of March 31, 2022	(7)	(8,657)	(195)	(8,851)
Changes due to new acquisition and collection of financial assets	0	352	(195)	157
Write-offs	–	0	15	15
Exchange differences on translation of foreign operations	–	–	(7)	(7)
Balance as of March 31, 2023	(7)	(8,305)	(382)	(8,694)

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 lifetime expected credit losses			Total
	Assets recorded at an amount equal to 12-month expected credit losses	Credit-impaired financial assets	Financial assets for which allowance for doubtful accounts is always measured at an amount equal to lifetime expected credit losses	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of March 31, 2022	1,324	1,304	19,876	22,503
As of March 31, 2023	1,225	1,289	22,825	25,338

	Assets recorded at an amount equal to lifetime expected credit losses			Total
	Assets recorded at an amount equal to 12-month expected credit losses	Credit-impaired financial assets	Financial assets for which allowance for doubtful accounts is always measured at an amount equal to lifetime expected credit losses	
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of March 31, 2023	9,173	9,653	170,923	189,741

- 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, 2023 and March 31, 2022.

(4) Liquidity risk management

Liquidity risk is the risk that the Group may become unable to make payments on the due dates in fulfilling its obligations to repay financial liabilities that have become due.

The Group manages its liquidity risk by reserving adequate funds for repayment, securing readily available credit facilities extended by financial institutions, and monitoring planned and actual cash flows 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 updated on a timely basis.

Balances of financial liabilities by due date are as follows:

As of March 31, 2023

	Carrying amount	Contractual cash flows	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Non-derivative financial liabilities								
Trade and other payables	45,669	46,993	42,449	2,390	1,444	651	57	3
Borrowings	60,560	60,735	41,703	8,212	4,044	2,540	1,643	2,594
Bonds payable	772	771	304	208	166	93	–	–
Lease liabilities	23,869	26,466	8,840	4,427	3,036	1,827	1,300	7,037
Other	657	657	11	12	10	10	19	594
Total	131,527	135,622	93,306	15,249	8,700	5,121	3,018	10,227

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 liabilities	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, 2023

	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	341,987	351,902	317,875	17,897	10,813	4,875	427	22
Borrowings	453,497	454,808	312,288	61,495	30,283	19,021	12,303	19,425
Bonds payable	5,781	5,774	2,276	1,558	1,243	696	–	–
Lease liabilities	178,740	198,188	66,197	33,151	22,735	13,681	9,735	52,696
Other	4,920	4,920	82	90	75	75	142	4,448
Total	984,926	1,015,591	698,712	114,191	65,149	38,348	22,600	76,584

(5) Currency risk management

a. Risk management activities

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

b. Foreign currency sensitivity analysis

The impact of an 1% appreciation of the Japanese yen against the US dollars and the British pounds on the profit before tax in the consolidated statement of profit or loss in each reporting period is as follows.

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

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
US dollars	(13)	(19)	(97)
British pounds	(9)	(2)	(67)

(Note) The impact of the EUR presented in the fiscal year ended March 31, 2022 is not presented as the financial significance of its impact on profit before tax for the fiscal year ended March 31, 2023 is minimal.

The impact of the British pounds for the fiscal year ended March 31, 2023 is presented, together with that for the fiscal year ended March 31, 2022, as the financial significance of their impact on profit before tax increased.

(6) Interest rate risk management

a. Risk management activities

The Group is exposed to various risks of interest rate fluctuation in the course of its business activities. Fluctuations in interest rates have a significant impact on borrowing costs, in particular.

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

b. Interest rate sensitivity analysis

The impact of an 1% increase in interest rate on the profit before tax in the consolidated statement of profit or loss in each reporting period is as follows.

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

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Profit before tax	(467)	(346)	(3,497)

(7) Market price fluctuation risk management

a. Risk management activities

The Group is exposed to the 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

The impact of a 10% decline in the market prices of equity instruments held by the Group on the other comprehensive income (before tax effect) in the consolidated statement of comprehensive income in each reporting period is as follows.

