Annual Report 2021

Year Ended March 31,2021

Profile

Seino Holdings Co., Ltd. ("the Company") began business as a trucking company in 1930 and was incorporated in 1946.Based in the city of Ogaki, Gifu Prefecture, we are a leading trucking company, expanding in step with the growth of the Japanese economy and the development of the nation's extensive expressway network.

On October 1, 2005, the Company transferred its transportation business and other operations to a new company—which has taken the original name Seino Transportation Co., Ltd —and was renamed Seino Holdings Co., Ltd adopting a pure holding company structure.

The Seino Group currently consists of the pure holding company Seino Holdings, 82 consolidated subsidiaries and 21 affiliates engaged in transportation services, vehicle sales, merchandise sales, leasing for real estate services and other services.

In its mainstay Transportation Services business, the Company has taken steps to build even more convenient logistics systems, all the while adhering to its "customer-first" principle.

As of March 31, 2021, Seino offers efficient transportation services throughout Japan via its 724 domestic terminals, a fleet of 24,997 trucks and a trucking network that averages 4,000 routes daily.

In recent years, we have striven to increase employee satisfaction by conducting renovations of our business locations in order to improve working environments.

We also have two new facilities: Seino Transportation Co., Ltd. has opened the Fukagawa Branch (in Koto, Tokyo), and Seino Super Express Co., Ltd. has opened the Yamagata Sales Office (in Yamagata, Yamagata Prefecture).

The Seino Group is committed to providing rapid services that deliver total customer satisfaction and will proceed down the "Road to Success" to become a highly profitable company through initiatives to develop a progressive business model that will become the standard for next-generation transportation business.

Forward-looking Statements:
In this annual report, statements other than historical facts are forward-looking statements that reflect the plans and expectations of the Company. These forward-looking statements involve risks, uncertainties and other factors that may cause the Company's actual results and achievements to differ materially from those anticipated in these statements.

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Board of Directors

(As of June 26, 2021)

President	Yoshitaka Taguchi
Representative Director	Takao Taguchi
Directors	Yasuhisa Kotera Hidemi Maruta Harumi Furuhashi Nobuyuki Nozu
Outside Directors	Meyumi Yamada Shintaro Takai Yoichiro Ichimaru
Standing Statutory Auditors	Shingo Terada Nobuhiko Ito
Outside Statutory Auditors	Eiji Kasamatsu Hiroyuki Masuda

Seino Holdings Co., Ltd.

Financial Highlights

For the Years Ended March 31, 2021, 2020 and 2019

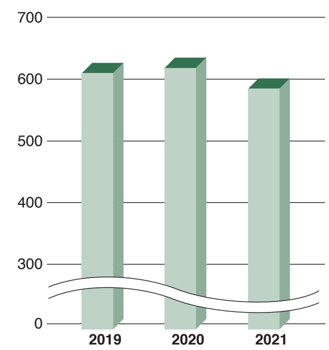
	Millions of Yen			Thousands of U.S. Dollars (Note)
	2021	2020	2019	2021
CONSOLIDATED BASIS:				
Operating revenue	**¥ 592,046**	¥ 625,627	¥ 617,162	**$ 5,333,748**
Operating income	**24,561**	29,697	31,196	**221,270**
Profit before income taxes	**27,621**	39,895	33,450	**248,838**
Net income	**16,661**	25,848	21,208	**150,099**
Net income per share (yen)	**89.31**	128.41	104.81	**0.80**

	Millions of Yen			Thousands of U.S. Dollars (Note)
	2021	2020	2019	2021
CONSOLIDATED BASIS:				
Cash and cash equivalents, and short-term investments	**¥103,054**	¥ 110,054	¥ 111,998	**$ 928,415**
Property and equipment, net of accumulated depreciation	**334,605**	315,984	310,633	**3,014,459**
Total assets	**672,248**	654,533	657,983	**6,056,288**
Long-term debt and other long-term liabilities	**44,478**	17,999	19,905	**400,703**
Net assets	**422,635**	432,813	426,207	**3,807,522**
Net assets per share (yen)	**2,297.61**	2,175.29	2,057.98	**20.70**

(Note) U.S. dollar amounts are translated at ¥111 = U.S. $1, only for the convenience of readers.

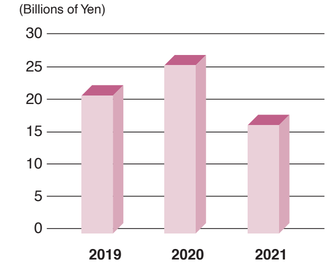
Operating revenue

(Billions of Yen)



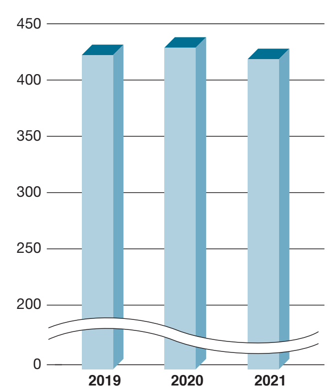
Net income

(Billions of Yen)



Net assets

(Billions of Yen)



Corporate Data

(As of March 31, 2021)

Company Name	Seino Holdings Co., Ltd.
Head Office	1, Taguchi-cho, Ogaki, Gifu 503-8501, Japan Tel: 81-584-82-3881 Fax: 81-584-82-5043
Date of Establishment	November 1, 1946
Paid-in Capital	¥42,482 million
Number of Shares Issued	207,679,783
Stock Listings	The First Section of Tokyo Stock Exchange (code 9076) The First Section of Nagoya Stock Exchange (code 9076)
Transfer Agent	Mitsubishi UFJ Trust and Banking Corporation
Independent Auditors	KPMG AZSA LLC

Message from the Management

To Our Shareholders, Customers and Friends

We would like to take this opportunity to express our appreciation to our stakeholders, including shareholders and other investors, for the consistent support you have shown us over the years. The results for the fiscal year ending March, 2021 (April 1, 2020 to March 31, 2021) are presented herein.

Medium-term Management Plan "Connecting our values - For the Prosperity of our Customers," 2021/4-2023-3

The following is a brief report on the performance of Seino Holdings Co., Ltd. for the fiscal year ended March 31, 2021, our 100th term (from April 1, 2020 to March 31, 2021).

During the fiscal year under review, Japan's economy outlook remained in a state of uncertainty due to the spread of novel coronavirus disease (COVID-19), which in Japan led to the declaration of a state of emergency twice and other restrictions on economic activities.

In the transportation industry, which is the Seino Group's mainstay business, although there was an increase in home delivery cargo as the EC market expanded due to changes in work styles and consumption styles in the COVID-19 crisis, the downward trend in domestic freight cargo transportation volume continued due to stagnant economic activities caused by COVID-19, resulting in a difficult business environment.

Under these circumstances, the Seino Group has been making unified efforts to enhance its corporate value by providing value to solve customer issues and investing intensively in business growth areas such as logistics, under the three-year medium-term management plan "Connecting our values - For the Prosperity of our Customers," of which the current fiscal year is the first year. In addition, as of August 31, 2020, LIVING PRO-SEED, INC. was made a subsidiary in order to be able to handle "drop-off deliveries" associated with the changes in the to C network in the new normal era.

As a result, operating revenue for the fiscal year ended March 31, 2021 was ¥592,046 million (down 5.4% year on year), operating profit was ¥24,561 million (down 17.3% year on year), ordinary profit was ¥27,751 million (down 11.9% year on year), and profit attributable to owners of parent was ¥16,661 million (down 35.5% year on year).

Future Outlook

As for the future outlook for the Japanese economy, although a recovery in consumer activity is expected as economic activity resumes after a period of stagnation, the situation is expected to remain severe as there are still no prospects for when COVID-19 will subside.

In the transportation industry, which is the Seino Group's mainstay business, although there has been a remarkable growth in products for individuals, mainly in the EC market, as a result of the establishment of new lifestyles, the volume of general cargo transportation is not expected to reach the level before the COVID-19 crisis, and a shortage of labor, including for long-distance drivers, is also expected.

Under such circumstances, we will aim to realize our medium-term management plan by responding to the diversification of customer needs and changes in the new normal era by having all employees share the concept of "SEI 'NO LIMIT': Freedom from Limits" to exceed our own limits in order to contribute to the prosperity of our customers. As part of this effort, we have determined the need for a strategic organizational structure and as of April 1, 2021, we have established the Transformation Promotion Team and the Last One Mile Promotion Team in the Business Promotion Department. In the former, we will utilize DX with the special cargo business as a base to transform and create new businesses and services, and pursue group-wide efficiency improvements, including the centralization of route operation systems. In addition, in the latter we will accelerate the nationwide development of valuable last one mile services in the to C network, such as the shopping service, which is being implemented nationwide as a countermeasure for vulnerable shoppers, "ARUU," an immediate delivery service for prescription drugs, "SkyHub™," a drone logistics service for depopulated areas, and "OCCO," an LCC home delivery service using drop-offs, for which demand is growing.

In addition, we will provide continuous management support to our customers by strengthening our sales structure and training our human resources to enhance their expertise in order to transform ourselves from "Special cargo

Seino" to "Logistics Seino."

In addition, we will strive to improve customer satisfaction and productivity by enhancing IT services, such as EDI cooperation and shipping support web services represented by Kangaroo Magic, as well as strengthen recruitment and improve retention rates of employees by introducing unit operation and freight handling separation to reform transformation, and by implementing measures to improve employee ES.

In addition, we will also make efforts to reduce CO_2 emissions through the expansion of modal shifts, replacement with new vehicles, and more efficient transportation.

In passenger vehicle sales in the Vehicle Sales Business, as competition among channels is in its full swing due to Toyota dealers selling all models simultaneously, it is difficult to differentiate vehicles and maintain superiority through price strategy alone. Therefore, in order to increase customer satisfaction and expand sales, we will implement optimal customer service through our customer information management system and renovate our stores. In truck sales as well, we will aim to improve profitability by improving sales support tools to expand sales of small trucks, and improving the stake in vehicle inspection by utilizing advanced maintenance equipment and expanding the lanes. In addition, we will work to improve ES by introducing advanced maintenance equipment to secure mechanics.

In the Merchandise Sales Business, the Real Estate Business, and Other Business, we will expand the business domain and strengthen existing businesses.

In accordance with our three-year medium-term management plan, the Seino Group will work to be a corporate group that contributes to our customers' prosperity and provides new value to achieve further growth.

To all shareholders, we sincerely ask for your ongoing encouragement and support into the future.

June 2021

Taguchi Yoshitaka,
President and Chief Executive Officer

Special Feature

Expanding Scope of Operations and Creating New Value

2021 marked the final year of the three-year medium-term management plan ""Connecting our values - For the Prosperity of our Customers," 2021/4-2023-3: Takeoff Toward Growth." As we pursue the maximization of our value, using the strength we have cultivated until now, we will swiftly set forth reform and the spirit of challenge to create new values.

Main Topics for 2021

Launching a "Shopping Taxi" Service

Suito Travel (head office: Asahi-machi, Ogaki, Gifu Prefecture ; President: Kazuyuki Umemura) launched a new service in which cab drivers go shopping for customers who have been asked to self-quarantine due to the COVID-19 pandemic.

Under this service, taxi drivers purchase and make home deliveries of groceries, meals, household goods, and more on behalf of senior citizens who live alone and cannot go shopping at the supermarket and people who are worried about the risk of getting sick.

We launched this service as one way of contributing to the community, and we plan to continue this service into the future due to the uncertain situation surrounding the COVID-19 pandemic.

Establishing "We Support"

Coconet (head office: Chuo, Tokyo; president: Shuji Kawai) established We Support in partnership with RCF and Oisix ra daichi.

We Support aims to provide free food to support medical professionals involved in COVID-19 treatment. It provides food relief to 19 medical institutions in Tokyo about twice a week. By matching medical professionals who require food relief with information from companies that request support, Coconet is able to centrally manage and make deliveries of relief supplies from the Tokyo branch of Seino Transport to medical institutions.

First-Time Winner of the 21st Logistics Environment Grand Prize

Seino Transportation won the Logistics Environment Grand Prize for the first time at the 21st Logistics Environment Awards, an event held by the Japan Association for Logistics and Transport.

The award is presented to business organizations that have contributed to the development of the logistics business from the perspective of reducing environmental impact.

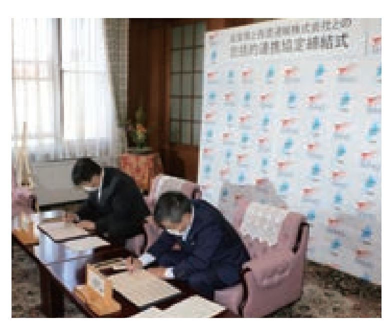
Seino Transportation received high evaluations among this year's candidates for its efforts to reduce its environmental impact and to improve logistics efficiency by operating Kangaroo Liner SS60 freight trains, switching to roll-on/roll-off ships, operating double trailer trucks, and introducing large hybrid trucks for its long-distance night-time trucking operations as transport reform measures.

Comprehensive Partnership Agreement with Shiga Prefecture

Seino Transportation has signed a comprehensive partnership agreement with Shiga Prefecture on regional safety and security and environmental conservation. Through this partnership, we will work to revitalize the region and improve services for prefectural residents.

This agreement calls for cooperation in six areas: regional safety and security, promoting women in the workplace, environmental conservation, sports promotion, improvement of services for prefectural citizens, and the Shiga CO_2 Net-Zero initiative, which aims to reduce CO_2 emissions to virtually zero by 2050. This is the first time Seino Transport has signed such an agreement with a government body.