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

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Other comprehensive income (before tax effect)	(2,402)	(1,264)	(17,987)



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

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

Lease liabilities are not included in the table below as disclosure of fair value is not required under IFRS 7 “Financial Instruments: Disclosures.”

	As of March 31, 2023		As of March 31, 2022		As of March 31, 2023	
	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	22,541	22,533	19,694	19,685	168,796	168,736
Other financial assets	3,241	2,957	2,993	2,867	24,270	22,143
Financial assets measured at fair value through profit or loss						
Other financial assets	916	916	986	986	6,859	6,859
Financial assets measured at fair value through other comprehensive income						
Other financial assets	26,920	26,920	15,587	15,587	201,588	201,588
Total	53,620	53,327	39,260	39,125	401,528	399,334
Financial liabilities measured at amortized cost						
Trade and other payables	45,669	45,661	35,577	35,568	341,987	341,928
Bonds and borrowings	61,333	61,334	46,301	46,311	459,286	459,293
Other financial liabilities	657	561	600	537	4,920	4,201
Total	107,659	107,556	82,478	82,416	806,193	805,422

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 observable prices

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

b. Calculation method for fair value

The calculation method for fair value of financial instruments is as follows:

Assets:

(Trade and other receivables)

The fair value of lease receivables and investments in leases is determined based on the present value obtained by discounting the total amount of lease income at a credit risk-adjusted rate of interest. Receivables other than lease receivables and investments in leases are stated at carrying amounts since their fair value approximates the carrying amounts as they are settled in a short period of time. They are classified as Level 2 in the fair value hierarchy.

(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 the shares are classified as Level 1 in the fair value hierarchy. When there is no active market for the securities, and if there is a standard price or other information published, as with

investment trusts and other instruments, the fair value is determined based on such information, and the securities are classified as Level 2 in the fair value hierarchy. The fair value of unlisted shares, etc. is determined by the valuation technique using the market price of shares of comparable companies and the valuation technique using net asset value, and the shares, etc. are classified as Level 3 in the fair value hierarchy.

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

Liabilities:

(Trade and other payables)

Trade and other payables that are settled in a short period of time are stated at carrying amounts as their fair value approximates the carrying amounts. Trade and other payables that are settled in a period longer than one year are determined based on the present value calculated using a discount rate that is equal to the interest rate that would be used for a new similar transaction. They are classified as Level 2 in the fair value hierarchy.

(Bonds and borrowings)

With respect to the fair value of bonds and long-term borrowings, those with variable interest rates are stated at carrying amounts as their fair value reflects the market rates in a short period of time 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 obtained by discounting the total amount of the principal and interest at an interest rate that would be offered for a new similar bond or borrowing. They are classified as Level 2 in the fair value hierarchy.

(Other financial liabilities)

With respect to other financial liabilities, the fair value is determined based on the present value, etc. obtained by discounting future cash flows at an interest rate equal to an appropriate index, such as the yield on a government bond. If other standard prices are published or presented, the fair value is determined based on such published and presented prices. They are classified as Level 2 in the fair value hierarchy.

c. Fair value hierarchy

The levels in the fair value hierarchy of financial instruments measured at fair value are as follows:

As of March 31, 2023

	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	–	237	–	237
Derivatives	–	30	–	30
Other	–	–	649	649
Financial assets measured at fair value through other comprehensive income				
Other financial assets				
Securities	24,017	–	2,904	26,920
Total	24,017	267	3,553	27,837

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	<u>12,637</u>	<u>309</u>	<u>3,627</u>	<u>16,573</u>

As of March 31, 2023

	Level 1	Level 2	Level 3	Total
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
Assets:				
Financial assets measured at fair value through profit or loss				
Other financial assets				
Securities	–	1,775	–	1,775
Derivatives	–	225	–	225
Other	–	–	4,860	4,860
Financial assets measured at fair value through other comprehensive income				
Other financial assets				
Securities	179,849	–	21,746	201,588
Total	<u>179,849</u>	<u>1,999</u>	<u>26,606</u>	<u>208,454</u>

Transfers between levels in the fair value hierarchy are recognized on the date of the event or change in circumstances that caused the transfer. The Group did not recognize any material transfers between Levels 1, 2 and 3 in 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 business management division. The result of valuation is reviewed and approved by the responsible person of the business management division.