As the first step of the partnership agreement, we introduced two large hybrid trucks that can reduce our CO_2 emissions at our Shiga Branch. In addition, as part of our cooperation regarding the safety and security of the local community, we will watch over senior citizens and provide data from drive recorders in the event of an accident.



Launching the Industry's First LCC Drop-Off Delivery Service

Seino Holdings established the Last One Mile Promotion Office to accommodate expansion of the home delivery market for individuals. That Office's responsibilities will include developing a low-cost carrier (LCC) home delivery business model.

As the first step in this initiative, LOCCO, a joint venture involving Coconet, the Felissimo shopping website, and the IT company NL Plus, launched OCCO, the industry's first LCC drop-off delivery service, on August 17. This has enabled us to reliably deliver products with innovative pricing based on the concept of combining the Seino Group's transportation network with gig workers who do only what is needed when needed.

In order to enhance this service, we added Living Pro-Seed (head office: Minato, Tokyo; president: Ichiro Koizumi), a company that specialized in promotions through the distribution of free newspapers, to our Group on September 1. That company's network of approximately 10,000 delivery workers will be used to create a more flexible workforce for the home delivery industry.

Investing in Startup Companies

The Logistics Innovation Fund, a fund established by Seino Holdings in January this year that specializes in the logistics sector, has begun operations by making investments in startup companies.

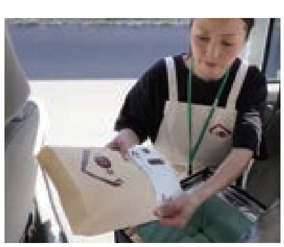
This fund has made investments in three companies: Bitkey inc., a company that provides a next-generation digital key service called the Bitkey platform; Minacolor inc., a company that provides online shopping websites for pharmaceutical products as well as online drug dosage and administration instructions and pharmaceutical drug deliveries; and Openlogi inc., a provider of warehouse management IT systems.

Going forward, we will continue to encourage innovation in the logistics industry by further accelerating coexistence and co-creation with startup companies that possess cutting-edge technologies and business models.

Launching an Immediate Delivery Service for Prescription Drugs

Seino Holdings launched an immediate delivery service for prescription drugs called ARUU.

Demand for prescription drug deliveries has been growing during the COVID-19 pandemic, so we conducted a demonstration experiment for an immediate prescription drug delivery service in some parts of Hokkaido starting in June 2020. In the end, it received high praise from patients, pharmacists, and other users, so we launched the service.

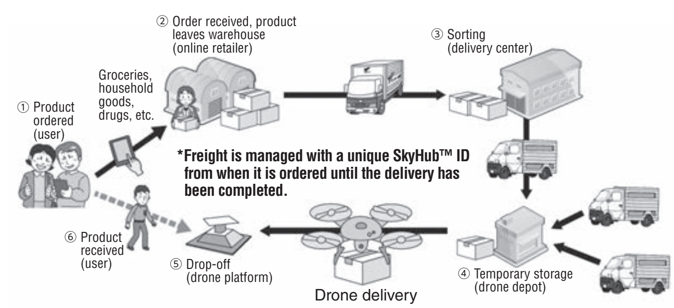


This service allows our delivery personnel (called "Heartists") to deliver prescription drugs within as little as two hours after the patient has received dosage and administration instructions from a pharmacist. Going forward, we plan to increase our collaboration with pharmacies and expand this business nationwide.

New Smart Logistics Through Drone Deliveries

Seino Holdings and Aeronext (head office: Shibuya, Tokyo; CEO: Keisuke Toji) is jointly developing and commercializing SkyHub™, a new smart logistics service that integrates existing logistics with drone logistics.

In April, we built a warehouse and landing site in Kosuge, Yamanashi Prefecture, and launched Japan's first full-time drone-based delivery service. With SkyHub™, users can order products using a smartphone or similar device, and the Seino Group's logistics network will deliver those products to the "drone depot," which is the warehouse where our drones are stationed. The drones then deliver those products to the landing site nearest the user. The use of drones will solve local issues through unmanned and automated systems.



Completing Reconstruction of the Fukagawa Branch

Seino Transportation completed reconstruction of its Fukagawa branch, which had been underway since the previous year, and held an opening ceremony.

Since its original completion in 1986, the former Fukagawa Branch has been responsible for sales operations in Tokyo's Chiyoda and Chuo wards. This branch moved to Seino Logi Trans Shinkiba after it was completed in March 2016, and it has been conducting sales operations as the Tokyo Branch.

The newly completed Fukagawa Branch aims to further increase earnings through "Logi Trans capabilities," which include a truck terminal and a 11,193 m^2 logistics warehouse in a good location near downtown Tokyo.

Expanding Our Operations Scope and Creating New Value

Transportation Services Business

In the Transportation Services Business, under the medium-term management plan, we have been steadily improving the Company's performance, launching "Seino Yuso Navi Pro," a one-stop service that provides optimal solutions to customers' transportation problems, ranging from pallet size to single-vehicle charter units, by simply entering information on the web.

At Seino Transportation Co., Ltd., the core company of the Transportation Services Business group, we have been working to secure the volume of cargo the Company handles by proactively liaising with strong industries based on its accumulated analysis of performance data by industry, and by utilizing its "Customer management System," which centrally manages customer information, including liaison history, in the face of a significant decrease in the volume of cargo handled due to the stagnation of economic activities in the COVID-19 crisis.

On the other hand, we have continued to review our route flights, such as by optimizing costs to correlate with the volume of cargo handled and reducing the number of flights on operation courses where the loading volume has fallen.

In addition, we have been striving to improve the ES of our employees by continuing to renew our branches to improve the working environment.

In office expansion efforts, Seino Transportation Co., Ltd. and Seino Super Express Co., Ltd. newly established the Fukagawa Branch (Koto-ku, Tokyo) and the Yamagata Sales Office (Yamagata City, Yamagata Prefecture), respectively.

As a result of the above, operating revenue for this segment was ¥441,091 million (down 5.4% year on year) and operating profit was ¥18,375 million (down 21.3% year on year).

Vehicle Sales Business

In the business of passenger car sales, amidst the shrinking passenger car sales market in the COVID-19 crisis, we have been developing sales activities such as campaigns centered on support cars, early replacement proposals through the use of residual value installment sales, and taking advantage of the effects of the introduction of new models. In addition, as a result of our aggressive marketing activities to new customer segments, taking advantage of the opportunity presented by the introduction of Toyota vehicles being sold simultaneously with all other models, despite the number of new vehicles sold for the full year being lower than that of the same period of the previous year, the number of new vehicles sold in the second half of the year was higher than that of the previous year. In used vehicle sales, retail sales volume recovered in the second half of the fiscal year to exceed that of the same period of the previous year. In the service division, we strove to secure revenues by promoting vehicle inspections and vehicle maintenance and garage services, as well as the sales of products that lead to repeat visits such as maintenance packages and automotive coatings.

In truck sales, we worked to expand sales in order to increase the number of customers and the number of owned vehicles, but due to cancellations related to the COVID-19 crisis and special demand for environmental regulation compliance in the previous year the number of new vehicles sold in Japan in the current fiscal year was lower than that of the previous fiscal year.

On the other hand, we have promoted the in-house production of outsourced work by utilizing sheet-metal painting plants and adding vehicle inspection lanes at the Anpachi sales office maintenance factory of Gifu Hino Motors Co., Ltd., thus securing maintenance profits.

In office expansion efforts, Toyota Corolla Gifu Co., Ltd. rebuilt its service factory of Gero Branch (Gero City, Gifu Prefecture) and integrated it with the Gero Branch of Netz Toyota Gifu Co., Ltd. to become the No. 1 dealer in the region, Ogaki Kita Branch (Ogaki City, Gifu Prefecture) rebuilt its service factory, and Shiga Hino Motor Co., Ltd. established a vehicle preparation center (Ritto City, Shiga Prefecture).

As a result of the above, operating revenue for this segment was ¥98,334 million (down 4.7% year on year) and operating profit was ¥4,781 million (up 3.7% year on year).

Merchandise Sales Business

The Merchandise Sales Business engages in the sale of fuel, paper and paper products, and other products. Operating revenue for this segment was ¥31,034 million (down 5.6% year on year), partly due to the impact of a fall in sales unit prices for fuel sales, and operating profit was ¥732 million (down 15.9% year on year).

Leasing for Real Estate Services Business

In the Leasing for Real Estate Services Business, we are operating the former truck terminal and store sites, which had been replaced mainly due to the impact of urban development and increasingly cramped conditions, as rental apartments.

As a result of the above, operating revenue for this segment was ¥1,865 million (up 7.7% year on year), and operating profit was ¥1,495 million (up 8.1% year on year).

Other Business

Our Other Business segment includes the information services business, the housing sales business, the construction contract business, the passenger transportation business, and the personnel services business. Operating revenue for this segment was ¥19,722 million (down 7.8% year on year), and operating profit was ¥486 million (down 29.4 % year on year).

Operating Revenue by Business Segment

(Millions of yen)

	FY Ended March 31, 2021		FY Ended March 31, 2020		
	Results	Composition	Results	Composition	Year-on-Year
Transportation Services	441,091	74.5%	466,473	74.6%	(5.4%)
Vehicle sales	98,334	16.6%	103,165	16.5%	(4.7%)
Merchandise sales	31,034	5.3%	32,868	5.2%	(5.6%)
Leasing for Real-estate Services	1,865	0.3%	1,732	0.3%	7.7%
Others	19,722	3.3%	21,389	3.4%	(7.8%)
Total	592,046	100.0%	625,627	100.0%	(5.4%)

Operating Income by Business Segment

(Millions of yen)

	FY Ended March 31, 2021		FY Ended March 31, 2020		
	Results	Composition	Results	Composition	Year-on-Year
Transportation Services	18,375	74.8%	23,339	78.6%	(21.3%)
Vehicle sales	4,781	19.4%	4,611	15.5%	3.7%
Merchandise sales	732	3.0%	871	2.9%	(15.9%)
Leasing for Real-estate Services	1,495	6.1%	1,383	4.7%	8.1%
Others	486	2.0%	688	2.3%	(29.4%)
Total	25,869	105.3%	30,892	104.0%	(16.3%)
Elimination	(1,308)	(5.3)	(1,195)	(4.0)	—
Consolidated	24,561	100.0%	29,697	100.0%	(17.3%)

Financial Review

Operating Result

The consolidated sales of Seino Holdings for the fiscal year ended March 2021 amounted to ¥592,046 million (a 5.4% decrease from the previous fiscal year). Despite the increase in home delivery cargo in the transportation industry, our Group's main business, which was due to the growth of the online shopping market due to working style changes and changes in consumption style that were caused by the COVID-19 pandemic, our results were impacted by the harsh business environment, which was marked by the ongoing downward trend in domestic cargo volumes due to stagnant economic activity resulting from the effects of COVID-19. Operating costs amounted to ¥525,852 million, which was a 5.0% decrease from the previous fiscal year, and the ratio of operating costs rate to sales stood at 88.8%, a 0.3% increase from the previous fiscal year.

Sales, general, and administrative expenses came to ¥41,633 million (a 1.8% decrease from the previous fiscal year) due to a decrease in salaries linked to business performance as a result of stagnant transport volumes, and operating profit came to ¥24,561 million.

Due to the impact of the extraordinary gain on the sale of land in the previous fiscal year, current net income before taxes and other adjustments decreased by 30.8% from the previous fiscal year to ¥27,621 million, and current net income fell by 35.5% from the previous fiscal year to ¥16,661 million.

Current net income per share stood at ¥89.31, and return on equity was 3.9%. Annual cash dividend per share fell to ¥27.00, which marked a 30.8% decrease from the previous fiscal year.

Financial Position

Total assets at the end of the current consolidated fiscal year amounted to ¥672,248 million, which marked an increase of ¥17,715 million from the end of the previous consolidated fiscal year. The main factors were the acquisition of new land and buildings and an increase in the market value of marketable securities held, despite a decrease in cash and deposits. Liabilities totaled ¥249,613 million, which marked a ¥27,893 million increase from the end of the previous consolidated fiscal year due to the issuance of convertible bonds with stock acquisition rights. Furthermore, net assets decreased by ¥10,178 million from the end of the previous consolidated fiscal year to reach ¥422,635 million. The main reason for this was our large-scale acquisition of treasury stock.

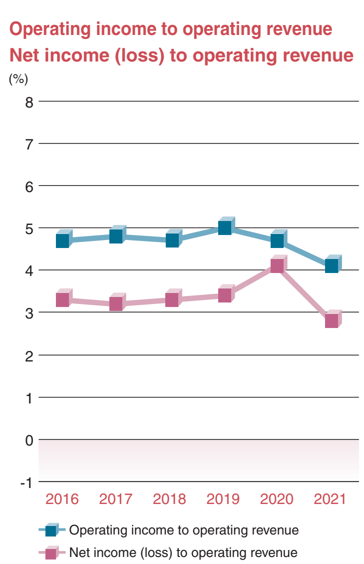
Cash Flows

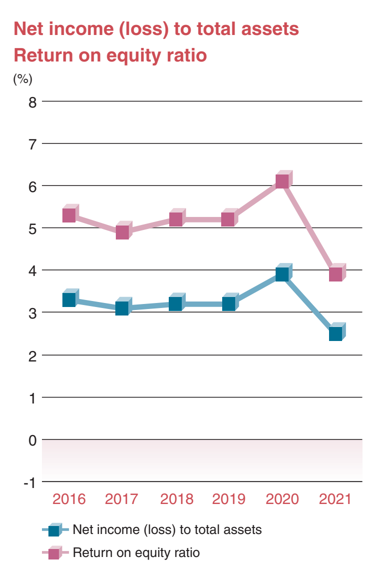
Cash flow from operating activities amounted to ¥38,685 million, marking an increase of ¥3,721 million from the previous consolidated fiscal year, due mainly to the fact that there were no gains on sales of fixed assets this fiscal year.

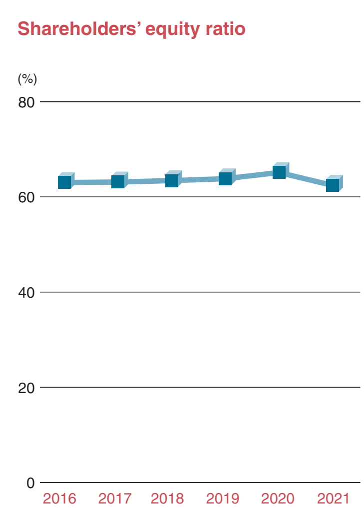
Cash flow from investment activities came to –¥27,966 million, which was a ¥9,913 million increase from the previous consolidated fiscal year. This was the result of a loss of revenue due to the sale of tangible and intangible fixed assets in conjunction with the sale of the land of the former Tokyo Branch.

Cash flow from financial activities rose by ¥11,431 million from the previous consolidated fiscal year to ¥10,491 million resulting from an increase in expenditures due to the acquisition of treasury stock and the issuance of convertible bonds with stock acquisition rights.

As a result, cash and cash equivalents in the current consolidated fiscal year increased by ¥201 million from the previous consolidated fiscal year to ¥93,683 million.







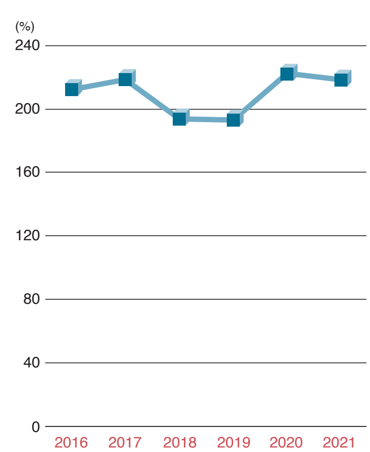
SEINO HOLDINGS CO., LTD. and Consolidated Subsidiaries

Six-year Summary

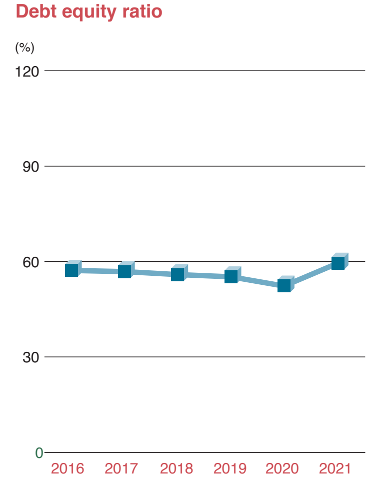
For the Years Ended March 31, 2021, 2020, 2019, 2018, 2017 and 2016

	Millions of Yen					
	2021	2020	2019	2018	2017	2016
For the year:						
Operating revenue:	¥ 592,046	¥ 625,627	¥ 617,162	¥ 596,130	¥ 567,539	¥ 555,457
Transportation services	441,091	466,473	462,459	443,168	422,870	416,113
Vehicle sales	98,334	103,165	100,960	103,342	100,237	94,441
Merchandise sales	31,034	32,868	33,518	31,575	27,749	28,029
Leasing for real estate services	1,865	1,732	1,651	1,599	1,543	1,472
Other	19,722	21,389	18,574	16,446	15,140	15,402
Operating costs	525,852	553,541	545,253	529,196	502,639	492,802
Selling, general and administrative expenses	41,633	42,389	40,713	39,055	37,783	36,469
Operating income	24,561	29,697	31,196	27,879	27,117	26,186
Net income (loss)	16,661	25,848	21,208	20,047	18,206	18,864
At year-end:						
Current assets	242,711	248,332	251,683	243,883	232,792	221,278
Total assets	672,248	654,533	657,983	628,728	594,264	579,565
Current liabilities	110,993	111,582	130,357	125,871	106,479	104,207
Short-term borrowings	4,471	4,130	5,470	3,610	2,704	2,768
Long-term debt, including current maturities	44,478	17,999	19,905	21,776	26,468	25,293
Net assets	422,635	432,813	428,934	405,739	381,299	371,007
	Yen					
Per share data:						
Net (loss) income:						
-Basic	¥ 89.31	¥ 128.41	¥ 104.81	¥ 101.88	¥ 92.09	¥ 94.87
Cash dividends	27.00	39.00	32.00	30.00	27.00	28.00
	Thousands					
Number of shares issued	207,679	207,679	207,679	207,679	207,679	207,679
	Percent					
Ratios:						
Operating income to operating revenue	4.1	4.7	5.0	4.7	4.8	4.7
Net income (loss) to operating revenue	2.8	4.1	3.4	3.3	3.2	3.3
Net income (loss) to total assets	2.5	3.9	3.2	3.2	3.1	3.3
Return on equity ratio	3.9	6.1	5.2	5.2	4.9	5.3
Shareholders' equity ratio	62.4	65.1	63.8	63.4	63.1	63.0
Current ratio	218.7	222.6	193.1	193.8	218.6	212.3
Debt equity ratio	59.5	52.0	55.2	55.9	56.8	57.2
Payout ratio	30.2	30.4	30.5	29.4	29.3	29.5

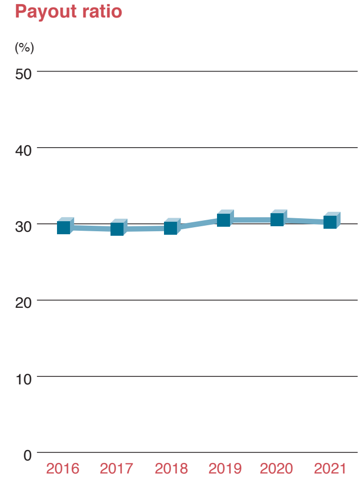
Current ratio



Debt equity ratio



Payout ratio



SEINO HOLDINGS CO., LTD. and Subsidiaries

Consolidated Balance Sheets

March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Assets:			
Current assets:			
Cash and cash equivalents (Note 3)	¥ 93,683	¥ 93,482	$ 843,991
Short-term investments (Notes 3 and 5)	9,371	16,572	84,424
Trade receivables (Note 3)	120,402	119,047	1,084,703
Inventories (Note 4)	13,544	13,778	122,018
Other current assets	5,924	5,715	53,369
Allowance for doubtful accounts	(213)	(262)	(1,919)
Total current assets	242,711	248,332	2,186,586
Property and equipment (Notes 6, 7 and 9):			
At cost	661,221	638,007	5,956,946
Accumulated depreciation	(326,616)	(322,023)	(2,942,487)
Net property and equipment	334,605	315,984	3,014,459
Investments and other assets:			
Investment securities (Notes 3 and 5)	41,074	34,563	370,036
Investments in and long-term loans to affiliates and nonconsolidated subsidiaries (Note 5)	17,865	16,876	160,946
Goodwill	11,480	13,094	103,423
Deferred tax assets (Note 17)	13,938	15,516	125,568
Other assets	10,575	10,168	95,270
Total investments and other assets	94,932	90,217	855,243
Total assets	¥ 672,248	¥ 654,533	$ 6,056,288
Current liabilities:			
Short-term borrowings (Notes 3, 9, 10 and 11)	¥ 4,471	¥ 4,130	$ 40,279
Current portion of long-term debt (Notes 3, 9 and 11)	2,187	2,342	19,703
Trade payables (Note 3)	48,641	48,711	438,207
Accrued expenses	15,895	16,352	143,198
Income taxes payable	3,827	4,822	34,478
Other current liabilities	35,972	35,225	324,072
Total current liabilities	110,993	111,582	999,937
Long-term debt (Notes 3, 9 and 11)	42,291	15,657	381,000
Employee retirement benefit liability (Note 12)	81,439	79,784	733,685
Asset retirement obligations (Note 8)	3,628	3,568	32,685
Accrued severance indemnities for directors and corporate auditors	1,570	1,508	14,144
Provision for share-based remuneration	5,448	5,634	49,081
Provision for directors' stock payments	143	97	1,288
Deferred tax liabilities (Note 17)	3,023	2,707	27,234
Other long-term liabilities	1,078	1,183	9,712
Total liabilities	249,613	221,720	2,248,766
Commitments and contingent liabilities (Notes 13 and 14)			
Net assets:			
Shareholders' equity (Note 15):			
Common stock: 794,524,668 shares authorized and 207,679,783 shares issued	42,482	42,482	382,721
Capital surplus	81,626	83,744	735,369
Retained earnings	321,179	312,202	2,893,505
Less treasury stock at cost: 25,203,489 shares in 2021 and 11,762,469 shares in 2020	(35,498)	(15,837)	(319,802)
Total shareholders' equity	409,789	422,591	3,691,793
Accumulated other comprehensive income			
Net unrealized gains on available-for-sale securities	15,344	9,898	138,234
Land revaluation decrement	(122)	(109)	(1,099)
Retirement benefit adjustment	(4,890)	(5,613)	(44,054)
Foreign currency translation adjustments	(860)	(603)	(7,748)
Total accumulated other comprehensive income	9,472	3,573	85,333
Noncontrolling interests	3,374	6,649	30,396
Total net assets	422,635	432,813	3,807,522
Total liabilities and net assets	¥ 672,248	¥ 654,533	$ 6,056,288

See accompanying Notes to Consolidated Financial Statements.

SEINO HOLDINGS CO., LTD. and Subsidiaries

Consolidated Statements of Income

For the Years Ended March 31, 2021, 2020 and 2019

	Millions of yen			Thousands of U.S. dollars
	2021	2020	2019	**2021**
Operating revenue (Note 20)	**¥ 592,046**	¥ 625,627	¥ 617,162	**$ 5,333,748**
Operating costs and expenses (Note 12):				
Operating costs	**525,852**	553,541	545,253	**4,737,406**
Selling, general and administrative expenses	**41,633**	42,389	40,713	**375,072**
	567,485	595,930	585,966	**5,112,478**
Operating income	**24,561**	29,697	31,196	**221,270**
Other income (expenses):				
Interest and dividend income	**1,350**	788	716	**12,162**
Interest expense	**(408)**	(458)	(334)	**(3,676)**
Gain (loss) on investments in partnerships	**189**	(40)	(69)	**1,703**
Commission for purchase of treasury shares	**(90)**	(5)	—	**(811)**
Subsidy income	**310**	516	91	**2,793**
Subsidies for employment adjustment	**597**	12	23	**5,378**
(Loss) gain on sale or disposal of property and equipment	**(652)**	15,457	436	**(5,874)**
Gain on sale of investment securities	**1,011**	26	478	**9,108**
Share of profit (loss) of entities accounted for using equity method	**443**	(26)	874	**3,991**
Impairment loss on fixed assets (Notes 2(i) and 20)	**(54)**	(542)	(1,236)	**(486)**
Loss on valuation of shares of subsidiaries and associates	**(383)**	—	—	**(3,450)**
Gain on negative goodwill (Note 20)	**—**	—	88	**—**
Provision for share-based remuneration	**—**	(5,634)	—	**—**
Miscellaneous, net	**747**	104	1,187	**6,730**
	3,060	10,198	2,254	**27,568**
Profit before income taxes	**27,621**	39,895	33,450	**248,838**
Income taxes (Note 17):				
Current	**11,272**	13,222	14,582	**101,550**
Deferred	**(496)**	965	(2,220)	**(4,469)**
Total income taxes	**10,776**	14,187	12,362	**97,081**
Profit	**16,845**	25,708	21,088	**151,757**
Profit (Loss) attributable to noncontrolling interests	**184**	(140)	(120)	**1,658**
Profit attributable to owners of parent	**¥ 16,661**	¥ 25,848	¥ 21,208	**$ 150,099**

	Yen			U.S. dollars
Per share:				
Profit attributable to owners of parent				
-Basic	**¥ 89.31**	¥ 128.41	¥ 104.81	**$ 0.80**
-Diluted	**89.29**	—	—	**0.80**
Cash dividends	**27.00**	39.00	32.00	**0.24**

See accompanying Notes to Consolidated Financial Statements.