e. Quantitative information on financial instruments classified as Level 3

Fair value of unlisted shares classified as Level 3 is measured as follows:

As of March 31, 2023

Categories	Valuation technique	Significant unobservable inputs	Input value
Financial assets measured at fair value through other comprehensive income	Valuation technique using the market price of the comparable companies	EV to EBIT multiple Price to book value multiple Illiquidity discount	4.87x 0.9x 30.0%
Financial assets measured at fair value through other comprehensive income	Valuation technique using net asset value	–	–

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	–	–

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 the 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, 2023

	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	677	2,950	3,627
New consolidations	–	22	22
Total gains and losses	(16)	279	263
Profit or loss (Note 1)	(16)	–	(16)
Other comprehensive income (Note 2)	–	279	279
Purchases	58	0	58
Sales	(70)	(347)	(417)
Balance at end of period	649	2,904	3,553
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
	Millions of yen	Millions of yen	Millions of yen
Balance at beginning of period	587	2,866	3,453
New consolidations	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, 2023

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	5,070	22,091	27,160
New consolidations	–	165	165
Total gains and losses	(120)	2,089	1,969
Profit or loss (Note 1)	(120)	–	(120)
Other comprehensive income (Note 2)	–	2,089	2,089
Purchases	434	0	434
Sales	(524)	(2,598)	(3,123)
Balance at end of period	4,860	21,746	26,606
Changes in unrealized gains or losses recognized in profit or loss on assets held at the end of the reporting period (Note 1)	(120)	–	(120)

(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. Accordingly, they are designated as financial assets measured at fair value through other comprehensive income.

a. Breakdown of fair value by issue

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

As of March 31, 2022

Issue name	Fair value
	Millions of yen
KeePer Technical Laboratory Co., Ltd.	11,597
Nissan Parts Tokai Sales Co., Ltd.	1,065
Nissan Parts Nagano Sales Co., Ltd.	500

As of March 31, 2023

Issue name	Fair value	Fair value
	Millions of yen	Thousands of U.S. dollars
KeePer Technical Laboratory Co., Ltd.	22,939	171,776
Nissan Parts Tokai Sales Co., Ltd.	1,208	9,046
Nissan Parts Nagano Sales Co., Ltd.	536	4,014

b. Derecognition of financial assets measured at fair value through other comprehensive income

The Group sells equity instruments, taking into account the current status of their fair value and business needs. The fair value of the issues sold during the period as of the date of derecognition of such issues and the accumulated gains or losses which had been recognized as other comprehensive income are as follows:

Fiscal year ended March 31, 2023		Fiscal year ended March 31, 2022		Fiscal year ended March 31, 2023	
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
333	299	8	3	2,494	2,239

Any change in fair value of equity instruments recognized through other comprehensive income is immediately transferred to retained earnings. Accumulated gains or losses transferred from other comprehensive income to retained earnings during the fiscal years ended March 31, 2023 and March 31, 2022 were ¥8,162 million (\$61,120 thousand) and ¥932 million, respectively.

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

Fiscal year ended March 31, 2023		Fiscal year ended March 31, 2022		Fiscal year ended March 31, 2023	
Investments derecognized during the period	Investments held at the end of the period	Investments derecognized during the period	Investments held at the end of the period	Investments derecognized during the period	Investments held at the end of the period
Millions of yen	Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars	Thousands of U.S. dollars
–	219	0	161	–	1,640

### 37. PRINCIPAL SUBSIDIARIES

#### (1) Subsidiaries

The status of major subsidiaries of the Group is as described in “I Overview of the Company, 4. Status of Affiliated Companies.”

#### (2) Consolidated subsidiaries with significant non-controlling interests

None of the consolidated subsidiaries of the Group had non-controlling interests that were individually significant in the fiscal years ended March 31, 2023 and March 31, 2022.