SEINO HOLDINGS CO., LTD. and Subsidiaries

Consolidated Statements of Comprehensive Income

For the Years Ended March 31, 2021, 2020 and 2019

	Millions of yen			Thousands of U.S. dollars
	2021	2020	2019	**2021**
Profit	¥ **16,845**	¥ 25,708	¥ 21,088	$ **151,757**
Other comprehensive income (Note 18):				
Net unrealized gains on available-for-sale securities	**5,383**	(2,794)	(1,965)	**48,495**
Remeasurements of defined benefit plans, net of tax	**627**	(1,178)	1,513	**5,649**
Foreign currency translation adjustments	**(51)**	45	(53)	**(459)**
Share of other comprehensive income of affiliates accounted for using equity method	**(58)**	(92)	(256)	**(523)**
Total other comprehensive income	**5,901**	(4,019)	(761)	**53,162**
Comprehensive income	¥ **22,746**	¥ 21,689	¥ 20,327	$ **204,919**
Comprehensive income attributable to:				
Owners of the parent	¥ **22,560**	¥ 21,797	¥ 20,463	$ **203,243**
Noncontrolling interests	**186**	(108)	(136)	**1,676**

SEINO HOLDINGS CO., LTD. and Subsidiaries

Consolidated Statements of Changes in Net Assets

For the Years Ended March 31, 2021, 2020 and 2019

		Shareholders' equity					Accumulated other comprehensive income						
	Number of shares of common stock issued	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains on available-for-sale securities	Land revaluation decrement	Retirement benefit adjustment	Foreign currency translation adjustments	Total accumulated other comprehensive income	Non controlling interests	Total net assets
		Millions of yen											
Balance at March 31, 2018	207,679,783	¥ 42,482	¥ 82,040	¥ 274,994	¥ (8,956)	¥ 390,560	¥ 14,716	¥ (114)	¥ (5,934)	¥ (304)	¥ 8,364	¥ 6,815	¥ 405,739
Cumulative effects of changes in accounting policies	—	—	—	2,735	—	2,735	—	—	—	—	—	—	2,735
Restated balance at March 31, 2018	207,679,783	¥ 42,482	¥ 82,040	¥ 277,729	¥ (8,956)	¥ 393,295	¥ 14,716	¥ (114)	¥ (5,934)	¥ (304)	¥ 8,364	¥ 6,815	¥ 408,474
Profit attributable to owners of parent	—	—	—	21,208	—	21,208	—	—	—	—	—	—	21,208
Cash dividends	—	—	—	(6,054)	—	(6,054)	—	—	—	—	—	—	(6,054)
Purchases of treasury stock and fractional shares, net	—	—	1,704	—	4,504	6,208	—	—	—	—	—	—	6,208
Change in treasury shares of parent arising from transactions with noncontrolling shareholders	—	—	4	—	—	4	—	—	—	—	—	—	4
Net changes in items other than shareholders' equity	—	—	—	—	—	—	(2,008)	—	1,537	(275)	(746)	(160)	(906)
Balance at March 31, 2019	207,679,783	42,482	83,748	292,883	(4,452)	414,661	12,708	(114)	(4,397)	(579)	7,618	6,655	428,934
Profit attributable to owners of parent	—	—	—	25,848	—	25,848	—	—	—	—	—	—	25,848
Cash dividends	—	—	—	(6,524)	—	(6,524)	—	—	—	—	—	—	(6,524)
Reversal of land revaluation decrement	—	—	—	(5)	—	(5)	—	—	—	—	—	—	(5)
Purchases of treasury stock and fractional shares, net	—	—	—	—	(11,385)	(11,385)	—	—	—	—	—	—	(11,385)
Change in treasury shares of parent arising from transactions with noncontrolling shareholders	—	—	(4)	—	—	(4)	—	—	—	—	—	—	(4)
Net changes in items other than shareholders' equity	—	—	—	—	—	—	(2,810)	5	(1,216)	(24)	(4,045)	(6)	(4,051)
Balance at March 31, 2020	207,679,783	42,482	83,744	312,202	(15,837)	422,591	9,898	(109)	(5,613)	(603)	3,573	6,649	432,813
Profit attributable to owners of parent	—	—	—	16,661	—	16,661	—	—	—	—	—	—	16,661
Cash dividends	—	—	—	(7,684)	—	(7,684)	—	—	—	—	—	—	(7,684)
Purchases of treasury stock and fractional shares, net	—	—	3	—	(19,661)	(19,658)	—	—	—	—	—	—	(19,658)
Change in treasury shares of parent arising from transactions with noncontrolling shareholders	—	—	(2,121)	—	—	(2,121)	—	—	—	—	—	—	(2,121)
Net changes in items other than shareholders' equity	—	—	—	—	—	—	5,446	(13)	723	(257)	5,899	(3,275)	2,624
Balance at March 31, 2021	207,679,783	¥ 42,482	¥ 81,626	¥ 321,179	¥ (35,498)	¥ 409,789	¥ 15,344	¥ (122)	¥ (4,890)	¥ (860)	¥ 9,472	¥ 3,374	¥ 422,635
		Thousands of U.S. dollars											
Balance at March 31, 2020		$ 382,721	$ 754,450	$2,812,631	$(142,676)	$3,807,126	$ 89,171	$ (982)	$ (50,568)	$ (5,432)	$ 32,189	$ 59,901	$ 3,899,216
Profit attributable to owners of parent		—	—	150,099	—	150,099	—	—	—	—	—	—	150,099
Cash dividends		—	—	(69,225)	—	(69,225)	—	—	—	—	—	—	(69,225)
Purchases of treasury stock and fractional shares, net		—	27	—	(177,126)	(177,099)	—	—	—	—	—	—	(177,099)
Change in treasury shares of parent arising from transactions with noncontrolling shareholders		—	(19,108)	—	—	(19,108)	—	—	—	—	—	—	(19,108)
Net changes in items other than shareholders' equity		—	—	—	—	—	49,063	(117)	6,514	(2,316)	53,144	(29,505)	23,639
Balance at March 31, 2021		$ 382,721	$ 735,369	$2,893,505	$(319,802)	$3,691,793	$ 138,234	$ (1,099)	$ (44,054)	$ (7,748)	$ 85,333	$ 30,396	$ 3,807,522

See accompanying Notes to Consolidated Financial Statements.

SEINO HOLDINGS CO., LTD. and Subsidiaries

Consolidated Statements of Cash Flows

For the Years Ended March 31, 2021, 2020 and 2019

	Millions of yen			Thousands of U.S. dollars
	2021	2020	2019	**2021**
Cash flows from operating activities:				
Profit before income taxes	¥ **27,621**	¥ 39,895	¥ 33,450	$ **248,838**
Adjustments for:				
Depreciation	**20,352**	20,198	19,001	**183,351**
Impairment loss on fixed assets	**54**	542	1,236	**486**
Amortization of goodwill	**1,639**	1,636	1,437	**14,766**
Gain on negative goodwill	**—**	—	(88)	**—**
Net increase in employee retirement benefit liability	**2,611**	2,501	2,929	**23,523**
Loss (gain) on sale or disposal of property and equipment	**652**	(15,457)	(436)	**5,874**
Share of (profit) loss of entities accounted for using equity method	**(443)**	26	(874)	**(3,991)**
(Profit) loss on investments in partnerships	**(189)**	40	69	**(1,703)**
Gain on sale of investment securities	**(1,011)**	(26)	(478)	**(9,108)**
Loss on valuation of shares of subsidiaries and associates	**383**	—	—	**3,450**
Net provision (reversal) for accrued severance indemnities for directors and corporate auditors	**62**	52	(174)	**559**
(Decrease) increase in provision for share-based remuneration	**(185)**	5,634	—	**(1,667)**
Net provision for directors' stock payments	**46**	56	42	**415**
(Increase) decrease in trade receivables	**(767)**	2,414	(845)	**(6,910)**
Decrease (increase) in inventories	**214**	(691)	1,491	**1,928**
(Decrease) increase in trade payables	**(451)**	(6,185)	2,585	**(4,063)**
Other, net	**(447)**	(666)	878	**(4,027)**
Subtotal	**50,141**	49,969	60,223	**451,721**
Interest and dividends received	**1,258**	1,204	974	**11,333**
Interest paid	**(389)**	(445)	(264)	**(3,504)**
Income taxes paid	**(12,325)**	(15,764)	(12,924)	**(111,036)**
Net cash provided by operating activities	**38,685**	34,964	48,009	**348,514**
Cash flows from investing activities:				
Increase in property and equipment	**(35,453)**	(34,693)	(30,620)	**(319,397)**
Increase in long-term investments and loans	**(1,000)**	(3,937)	(3,956)	**(9,009)**
Decrease in property and long-term investments	**1,652**	23,641	2,686	**14,883**
Decrease (increase) in short-term investments	**7,093**	(2,916)	10,474	**63,901**
Purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 16)	**(258)**	(148)	(1,114)	**(2,324)**
Net cash used in investing activities	**(27,966)**	(18,053)	(22,530)	**(251,946)**
Cash flows from financing activities:				
Increase in long-term debt	**25,389**	200	790	**228,730**
Repayment of long-term debt	**(1,039)**	(1,815)	(1,731)	**(9,360)**
Net (decrease) increase in short-term borrowings	**(422)**	(1,138)	595	**(3,802)**
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	**(5,518)**	—	—	**(49,712)**
Proceeds from share issuance to noncontrolling shareholders	**—**	21	48	**—**
Dividends paid to shareholders	**(7,492)**	(6,524)	(6,054)	**(67,496)**
Dividends paid to noncontrolling interests	**(71)**	(52)	(38)	**(640)**
Purchases of treasury stock, net of disposals	**(19,998)**	(11,385)	357	**(180,162)**
Other, net	**(1,340)**	(1,229)	(1,161)	**(12,072)**
Net cash used in financing activities	**(10,491)**	(21,922)	(7,194)	**(94,514)**
Effect of exchange rate changes on cash and cash equivalents	**(27)**	31	(37)	**(243)**
Net increase (decrease) in cash and cash equivalents	**201**	(4,980)	18,248	**1,811**
Cash and cash equivalents at beginning of year	**93,482**	98,462	80,214	**842,180**
Cash and cash equivalents at end of year	¥ **93,683**	¥ 93,482	¥ 98,462	$ **843,991**

See accompanying Notes to Consolidated Financial Statements.

SEINO HOLDINGS CO., LTD. and Subsidiaries

Notes to Consolidated Financial Statements

1. Basis of Consolidated Financial Statements

The accompanying consolidated financial statements of SEINO HOLDINGS CO., LTD. (the "Company") and its subsidiaries (together with the Company, the "Seino Group") have been prepared in accordance with the provisions set forth in the Financial Instrument and Exchange Law of Japan and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards ("IFRS").

The accompanying consolidated financial statements have been restructured and translated into English from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instrument and Exchange Law of Japan. Certain supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan, using the approximate exchange rate prevailing at March 31, 2021, which was ¥111 to U.S. $1.00. The translation should not be construed as a representation that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2. Summary of Significant Accounting Policies

(a) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and all of its subsidiaries. Investments in significant affiliates are accounted for by the equity method. Investments in affiliates not accounted for by the equity method are stated at cost. Differences between the acquisition cost of investments in subsidiaries and the underlying equity in their net assets, adjusted based on the fair value at the time of the acquisition, are deferred as goodwill and amortized over the estimated useful life, 5-15 years, on a straight-line basis. All intercompany transactions and accounts have been eliminated on consolidation.

Under accounting standards for consolidation, a subsidiary is defined as an enterprise which is controlled by another enterprise and is a majority (more than 50%) owned enterprise or a 40% to 50% owned enterprise that meets certain criteria. An affiliated company is defined as an enterprise in which the investor has significant influence and is an enterprise other than a subsidiary that is a 20% or more owned enterprise or a 15% to less than 20% owned enterprise that meets certain criteria. For each of the years ended March 31, 2021, 2020 and 2019, there were six companies that were not a more than 50% owned enterprise but were nevertheless classified as subsidiaries based on the judgment of the Company in accordance with the applicable accounting standards.

The number of subsidiaries and affiliates for the years ended March 31, 2021, 2020 and 2019 was as follows:

	2021	2020	2019
Subsidiaries:			
Domestic	76	76	75
Overseas	6	5	6
Affiliates accounted for by the equity method	6	6	7
Nonconsolidated subsidiaries	1	2	—
Affiliates stated at cost	14	15	15

The Company and most of its subsidiaries have a fiscal year that ends on March 31. The overseas subsidiary closes its books on December 31. Fuze Co., Ltd., the Company's subsidiary, has a 14-month settlement period for this fiscal year because it changed its fiscal year that ended on October 31 to March 31. In addition, one subsidiary has a fiscal year that ends on June 30 and provisionally prepares financial statements as of March 31. Significant transactions for the period between the subsidiary's year-end and the Company's year-end are adjusted for on consolidation.

Nonconsolidated subsidiaries are excluded from the scope of consolidation because they are all small in scale, and any total amount in terms of their total assets, operating revenue and profit or loss (amount corresponding to the Company's ownership interest) as well as retained earnings (amount corresponding to the Company's ownership interest) and others does not significantly affect the consolidated financial statements.

The consolidated financial statements include the accounts of the overseas subsidiary prepared under IFRS in accordance with Practical Issues Task Force ("PITF") No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements," issued by the Accounting Standards Board of Japan ("ASBJ").

(b) Cash and cash equivalents

The Seino Group considers highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

(c) Investments and marketable securities

The Seino Group classifies certain investments in debt and equity securities as "held-to-maturity," "trading" or "available-for-sale." The classification determines the respective accounting method applied as stipulated by the accounting standard for financial instruments. Held-to-maturity securities are stated at amortized cost. Marketable securities with market quotations for available-for-sale securities are stated at fair value, and net unrealized gains and losses on these securities are reported as accumulated other comprehensive income in net assets, net of applicable income taxes. Gains and losses on the disposition of available-for-sale securities are computed based on the moving average method. Nonmarketable securities without available market quotations for available-for-sale securities are carried at cost determined by the moving average method. Adjustments in carrying values of individual securities are charged to income through write-downs when a decline in value is deemed other than temporary. Investments in partnerships are stated at the amount of net assets attributed to the ownership percentage of the Company.

(d) Accounting for derivatives

Derivative transactions are omitted due to their insignificance to the operation of the Seino Group's business.

(e) Allowance for doubtful accounts

Allowance for doubtful accounts is provided for at the aggregate amount of estimated credit loss based on an individual financial review of certain doubtful or troubled receivables and a general reserve for other receivables based on the historical loss experience for a certain past period.

(f) Inventories

Inventories for merchandise, products, raw materials and supplies are stated principally at the lower of moving average cost or net realizable value, and inventories for vehicles and work-in-process are stated principally at the lower of specific identification cost or net realizable value.

(g) Property and equipment and depreciation

Property and equipment, including significant renewals and additions, are stated at cost. Property and equipment of the Company and certain subsidiaries are depreciated by the straight-line method for buildings and vehicles and by the declining balance method for other property.

Property and equipment of other subsidiaries have been depreciated principally by the declining balance method, except for buildings acquired on and after April 1, 1998, property held for lease and facilities attached to buildings and structures acquired on and after April 1, 2016. Buildings acquired on and after April 1, 1998 and facilities attached to buildings and structures acquired on and after April 1, 2016 by the domestic subsidiaries are depreciated by the straight-line method. Some of the subsidiaries capitalize property for which the cost was not less than ¥100,000 but below ¥200,000 and depreciate it over three years on a straight-line basis.

The Seino Group, as lessee, capitalizes assets used under finance leases, except for certain immaterial or short-term finance leases accounted for as operating leases. Depreciation of leased assets capitalized in finance lease transactions as lessee is computed by the straight-line method over the lease term as the useful life with the assumption of no residual value. The leased property of a certain subsidiary engaged in leasing operations as lessor is recorded at cost in property and equipment in the accompanying consolidated balance sheets under operating lease accounting and is depreciated over the term of the lease contract by the straight-line method to the amount equal to the estimated disposal value at the lease termination date.

Expenditures on maintenance and repairs are charged to operating income as incurred. Upon the disposal of the property, the cost and accumulated depreciation are removed from the accounts and any gain or loss is recorded as income or expense.

(h) Intangible assets

Intangible assets are amortized on a straight-line basis. Software, which is included in intangible assets, is amortized using the straight-line method over the estimated useful life of five years.

(i) Accounting standard for impairment of fixed assets

The Company and its domestic subsidiaries have adopted the "Accounting Standard for Impairment of Fixed Assets" issued by the Business Accounting Council of Japan and the related practical guidance issued by ASBJ. The standard requires that fixed assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss is to be recognized in the income statement by reducing the carrying amount of the impaired asset or group of assets to the recoverable amount, to be measured as the higher of the asset's net selling price or value in use. Fixed assets include intangible assets as well as land, buildings and other forms of property and are to be grouped at the lowest level for which there are identifiable cash flows distinguishable from other groups of assets. For the purpose of recognition and measurement of impairment loss, fixed assets are grouped into cash-generating units, such as operating business branches other than idle or unused property. The method used to group assets to measure impairment of fixed assets in the transportation services segment, excluding some consolidated subsidiaries, is a method that groups assets by the entire segment. At March 31, 2021, 2020 and 2019, recoverable amounts of assets were measured based on value in use using discounted future cash flows at interest rates principally of 4.8%, 8.7% and 8.2%, respectively, or net selling prices using primarily appraisal valuations. As a result, the Seino Group recognized impairment loss as follows:

	Millions of yen			Thousands of U.S. dollars
	2021	2020	2019	**2021**
Property subject to impairment:	1 business branch	6 business branches and 1 idle property	6 business branches and 3 idle properties	
Impairment loss recorded for:				
land	¥ 54	¥ 359	¥ 676	$ 486
buildings and structures	—	129	543	—
other property	—	54	17	—
	¥ 54	¥ 542	¥ 1,236	$ 486

Accumulated impairment loss has been directly deducted from the applicable assets.

(j) Employee retirement benefits

Employees who terminate their service with the Seino Group are entitled to retirement benefits determined generally by reference to basic rates of pay at the time of termination, length of service and conditions under which the termination occurs.

The Seino Group has recognized retirement benefits for employees, including pension cost and related liability, based on the actuarial present value of retirement benefit obligation using the actuarial appraisal approach and the fair value of pension plan assets available for benefits at the fiscal year-end. In the calculation of the retirement benefit obligation, the expected retirement benefits are attributed to the period up to the end of the respective fiscal year based on the straight-line method. Actuarial differences arising from changes in the retirement benefit obligation or the value of pension plan assets resulting from actual outcomes different from that which were assumed and from changes in the assumptions themselves are amortized on a straight-line basis over principally ten years, a period within the average remaining service years of employees, from the year following the year in which they arise. Past service cost is amortized using the straight-line method over principally ten years, a period within the average remaining service years of employees, from the year in which it occurs.

(k) Severance indemnities for directors and corporate auditors

The Seino Group pays severance indemnities to directors and corporate auditors subject to the approval of the shareholders. Certain subsidiaries provide for accrued severance indemnities for directors and corporate auditors at the amount that would have been payable if the directors and corporate auditors had retired at the end of the fiscal year based on internal rules, in accordance with the Japanese Institute of Certified Public Accountants ("JICPA") Audit and Assurance Committee Report No. 42, "Treatment for Auditing of Reserve Under Special Taxation Measures Law, Reserve Under Special Laws and Reserve for Retirement Benefits to Directors and Corporate Auditors."

(l) Provision for share-based remuneration

To provide for the delivery of the Company's shares to employees in accordance with the regulations on the delivery of shares, the estimated amount of share-based remuneration to be paid at the end of the current fiscal year is recorded.

(m) Provision for directors' stock payments

Provision for directors' stock payments has been provided for stock award debt based on regulations for awarding stock, which is prepared for future awards of the company shares to its directors, excluding outside directors.

(n) Revenue recognition for freight charges

The Seino Group recognizes freight charges as revenue when freight is received for shipment. In relation to its revenue recognition, the Seino Group records freight charges from customers and charges paid to interline carriers as operating revenue and operating costs and expenses, respectively.

(o) Income taxes

Income taxes are accounted for by the asset-liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carryforwards. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

(p) Enterprise taxes

The Seino Group records local corporate enterprise taxes based on the "added value" and "capital" amounts when levied as size-based corporate taxes for local government enterprise taxes, which are included in selling, general and administrative expenses.

(q) Appropriation of retained earnings

Cash dividends are recorded in the fiscal year during which a proposed appropriation of retained earnings is approved by the Board of Directors and/or shareholders.

(r) Translation of foreign currency accounts

Receivables, payables and securities, other than stocks of subsidiaries, are translated into Japanese yen at the exchange rates prevailing at the fiscal year-end. Transactions in foreign currencies are recorded based on the prevailing exchange rates on the transaction dates. Resulting translation gains and losses are included in current earnings.

In respect to the financial statement items of overseas subsidiaries, all asset, liability, income and expense accounts are translated into yen by applying the exchange rates in effect at the fiscal year-end. Translation differences, after allocations of portions attributable to noncontrolling interests, are reported as foreign currency translation adjustments in a component of net assets on the accompanying consolidated balance sheets.

(s) Per share data

Basic net income per share is computed by dividing income available to common shareholders by the weighted average number of shares of common stock outstanding during the respective year, retroactively adjusted for stock splits. Unless there is an anti-dilutive effect, diluted net income per share is calculated to reflect the potential dilution assuming that all convertible bonds are converted at the time of issue. Diluted earnings per share for the fiscal year ended March 31, 2020 is not shown because there were no potentially dilutive shares.

Cash dividends per share shown for each fiscal year in the accompanying consolidated statements of income represent dividends declared as applicable to the respective years.

(t) Adoption of consolidated taxation system

The Company and some of its subsidiaries have adopted the consolidated taxation system, with the Company as the taxable parent company.

(Additional information)

Application of tax effect accounting for the transition from the consolidated tax payment system to the group taxation system

With regard to Paragraph 3 of "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (PITF No. 39, March 31, 2020), the Company and its domestic consolidated subsidiaries did not follow Paragraph 44 of the "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018) but applied provisions of pre-amended tax laws when calculating the amounts of deferred tax assets and liabilities that related to transitioning to the group taxation system and related amendments of tax laws for transitioning to the single tax payment system.

(u) Changes in presentation methods

(i) Accounting policies issued but not yet adopted

"Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020 (hereinafter, "Statement No. 29")) and Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 26, 2021 (hereinafter, "Guidance No.30"))

Overview

The International Accounting Standards Board (IASB) and the U.S. Financial Accounting Standards Board (FASB) collaborated on a project to develop a single, comprehensive revenue recognition model and jointly issued new revenue recognition standards "Revenue from Contracts with Customers" (IFRS 15 published by IASB and Topic 606 published by FASB) in May 2014. IFRS 15 is effective for annual reporting periods beginning on and after 1 January 2018 and Topic 606 is effective for annual reporting periods beginning after December 15, 2017.

The Accounting Standard Board of Japan (ASBJ) also developed a new revenue recognition standard and issued Statement No. 29 together with Guidance No. 30. ASBJ's basic policy in developing the new revenue recognition standard was to first incorporate the core principle of IFRS 15 in the light of improving the international comparability of financial statements and then add additional alternative treatments to the extent that international comparability would not be significantly impaired in circumstances in which business practices in Japan need to be considered.

Effective date

Effective from the beginning of the fiscal year ending March 31, 2022

Effects of application

In accordance with Paragraph 84 of the Accounting Standard for Revenue Recognition, the Company has elected to follow the transitional treatment provided, and the standard and guidance will become effective from the beginning the fiscal year ending March 31, 2022, after which the Company will add the amount of the cumulative effect of the retrospective application before the adoption to or subtract it from the beginning balance of retained earnings for fiscal year ending March 31, 2022. In the Transportation Services Business, the timing of revenue recognition will be changed from cargo acceptance to service completed. The effect of the adoption on consolidated financial statements for the year ended March 31, 2022 is expected to be immaterial.

"Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019)
"Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019)
"Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, July 4, 2019)
"Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019)
"Implementation Guidance on Disclosures about Faire Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020)

Overview

In order to enhance comparability with internationally recognized accounting standards, "Accounting Standard for Fair Value Measurement" and "Implementation Guidance on Accounting Standard for Fair Value Measurement" (together, hereinafter referred to as the "Fair Value Accounting Standards") were developed and guidance on the methods to use for measuring fair value was issued. The Fair Value Accounting Standards are applicable to the fair value measurement of Financial instruments in the "Accounting Standard for Financial Instruments" and inventories held for trading purposes in the "Accounting Standard for Measurement of Inventories."

Effective date

The Fair Value Accounting Standards and the related guidance will be effective from the beginning of the consolidated fiscal year ending March 31, 2022.

(ii) Changes in presentation methods

(Consolidated Statements of Income)

Effective from the fiscal year under review, "Subsidies for employment adjustment" and "Commission for purchase of treasury shares," which had been included in "Miscellaneous, net" for the previous fiscal year, have been presented separately because of their increased importance. In addition, "Compensation received for the exercise of eminent domain" has been included in "Miscellaneous, net" because of its decreased importance. The Consolidated Statements of Income for the fiscal years ended March 31, 2020 and 2019 were reclassified to conform to the change in presentation. As a result, ¥15 million and ¥96 million recorded in "Miscellaneous, net" and "Compensation received for the exercise of eminent domain" for the fiscal year ended March 31, 2020 were reclassified to "Subsidies for employment adjustment" of ¥12 million, "Commission for purchase of treasury shares" of negative ¥5 million and "Miscellaneous, net" of ¥104 million. In addition, ¥1,159 million and ¥51 million recorded in "Miscellaneous, net" and "Compensation received for the exercise of eminent domain," respectively, for the fiscal year ended March 31, 2019 were reclassified to "Subsidies for employment adjustment" of ¥23 million and "Miscellaneous, net" of ¥1,187 million.

(Change in revenue recognition for the sale of vehicles)

Toyota Corolla Gifu Co., Ltd. and Netz Toyota Gifu Co., Ltd., subsidiaries of the Company, have changed their methods of revenue recognition for new and used vehicles from an installment sales method to a more principle sales basis. This change is effective from the current fiscal year. The catalyst for the change in accounting policy was the strengthening of installment sales was positioned as an important measure in the formulation of "The New Medium-term Management Policy," which is starting from the current consolidated fiscal year, against a background of the intensifying sales competition with other companies induced by the beginning of the handling of all models on all four channels of Toyota dealers. For vehicle sales, installment sales are becoming increasingly important because the option to purchase vehicles with installment payments will lead to the acquisition of new customers by proposing purchasing methods that flexibility respond to customer requirements, such as residual value type installment payments and deferred payments. It will also provide an incentive for those customers to purchase from us when it is time for them to replace their vehicles. The risk of bad debts in the advance payment method and the collection guarantee method, which are currently the main methods handled, is extremely low, and represents an improvement in business management systems and system structure. Thus, adopting this sales standard will more accurately reflect the profit and loss situation.

As a result, compared with the figures prior to the retroactive application of the revised revenue recognition method, the following changes have been made. On the consolidated statements of income and comprehensive income for the fiscal year ended March 31, 2020 and 2019, "Operating revenue" decreased by ¥1,499 million and ¥1,274 million, respectively, "Operating costs" decreased by ¥1,757 million and ¥1,261 million, respectively, both "Operating income" and "Income before income taxes" increased by ¥258 million and decreased by ¥13 million, respectively, "Income taxes deferred" increased by ¥87 million and decreased by ¥5 million, respectively, "Profit attributable to owners of parent" increased by ¥171 million and decreased by ¥8 million, respectively, and "Basic net income per share" increased by ¥0.85 and decreased by ¥0.04, respectively,. In addition, the beginning balance of retained earnings for the fiscal year 2019 increased by ¥2,735 million as the cumulative effects of the change in the accounting policy were reflected in net assets at the beginning of the fiscal year 2019. The impact on segment information is described in the related section.