#### (3) Changes in the parent’s ownership interests in a subsidiary that did not result in loss of control

Fiscal year ended March 31, 2022

On November 1, 2021, a share exchange took place in which the Company was the wholly owing parent company and HONDA YONRINHANBAI MARUJUN CO., LTD., which had been a consolidated subsidiary of the Company, was the wholly owned subsidiary company. The shares delivered by the Company were those that had been held by the Company as treasury shares. As a result, ratio of voting rights held by the Company increased from 66% to 100%, non-controlling interests declined by ¥293 million, treasury shares declined by ¥162 million, and capital surplus increased by ¥132 million.

Fiscal year ended March 31, 2023

Not applicable.

38. RELATED PARTIES

(1) Transactions with related parties

Fiscal year ended March 31, 2023

Type	Name	Relationship	Description of transactions	Transaction amount	Amount outstanding
Company of which the majority of voting rights are held by a director (or other officer) or his or her close family member	Mogauto S.A	Sale of finished goods and merchandise, etc.		Millions of yen	Millions of yen
			Purchase of parts	62	–
			Sale of parts	26	3
			Purchase of vehicles	308	–
			Sale of vehicles	17	–
			Borrowing of fund	37	38
			Repayment of fund	37	–
			Payment of interest	0	–
	Sale of non-current assets	37	–		
	Mogadealer S.L	Sale of finished goods and merchandise, etc.	Purchase of parts	37	9
			Sale of parts	44	9
			Purchase of vehicles	1,602	–
			Sale of vehicles	11	–
			Borrowing of fund	30	31
			Repayment of fund	30	–
			Payment of interest	0	–
	Resiro Plus S.L	Leasing of land	Leasing of land	27	–
CLAMI S.L	Leasing of shops, etc.	Leasing of shops	443	–	

(Notes) 1. The transactions with related parties are made based on transactions between independent third parties.

2. The Group does not recognize an allowance for doubtful accounts for receivables pertaining to the transactions with related parties.



Fiscal year ended March 31, 2022

Type	Name	Relationship	Description of transactions	Transaction amount	Amount outstanding
Company of which the majority of voting rights are held by a director (or other officer) or his or her close family member	Mogauto S.A	Sale of finished goods and merchandise, etc.		Millions of yen	Millions of yen
			Purchase of parts	33	2
			Sale of parts	26	3
			Purchase of vehicles	165	25
			Sale of vehicles	8	–
			Borrowing of fund	34	36
			Repayment of fund	34	–
	Payment of interest	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	–
			Sale of vehicles	40	48
			Borrowing of fund	28	29
			Repayment of fund	28	–
			Payment of interest	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. The transactions with related parties are made based on transactions between independent third parties.

2. The Group does not recognize an allowance for doubtful accounts for receivables pertaining to the transactions with related parties.

Fiscal year ended March 31, 2023

Type	Name	Relationship	Description of transactions	Transaction amount	Amount outstanding
Company of which the majority of voting rights are held by a director (or other officer) or his or her close family member	Mogauto S.A	Sale of finished goods and merchandise, etc.	Purchase of parts	Thousands of U.S. dollars 464	Thousands of U.S. dollars –
			Sale of parts	195	22
			Purchase of vehicles	2,306	–
			Sale of vehicles	127	–
			Borrowing of fund	277	285
			Repayment of fund	277	–
			Payment of interest	0	–
			Sale of non-current assets	277	–
	Mogadealer S.L	Sale of finished goods and merchandise, etc.	Purchase of parts	277	67
			Sale of parts	329	67
			Purchase of vehicles	11,996	–
			Sale of vehicles	82	–
			Borrowing of fund	225	232
			Repayment of fund	225	–
			Payment of interest	0	–
Resiro Plus S.L	Leasing of land	Leasing of land	202	–	
CLAMI S.L	Leasing of shops, etc.	Leasing of shops	3,317	–	

(2) Remuneration for key management executives

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Basic remuneration	242	240	1,812
Retirement benefits	51	73	382
Total	293	313	2,194

39. COMMITMENTS

The amount of the unexecuted contracts to purchase property, plant and equipment was ¥2,075 million (\$15,538 thousand) as of March 31, 2023 (¥1,433 million as of March 31, 2022).

40. CONTINGENT LIABILITIES

Not applicable.

41. SUBSEQUENT EVENTS

Not applicable.