(v) Additional information

(i) Stock Compensation for Directors

The Company has introduced a Board Benefit Trust ("BBT") for the Company's directors, excluding outside directors, (the "Eligible Directors"). The objective of the plan is to focus the Eligible Directors' mindset towards enhancing the medium- to long-term corporate value of the Company by clarifying the link between the compensation of the Eligible Directors and the Company's share value so that Eligible Directors share with the shareholders not only the benefits of rising share prices, but also the risks associated with falling shares. The Plan is a stock compensation plan whereby the Company's shares are acquired through a trust (the trust set up based on the Plan is hereinafter referred to as the "Trust") using funds contributed by the Company as capital, and the acquired shares and money in the amount equivalent to the value of the Company's shares converted at market value (the "Company's Shares, Etc.") are granted to Eligible Directors through the Trust according to their positions or the like, pursuant to the predetermined Rules on Stock Benefits for Directors. In principle, the Company's Shares, etc. are provided to Eligible Directors at the time of retirement from a position of Eligible Director of the Company.

The shares of the Company held by the Trust were accounted for as treasury stock under net assets. The assets, liabilities, income and expenses of the Trust were consolidated in the accompanying consolidated financial statements. The book value and number of shares held by the Trust at March 31, 2021 and 2020 were ¥171 million ($1,541 thousand) and 87 thousand shares and ¥181 million and 91 thousand shares, respectively.

(ii) The Stock Benefit Trust (J-ESOP)

In the Company and some of its subsidiaries, for the purpose of enhancing the motivation for rising share prices, the Employee Stock Ownership Plan (J-ESOP) for employees who meet the prescribed requirements has been introduced.

The Stock Benefit Trust (J-ESOP) is an incentive plan that grants the Company's shares to employees of some companies in the group that satisfy the requirements of the Policy on Stock Compensation prescribed in advance by the Company. These companies will award points to Eligible Employees based on their length of service and individual degree of contribution and the like and will grant the number of Company's shares equivalent to the awarded points when the terms and conditions are met and vested rights are granted. The shares granted to Eligible Employees, including future shares, will be acquired using cash funds contributed in advance to the trust account established trust & Custody Services Bank, Ltd., and will be managed separately as trust assets.

In addition, ¥5,634 million was recorded in "Provision for share-based remuneration" for the fiscal year ended March 31, 2020 because there was the cost for the points awarded based on length of service by the consolidated fiscal year ended March 31, 2019.

The shares of the Company held by the Trust were accounted for as treasury stock under net assets. The assets, liabilities, income and expenses of the Trust were consolidated in the accompanying consolidated financial statements. The book value and number of shares held by the Trust at March 31, 2021 and 2020 were ¥6,822 million ($61,459 thousand) and 4,731 thousand shares and ¥6,991 million and 4,848 thousand shares, respectively.

3. Financial Instruments

(a) Qualitative information on financial instruments

(i) Policies on financial instruments

The Seino Group has implemented a Cash Management System for effective investments and funding. Pursuant to this system, the Company invests in short-term, low-risk instruments in accordance with its internal fund management rules. The Company procures funds mainly through financing such as bank loans and the issuance of convertible bonds for investments in facilities, taking immediate liquidity into consideration.

(ii) Details of financial instruments and Risks

Trade receivables are exposed to the credit risk of customers. Some of the subsidiaries have receivables in foreign currency and are exposed to foreign currency fluctuation risk.

Marketable and investment securities, which consist of held-to-maturity securities and equity securities of business entities with which the Seino Group has business relationships, are exposed to stock market fluctuation risk.

Trade payables have general terms and conditions and are mostly due within one year. However, some of the subsidiaries have trade payables denominated in foreign currency, which exposes them to foreign currency fluctuation risk.

Some bank loans and convertible bonds are used principally for capital investments and are partially exposed to interest rate fluctuation risk.

(iii) Risk Management for Financial Instruments

Monitoring of credit risk

In accordance with internal policies for credit risk management, each subsidiary monitors the creditworthiness of its customers and manages the terms and conditions of payment, due dates and remaining balances to reduce credit risk. With held-to-maturity securities, the Company invests in bonds that have been highly rated by credit rating agencies in accordance with its internal fund management rules. As a result, the risk is insignificant.

Monitoring market risk

The Board of the Directors regularly monitors market risk using management methods which comply with internal market risk management rules. For marketable securities, the Seino Group monitors market prices every quarter and reviews the market conditions and the financial position of and business relationship with the issuers.

Monitoring liquidity risk

The Company has a Cash Management System with its subsidiaries and becomes the paying agent for the subsidiaries under the system. The subsidiaries report their cash flow projections to the Company. The Company has sufficient bank credit lines, including credit lines with overdraft facilities, enabling the Seino Group to manage liquidity risk.

(iv) Supplemental information on fair values

The fair values of financial instruments are based on their market prices. The fair values of financial instruments with no available market prices are determined by using prices calculated with alternative methods. However, since certain assumptions are used in the computation of these estimates, the results may be different if alternative assumptions are used.

(b) Fair values of financial instruments

The fair and carrying values of the financial instruments included in the consolidated balance sheets at March 31, 2021 and 2020 other than those for which the fair value was extremely difficult to determine, are set forth in the table below.

	Carrying value	Fair value	Difference
		Millions of yen	
At March 31, 2021:			
Cash and cash equivalents	¥ 93,683	¥ 93,683	¥ —
Short-term investments	9,371	9,371	—
Trade receivables	120,402	120,402	—
Investment securities	37,548	37,548	—
Total assets	¥ 261,004	¥ 261,004	¥ —
Short-term borrowings	¥ 4,471	¥ 4,471	¥ —
Trade payables	48,641	48,641	—
Current portion of long-term bank loans	967	967	—
Convertible bonds	25,250	25,775	525
Long-term bank loans	8,280	8,156	(124)
Total liabilities	¥ 87,609	¥ 88,010	¥ 401

	Carrying value	Fair value	Difference
		Millions of yen	
At March 31, 2020:			
Cash and cash equivalents	¥ 93,482	¥ 93,482	¥ —
Short-term investments	16,572	16,571	(1)
Trade receivables	119,047	119,047	—
Investment securities	30,175	30,175	—
Total assets	¥ 259,276	¥ 259,275	¥ (1)
Short-term borrowings	¥ 4,130	¥ 4,130	¥ —
Trade payables	48,711	48,711	—
Current portion of long-term bank loans	2,342	2,342	—
Long-term bank loans	9,180	9,055	(125)
Total liabilities	¥ 64,363	¥ 64,238	¥ (125)

	Carrying value	Fair value	Difference
	Thousands of U.S. dollars		
At March 31, 2021:			
Cash and cash equivalents	$ 843,991	$ 843,991	$ —
Short-term investments	84,424	84,424	—
Trade receivables	1,084,703	1,084,703	—
Investment securities	338,270	338,270	—
Total assets	$ 2,351,388	$ 2,351,388	$ —
Short-term borrowings	$ 40,279	$ 40,279	$ —
Trade payables	438,207	438,207	—
Current portion of long-term bank loans	8,712	8,712	—
Convertible bonds	227,477	232,207	4,730
Long-term bank loans	74,595	73,478	(1,117)
Total liabilities	$ 789,270	$ 792,883	$ 3,613

Notes:

(1) Methods used to determine the fair value of financial instruments are as follows:

Assets:

Cash and cash equivalents

As these instruments are settled within a short term, their fair value and carrying value are nearly identical, and their carrying values are assumed as their fair values.

Trade receivables

The fair value of installment sales receivables is measured by the carrying amount, which is based on the present value of future cash flows through maturity discounted using an estimated credit risk adjusted interest rate. The carrying amounts of trade receivables other than installment sale receivables approximate fair value because of the short maturity of these instruments.

Short-term investments and investment securities

The fair value of marketable securities equals the quoted market price, if available. The fair value of debt securities equals the quoted market price or the price provided by financial institutions. Marketable and investment securities classified according to the purpose for which they are held are described in Note 5.

Liabilities:

Trade payables

As trade payables are settled within a short term, their fair values and carrying values are nearly identical, and their carrying values are assumed as their fair values.

Short-term borrowings

As short-term borrowings are settled within a short term, their fair values and carrying values are nearly identical, and their carrying values are assumed as their fair values.

Current portion of long-term bank loans

The fair value of the current portion of long-term bank loans is the carrying value because the value is nearly the present value of future cash flows discounted using the current borrowing rate for similar debt of comparable maturity.

Convertible bonds

The fair value of convertible bonds is based on the price quoted by the correspondent financial institution.

Long-term bank loans

The fair value of long-term debt is based on the present value of future cash flows discounted using the current borrowing rate for similar debt of comparable maturity.

(2) The following were not included in the table above because the fair value was extremely difficult to determine:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Carrying value:			
Unlisted equity securities, other than those of affiliates	**¥ 1,672**	¥ 1,470	**$ 15,063**
Investments in partnerships	**1,854**	2,918	**16,703**
	¥ 3,526	¥ 4,388	**$ 31,766**

(3) The redemption schedule for financial assets with maturities at March 31, 2021 was as follows:

	Due within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
	Millions of yen			
At March 31, 2021:				
Cash and cash equivalents	¥ 93,683	¥ —	¥ —	¥ —
Short-term investments	9,371	—	—	—
Trade receivables	88,961	30,687	754	—
Investment securities – bonds and other	—	116	—	—
	¥ 192,015	¥ 30,803	¥ 754	¥ —

	Due within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
	Thousands of U.S. dollars			
At March 31, 2021:				
Cash and cash equivalents	$ 843,991	$ —	$ —	$ —
Short-term investments	84,424	—	—	—
Trade receivables	801,450	276,460	6,793	—
Investment securities – bonds and other	—	1,045	—	—
	$ 1,729,865	$ 277,505	$ 6,793	$ —

(4) For the repayment schedule for long-term bank loans at March 31, 2021, see Note 9, "Short-term Borrowings and Long-term Debt."

(5) As stated in Note 2(u), "Summary of Significant Accounting Policies – Changes in presentation method," the amount of "Trade receivables" for the fiscal year ended March 31, 2020 was restated after reflecting retroactive treatment.

4. Inventories

Inventories at March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Merchandise and finished products	**¥ 11,335**	¥ 11,731	**$ 102,117**
Work in process	**1,492**	1,279	**13,441**
Raw materials and supplies	**717**	768	**6,460**
	¥ 13,544	¥ 13,778	**$ 122,018**

5. Investments

At March 31, 2021 and 2020, short-term investments consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Marketable securities:			
Bonds and other	**¥ 600**	¥ 8,207	**$ 5,406**
Total marketable securities	**600**	8,207	**5,406**
Time deposits with an original maturity of more than three months	**8,771**	8,365	**79,018**
	¥ 9,371	¥ 16,572	**$ 84,424**

At March 31, 2021 and 2020, investment securities consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Marketable securities:			
Equity securities	¥ 37,367	¥ 30,122	$ 336,640
Bonds	112	—	1,009
Other	70	53	630
Total marketable securities	37,549	30,175	338,279
Other non-marketable securities	3,525	4,388	31,757
	¥ 41,074	¥ 34,563	$ 370,036

At March 31 2020, the fair value of marketable securities classified as held-to-maturity and the related net unrealized gains were as follows:

	Carrying value	Fair value	Difference
	Millions of yen		
At March 31, 2020			
Securities with fair value exceeding carrying amount:			
Bonds	¥ —	¥ —	¥ —
Other	—	—	—
Securities with fair value not exceeding carrying amount:			
Bonds	3,000	3,000	¥ —
Other	3,000	2,999	(1)
	¥ 6,000	¥ 5,999	¥ (1)

Marketable securities classified as available-for-sale are stated at fair value with unrealized gains and losses excluded from current earnings and reported as a net amount within the net assets account until realized. At March 31, 2021 and 2020, gross unrealized gains and losses for marketable securities classified as available-for-sale were as follows:

	Cost	Gross unrealized gains	Gross unrealized losses	Fair and carrying value
	Millions of yen			
At March 31, 2021:				
Equity securities	¥ 15,041	¥ 22,561	¥ (235)	¥ 37,367
Bonds	109	3	—	112
Other	627	43	—	670
	¥ 15,777	¥ 22,607	¥ (235)	¥ 38,149
At March 31, 2020:				
Equity securities	¥ 15,381	¥ 15,294	¥ (553)	¥ 30,122
Bonds	118	—	(11)	107
Other	2,127	26	—	2,153
	¥ 17,626	¥ 15,320	¥ (564)	¥ 32,382
	Thousands of U.S. dollars			
At March 31, 2021:				
Equity securities	$ 135,505	$ 203,252	$ (2,117)	$ 336,640
Bonds	982	27	—	1,009
Other	5,648	388	—	6,036
	$ 142,135	$ 203,667	$ (2,117)	$ 343,685

At March 31, 2021 and 2020 investments in and long-term loans to affiliates and nonconsolidated subsidiaries consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Equity securities of affiliates and nonconsolidated subsidiaries	¥ 15,127	¥ 15,238	$ 136,279
Investments in partnerships of nonconsolidated subsidiaries	2,738	1,638	24,667
	¥ 17,865	¥ 16,876	$ 160,946

6. Property and Equipment

At March 31, 2021 and 2020, property and equipment consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Property and equipment, at cost:			
Land	¥ 184,672	¥ 174,108	$ 1,663,712
Buildings and structures	297,141	287,332	2,676,946
Vehicles	111,823	111,382	1,007,414
Machinery and equipment	47,726	47,748	429,964
Construction in progress	6,205	5,604	55,901
Other	13,654	11,833	123,009
	661,221	638,007	5,956,946
Less accumulated depreciation	(326,616)	(322,023)	(2,942,487)
Total property and equipment	¥ 334,605	¥ 315,984	$ 3,014,459

One of the consolidated subsidiaries elected to carry out a one-time revaluation to restate the cost of land used for business operations at values reassessed on March 31, 2002, reflecting adjustments for land shape and other factors based on appraisal values issued by the Japanese National Tax Agency in accordance with the Law Concerning Revaluation of Land. According to the law, the excess of the original book value over the reassessed value, net of the tax effect and minority interest portions, is recorded in net assets as land revaluation decrement account in the accompanying consolidated balance sheets. At March 31, 2021 and 2020, the difference between the carrying values of land used for business operations after revaluation over the current market values of the land at the fiscal year-end amounted to ¥2,099 million ($18,910 thousand) and ¥2,549 million, respectively.

7. Real Estate for Rent

Some of the Company's subsidiaries own land and facilities for rent at locations where the business branches were closed or redeployed branches used to be. The carrying values in the consolidated balance sheets, changes during the years ended March 31, 2021 and 2020 and the fair values of the rental properties were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Carrying value at the beginning of year	¥ 17,057	¥ 13,956	$ 153,666
Net changes during the year	1,185	3,101	10,676
Carrying value at the end of year	¥ 18,242	¥ 17,057	$ 164,342
Fair value at the end of year *	¥ 26,155	¥ 22,041	$ 235,631

*Note: * Fair value was measured at the estimated value based principally on a real estate appraisal or property tax bases.*

Profit and loss recorded for rental properties for the fiscal years ended March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Operating revenue	¥ 1,865	¥ 1,732	$ 16,802
Operating costs	378	357	3,406
Income from rental operations	1,487	1,375	13,396
Loss on disposal of rental property and other	¥ —	¥ (463)	$ —

8. Asset Retirement Obligations

Asset retirement obligations are based upon estimated future restoration obligations pursuant to office rental agreements. The asset retirement obligations are calculated based upon the useful life designated by law or the estimated office rental period and are discounted by the yield rate of government bonds.

Asset retirement obligations for the years ended March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
At the beginning of year	¥ 3,589	¥ 3,065	$ 32,333
New consolidations	1	—	9
New obligations	44	498	397
Changes in estimated obligations and accretion	43	42	387
Settlement payments	(38)	(4)	(342)
Other	(11)	(12)	(99)
At the end of year	¥ 3,628	¥ 3,589	$ 32,685

9. Short-term Borrowings and Long-term Debt

At March 31, 2021 and 2020, short-term borrowings consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Unsecured bank overdrafts with interest rates ranging from 0.269% to 1.475% per annum at March 31, 2021	¥ 430	¥ 530	$ 3,874
Secured bank overdrafts with interest rates 0.900% per annum at March 31, 2021	100	100	901
Short-term bank loans, secured at March 31, 2021	—	500	—
Short-term bank loans, unsecured with interest rates ranging from 0.240% to 6.400% per annum at March 31, 2021	3,941	3,000	35,504
	¥ 4,471	¥ 4,130	$ 40,279

At March 31, 2021, the Company and certain subsidiaries had unsecured overdraft agreements with 11 banks. Under the agreements, the Company and the subsidiaries were entitled to withdraw up to ¥37,630 million ($339,009 thousand). The Company and the subsidiaries were not obligated to pay commitment fees on the unused portions of the overdraft facilities.

At March 31, 2021 and 2020, long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Zero coupon convertible bonds due March 2026, including unamortized premiums (¥250 million ($2,252 thousand) at March 31, 2021)	¥ 25,250	¥ —	$ 227,477
Loans from government agencies and banks, repayable through 2035, with interest rates ranging from 0.600% to 5.650% per annum at March 31, 2021:			
Secured	8,478	9,298	76,379
Unsecured	768	849	6,919
Capitalized lease obligations	9,982	7,852	89,928
	44,478	17,999	400,703
Less current portion	(2,187)	(2,342)	(19,703)
	¥ 42,291	¥ 15,657	$ 381,000

At March 31, 2021 and 2020, respectively, the following assets were pledged as collateral for certain long-term debt:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Land	¥ 3,261	¥ 3,261	$ 29,379
Buildings and structures	1,007	1,087	9,072
Cash and deposits	1,355	1,232	12,207
Shares of subsidiaries and associates	1,133	1,133	10,207
Long-term loans receivable from subsidiaries and associates	350	550	3,153

The aggregate annual maturities of long-term debt as of March 31, 2021 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2022	¥ 2,187	$ 19,703
2023	8,934	80,486
2024	1,168	10,522
2025	889	8,009
2026	25,748	231,964
Thereafter	5,302	47,766
	¥ 44,228	$ 398,450

10. Commitment Line Agreement

Consolidated subsidiary Kanto Transportation Co., Ltd. had a commitment line agreement of ¥1,000 million ($9,009 thousand) and ¥2,000 million as of March 31, 2021 and 2020, respectively, to ensure its access to financing. The Company also had a commitment line agreement of ¥50,000 million ($450,450 thousand) as of March 31, 2021. In addition, Kanto Transportation Co., Ltd.'s outstanding balance of borrowings under the agreement was ¥500 million on March 31, 2020.

11. Financial Covenants

Consolidated subsidiary Kanto Transportation Co., Ltd. is a party to a syndicated loan agreement and commitment line agreement that includes the following financial covenants.

1. The operating loss on a consolidated basis of Kanto Transportation Co., Ltd. before amortization of goodwill is allowed on the profit and loss statement for the two consecutive years as of the previous fiscal year at March 31, 2017 or later.
2. The amount of equity (except subscription rights to shares, noncontrolling interests and deferred gains and losses on hedges) on the balance sheets on a consolidated basis of Kanto Transportation Co., Ltd. is required to be equal to or greater than 80% of equity on the balance sheet as of the previous fiscal year at March 31, 2017 or later.

Remaining balances of debt were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Short-term borrowings	¥ —	¥ 500	$ —
Current portion of long-term debt	800	800	7,207
Long-term debt	7,500	8,300	67,568
	¥ 8,300	¥ 9,600	$ 74,775

12. Employee Retirement Benefits

The Company and its subsidiaries have mainly unfunded defined benefit plans with rules and regulations determined by the Company and each subsidiary. In addition, some subsidiaries have Smaller Enterprise Retirement Allowance Mutual Aid or Specific Retirement Allowance Mutual Aid. Also, the Company and certain subsidiaries have defined contribution plans from this fiscal year.

Other subsidiaries have funded defined benefit plans. One company belongs to a comprehensive employee pension fund for the defined benefit corporate pension plan. One company has established a retirement benefit payment trust. Some of the consolidated subsidiaries have joined a multi-employer welfare pension fund plan. Those for which it is impossible to calculate in a rational manner the amount of the pension assets which corresponds to the amount of the contributions are accounted for in the same way as the defined contribution pension plan. The retirement benefit obligation of certain subsidiaries was calculated using the simplified method as permitted by the accounting standard for employee retirement benefits.

As of and for the year ended March 31, 2021 and 2020, defined benefit plans, including plans applying the simplified method were as follows:

(a) Movements in retirement benefit obligation:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
At the beginning of year	**¥ 84,213**	¥ 82,281	**$ 758,676**
Service cost	**4,347**	4,324	**39,162**
Interest cost	**193**	189	**1,739**
Actuarial differences	**537**	463	**4,838**
Benefits paid	**(3,382)**	(3,467)	**(30,469)**
Past service cost	**(52)**	419	**(468)**
Others	**(4)**	4	**(36)**
At the end of year	**¥ 85,852**	¥ 84,213	**$ 773,442**

(b) Movements in plan assets:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
At the beginning of year	**¥ 4,429**	¥ 6,809	**$ 39,901**
Actuarial differences	**103**	(2,240)	**928**
Contributions paid by the employer	**2**	2	**18**
Benefits paid	**(121)**	(142)	**(1,090)**
At the end of year	**¥ 4,413**	¥ 4,429	**$ 39,757**

(c) Reconciliation from retirement benefit obligation and plan assets to employee retirement benefit asset or liability:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Funded retirement benefit obligation	**¥ 7,853**	¥ 7,500	**$ 70,748**
Plan assets	**(4,413)**	(4,429)	**(39,757)**
	3,440	3,071	**30,991**
Unfunded retirement benefit obligation	**77,999**	76,713	**702,694**
Net employee retirement benefit liability	**¥ 81,439**	¥ 79,784	**$ 733,685**
Employee retirement benefit liability	**81,439**	79,784	**733,685**
Employee retirement benefit asset	**—**	—	**—**
Net employee retirement benefit liability	**¥ 81,439**	¥ 79,784	**$ 733,685**

(d) Net periodic retirement benefit expenses, including plans applying the simplified method:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Service cost	**¥ 4,347**	¥ 4,324	**$ 39,162**
Interest cost	**193**	189	**1,739**
Amortization of actuarial differences	**1,406**	1,487	**12,667**
Amortization of past service cost	**(71)**	(173)	**(640)**
Net periodic retirement benefit expenses	**¥ 5,875**	¥ 5,827	**$ 52,928**

(e) Retirement benefit adjustment included in other comprehensive income, before tax effects:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Past service cost	**¥ 19**	¥ 592	**$ 171**
Actual differences	**(972)**	1,215	**(8,757)**
Total balance	**¥ (953)**	¥ 1,807	**$ (8,586)**

(f) Retirement benefit adjustment in accumulated other comprehensive income, before tax effects:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Past service cost yet to be recognized	**¥ (442)**	¥ (461)	**$ (3,982)**
Actuarial differences yet to be recognized	**7,488**	8,459	**67,459**
Total balance	**¥ 7,046**	¥ 7,998	**$ 63,477**

(g) Plan assets

(i) Plan assets comprise:

	Percent	
	2021	2020
Cash and cash equivalents	**12%**	15%
Bonds	**1%**	1%
Equity securities	**87%**	84%
Total*	**100%**	100%

*Note: * For the fiscal years ended March 31, 2021 and 2020, the assets of the retirement benefit payment trust constituted 98% and 99% of total plan assets, respectively.*

(ii) Long-term expected rate of return

Current and target asset allocations, historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

(h) Actuarial assumptions

The principal actuarial assumptions (expressed as weighted averages):

	2021	2020
Discount rate (mainly)	**0.1%**	0.1%
Long-term expected rate of return	**0.0%**	0.0%

(i) Defined contribution plan

Required contributions to the contribution plans of the Company and certain consolidated subsidiaries were ¥312 million ($2,811 thousand) and ¥241 million for the years ended March 31, 2021 and 2020, respectively.

13. Contingent Liabilities

At March 31, 2021 and 2020, the Seino Group was contingently liable for trade notes and discount notes endorsed to affiliates and third parties and for guarantees, including substantial guarantees, principally of indebtedness of third parties in the aggregate amount of ¥1,002 million ($9,027 thousand) and ¥1,205 million, respectively.

14. Lease Commitments

As lessee, the Seino Group has entered into various rental and lease agreements for land and buildings to be used for truck terminals and warehouses that are generally cancelable with a few months advance notice, except for certain operating lease agreements. The aggregate minimum future lease payments for such noncancelable operating lease agreements, including the imputed interest portion, as lessee at March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Operating leases:			
Due within one year	**¥ 1,032**	¥ 965	**$ 9,297**
Due after one year	**8,388**	7,829	**75,568**
	¥ 9,420	¥ 8,794	**$ 84,865**

A certain subsidiary engaged in leasing operations as lessor enters into various lease agreements with third parties principally for vehicles. The leases are categorized as operating leases. At March 31, 2021 and 2020, the aggregate future minimum lease commitments to be received for such non-cancelable lease agreements, including the imputed interest, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Operating leases:			
Due within one year	**¥ 393**	¥ 391	**$ 3,540**
Due after one year	**2,754**	2,978	**24,811**
	¥ 3,147	¥ 3,369	**$ 28,351**

15. Net Assets

Under the Japanese Corporate Law (the "Law") and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Law, in cases in which a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Law, legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting. Additional paid-in capital and legal earnings reserve may not be distributed as dividends. All additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

At March 31, 2021 and 2020, capital surplus consisted principally of additional paid-in capital. In addition, retained earnings included legal earnings reserve of the Company in the amount of ¥4,262 million ($38,396 thousand) at March 31, 2021 and 2020.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with Japanese laws and regulations.

During the year ended March 31, 2021, the Company paid interim dividends of ¥11 per share, amounting to ¥2,060 million ($18,559 thousand). In addition, at the annual shareholders' meeting held on June 24, 2021, the shareholders approved cash dividends of ¥16 per share, amounting to ¥2,997 million ($27,000 thousand). The appropriation had not been accrued in the consolidated financial statements as of March 31, 2021 as such appropriations are recognized in the period in which they are approved by the shareholders.

16. Consolidated Statements of Cash Flows

During the year ended March 31, 2019, stock subscription rights were exercised, and the related convertible bonds were converted to common stock without any cash settlement. Details of the movement resulting from the exercise of the stock subscription rights are as follows:

	Millions of yen
	2019
Gain on disposal of treasury stock	¥ 1,619
Decrease in treasury stock	4,232
Decrease in convertible bonds	5,851

17. Income Taxes

The tax effects of temporary differences that give rise to a significant portion of deferred tax assets and liabilities at March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Deferred tax assets:			
Employee retirement benefit liability	**¥ 28,356**	¥ 27,794	**$ 255,460**
Enterprise tax accruals	**394**	532	**3,550**
Accrued bonuses	**4,039**	4,139	**36,387**
Intercompany capital gains	**1,301**	1,220	**11,721**
Operating loss carryforwards	**811**	642	**7,306**
Loss on assets transferred	**1,807**	1,675	**16,279**
Impairment loss on fixed assets	**12,208**	12,274	**109,982**
Allowance for doubtful accounts	**202**	205	**1,820**
Other	**6,854**	7,287	**61,748**
	55,972	55,768	**504,253**
Less valuation allowance	**(15,096)**	(14,774)	**(136,000)**
	40,876	40,994	**368,253**
Deferred tax liabilities:			
Deferred capital gains	**8,599**	8,488	**77,469**
Unrealized gains on available-for-sale securities	**6,447**	4,412	**58,081**
Valuation adjustments for consolidation	**11,214**	11,460	**101,027**
Employee retirement benefit asset	**—**	—	**—**
Other	**3,701**	3,825	**33,342**
	29,961	28,185	**269,919**
Net deferred tax assets	**¥ 10,915**	¥ 12,809	**$ 98,334**

Note: As stated in "Note 2(u), "Summary of Significant Accounting Policies – Changes in presentation method," amounts for the fiscal year ended March 31, 2020 were restated after reflecting retroactive treatments.

In assessing the realizability of deferred tax assets, management of the Seino Group considers whether some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of the future taxable income during the periods in which those temporary differences become deductible. At March 31, 2021 and 2020, a valuation allowance was provided to reduce deferred tax assets to the extent that the management believed that the amount of the deferred tax assets was not realizable.

The reconciliation of the statutory tax rate and the effective tax rate for the years ended March 31, 2021 and 2020 was as follows:

	Percentage of pretax income	
	2021	2020
Japanese statutory tax rate	**29.9%**	29.9%
Increase (decrease) due to:		
Permanently nondeductible expenses	**0.2**	0.3
Tax exempt income	**(0.5)**	(0.2)
Local minimum taxes - per capita levy	**2.6**	1.8
Amortization of goodwill	**1.9**	1.4
Equity in net income of affiliates	**(0.5)**	0.0
Changes in valuation allowance	**1.3**	(2.0)
Different tax rates applied to the consolidated subsidiaries	**4.2**	4.4
Tax credit for salary growth	**—**	(0.0)
Other	**(0.1)**	0.0
Effective income tax rate	**39.0%**	35.6%

18. Comprehensive Income

Amounts reclassified to net income (loss) in the current period that were recognized in other comprehensive income in the current or previous periods and the tax effects for each component of other comprehensive income for the years ended March 31, 2021, 2020 and 2019 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2021	2020	2019	**2021**
Net unrealized gains on available-for-sale securities:				
Increase (decrease) during the year	**¥ 8,453**	¥ (4,090)	¥ (2,250)	**$ 76,153**
Reclassification adjustments	**(1,034)**	300	(450)	**(9,315)**
Subtotal, before tax	**7,419**	(3,790)	(2,700)	**66,838**
Tax effect	**(2,036)**	996	735	**(18,343)**
Subtotal, net of tax	**5,383**	(2,794)	(1,965)	**48,495**
Foreign currency translation adjustments:				
(Decrease) increase during the year	**(51)**	45	(53)	**(459)**
Reclassification adjustments	**—**	—	—	**—**
Subtotal, before tax	**(51)**	45	(53)	**(459)**
Tax effect	**—**	—	—	**—**
Subtotal, net of tax	**(51)**	45	(53)	**(459)**

	Millions of yen			Thousands of U.S. dollars
	2021	2020	2019	**2021**
Retirement benefit adjustment:				
(Decrease) increase during the year	**(382)**	(3,122)	934	**(3,441)**
Reclassification adjustments	**1,335**	1,315	1,368	**12,027**
Subtotal, before tax	**953**	(1,807)	2,302	**8,586**
Tax effect	**(326)**	629	(789)	**(2,937)**
Subtotal, net of tax	**627**	(1,178)	1,513	**5,649**
Shares of other comprehensive income of affiliates accounted for using equity method:				
Decrease during the year	**(73)**	(88)	(245)	**(658)**
Reclassification adjustments	**15**	(4)	(11)	**135**
Subtotal	**(58)**	(92)	(256)	**(523)**
Total other comprehensive income	**¥ 5,901**	¥ (4,019)	¥ (761)	**$ 53,162**

19. Business Combinations

Acquisition of equity interest in subsidiary

The Board of Directors meeting held August 7, 2020 determined that the Company Group purchase all of the shares of Kanto Transportation Co., Ltd. from Karita Kanto limited partnership, etc., because the joint holding period had expired.

1. Overview of transaction
   (1) Name and business description of acquired company
   Name of acquired company: Kanto Transportation Co., Ltd.
   Description of business: Transportation services

   (2) Date on which business combinations was effect
   August 27, 2020

   (3) Legal form of equity combination
   Acquisition of equity interest from noncontrolling shareholders

   (4) Name of company after business combination
   Kanto Transportation Co., Ltd.

   (5) Other matters with regard to transactionThe voting right ratio will be 100% by acquiring additional shares with a voting right ratio of 50%.

2. Overview of accounting treatment
   The acquisition will be accounted for as a transaction with noncontrolling shareholders under common control, based on ASBJ Statement No. 21, "Accounting Standard for Business Combinations" and ASBJ Guidance No. 10, "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures," issued on September 13, 2013.

3. Details to be reported in the acquisition of equity interest in subsidiary
   The acquisition price is not disclosed due to the confidentiality obligation of the contract.

4. Details about change in shareholders' equity by transaction with noncontrolling shareholders
   (1) Main reason for change in capital surplus
   Acquisition of equity interest in subsidiary

   (2) Amount of decrease in capital surplus due to transaction with noncontrolling shareholders ¥2,124 million

20. Segment Information

(a) General information about reportable segments

The reportable segments are constituent business units of the Seino Group for which separate financial information is obtained and examined regularly by the Board of Directors to evaluate business performance. The Seino Group has established the "Business Promotion Department" as a holding company. Each subsidiary plans and operates each business under its control. In addition, some of the subsidiaries engage in real estate leasing services to make good use of their facilities. Therefore, the Seino Group consists of business segments that are based on the business conducted by each subsidiary. The Seino Group's reportable segments are "transportation services," "vehicle sales," "merchandise sales" and "real estate leasing services."

(b) Basis of measurement about reportable segment profit or loss, segment assets and other material items

The principles of segment accounting are basically the same as those described in Note 2, "Summary of Significant Accounting Policies." Intersegment sales and transfer amounts are based on market prices.

(c) Information about reportable segment profit or loss, segment assets and other material items

Information about reportable segment for the years ended March 31, 2021, 2020 and 2019 is summarized as follows:

	Transportation services	Vehicle sales *(*5)*	Merchandise sales	Real estate leasing services	Other *(*4)*	Total	Adjustments *(*1)*	Consolidated
For the year 2021:				Millions of yen				
Operating revenue:								
External customers	**¥ 441,091**	**¥ 98,334**	**¥ 31,034**	**¥ 1,865**	**¥ 19,722**	**¥ 592,046**	**¥ —**	**¥ 592,046**
Intersegment sales and transfers	**1,852**	**10,025**	**14,647**	**—**	**8,918**	**35,442**	**(35,442)**	**—**
Total operating revenue	**442,943**	**108,359**	**45,681**	**1,865**	**28,640**	**627,488**	**(35,442)**	**592,046**
Segment income *(*2)*	**¥ 18,375**	**¥ 4,781**	**¥ 732**	**¥ 1,495**	**¥ 486**	**¥ 25,869**	**¥ (1,308)**	**¥ 24,561**
Segment assets *(*3)*	**¥ 513,548**	**¥ 121,051**	**¥ 15,772**	**¥ 19,083**	**¥ 50,396**	**¥ 719,850**	**¥ (47,602)**	**¥ 672,248**
Depreciation	**17,973**	**1,939**	**64**	**99**	**702**	**20,777**	**(425)**	**20,352**
Amortization of goodwill	**1,409**	**1**	**—**	**—**	**229**	**1,639**	**—**	**1,639**
Investments in affiliates accounted for using the equity method	**14,785**	**78**	**—**	**—**	**—**	**14,863**	**(1)**	**14,862**
Increase in tangible and intangible fixed assets	**34,811**	**3,945**	**69**	**1,749**	**641**	**41,215**	**(634)**	**40,581**
For the year 2020:								
Operating revenue:								
External customers	¥ 466,473	¥ 103,165	¥ 32,868	¥ 1,732	¥ 21,389	¥ 625,627	¥ —	¥ 625,627
Intersegment sales and transfers	2,458	10,488	18,790	—	16,251	47,987	(47,987)	—
Total operating revenue	468,931	113,653	51,658	1,732	37,640	673,614	(47,987)	625,627
Segment income *(*2)*	¥ 23,339	¥ 4,611	¥ 871	¥ 1,383	¥ 688	¥ 30,892	¥ (1,195)	¥ 29,697
Segment assets *(*3)*	¥ 509,749	¥ 117,624	¥ 15,498	¥ 17,305	¥ 49,270	¥ 709,446	¥ (54,913)	¥ 654,533
Depreciation	17,890	1,873	60	83	698	20,604	(406)	20,198
Amortization of goodwill	1,407	1	—	—	228	1,636	—	1,636
Investments in affiliates accounted for using the equity method	14,521	43	—	—	—	14,564	(2)	14,562
Increase in tangible and intangible fixed assets	26,602	4,581	130	3,496	1,281	36,090	(573)	35,517
For the year 2019:								
Operating revenue:								
External customers	¥ 462,459	¥ 100,960	¥ 33,518	¥ 1,651	¥ 18,574	¥ 617,162	¥ —	¥ 617,162
Intersegment sales and transfers	2,301	11,247	21,491	—	15,871	50,910	(50,910)	—
Total operating revenue	464,760	112,207	55,009	1,651	34,445	668,072	(50,910)	617,162
Segment income *(*2)*	¥ 24,475	¥ 4,838	¥ 829	¥ 1,334	¥ 902	¥ 32,378	¥ (1,182)	¥ 31,196
Segment assets *(*3)*	¥ 504,189	¥ 118,845	¥ 15,672	¥ 13,752	¥ 49,637	¥ 702,095	¥ (45,249)	¥ 656,846
Depreciation	16,950	1,761	50	84	529	19,374	(373)	19,001
Amortization of goodwill	1,273	1	—	—	163	1,437	—	1,437
Investments in affiliates accounted for using the equity method	15,064	42	—	—	—	15,106	(2)	15,104
Increase in tangible and intangible fixed assets	33,398	4,652	118	20	1,779	39,967	(526)	39,441

	Transportation services	Vehicle sales *(*5)*	Merchandise sales	Real estate leasing services	Other *(*4)*	Total	Adjustments *(*1)*	Consolidated
For the year 2021				Thousands of U.S. dollars				
Operating revenue:								
External customers	**$ 3,973,792**	**$ 885,892**	**$ 279,586**	**$ 16,802**	**$ 177,676**	**$ 5,333,748**	**$ —**	**$ 5,333,748**
Intersegment sales and transfers	**16,685**	**90,315**	**131,955**	**—**	**80,342**	**319,297**	**(319,297)**	**—**
Total operating revenue	**3,990,477**	**976,207**	**411,541**	**16,802**	**258,018**	**5,653,045**	**(319,297)**	**5,333,748**
Segment income *(*2)*	**$ 165,540**	**$ 43,072**	**$ 6,595**	**$ 13,469**	**$ 4,378**	**$ 233,054**	**$ (11,784)**	**$ 221,270**
Segment assets *(*3)*	**$ 4,626,559**	**$ 1,090,549**	**$ 142,090**	**$ 171,919**	**$ 454,018**	**$ 6,485,135**	**$ (428,847)**	**$ 6,056,288**
Depreciation	**161,919**	**17,468**	**577**	**892**	**6,324**	**187,180**	**(3,829)**	**183,351**
Amortization of goodwill	**12,694**	**9**	**—**	**—**	**2,063**	**14,766**	**—**	**14,766**
Investments in affiliates accounted for using the equity method	**133,198**	**703**	**—**	**—**	**—**	**133,901**	**(9)**	**133,892**
Increase in tangible and intangible fixed assets	**313,612**	**35,540**	**622**	**15,757**	**5,775**	**371,306**	**(5,712)**	**365,594**

*Note: *1) The adjustments column in the table above represents principally the elimination of intersegment transactions and balances, except for (*2) and (*3).*

**2) Segment income is reconciled to operating income in the accompanying consolidated statements of income. Segment income in the adjustments column represents unallocated general corporate expenses which were not assigned to specific reportable segments, net of intersegment transactions.*

**3) Segment assets in the adjustments column represent unallocated general corporate items which were not assigned to specific reportable segments, including items such as cash and short-term and long-term investments in securities, net of intersegment balances.*

**4) Other segment represents the business segment not included in the reportable segments and includes the information services business, the housing sales business, the passenger transportation business and other business.*

**5) As described in "Note 2(u), "Summary of Significant Accounting Policies – Changes in presentation method," consolidated subsidiaries Toyota Corolla Gifu Co., Ltd. and Netz Toyota Gifu Co., Ltd. previously recognized revenue primarily by an installment sales method. Effective from the current fiscal year, the revenue recognition method was changed to a more principle sales basis. As a result of this change, compared with figures prior to the retroactive application, net sales and segment income (loss) for the previous fiscal year changed as follows: in Vehicle sales, "Operating revenue External customers" decreased by ¥1,499 million, and "Segment income" increased by ¥258 million. In addition, "Segment assets" decreased by ¥2,120 million. Moreover, net sales and segment income (loss) for the fiscal year 2019 changed as follows: in Vehicle sales, "Operating revenue External customers" decreased by ¥1,274 million, and "Segment income" decreased by ¥13 million. In addition, "Segment assets" decreased by ¥1,137 million.*

(d) Related Information

(i) Information about products and services

The Company has not disclosed information about products and services here because the Company has disclosed the same information above.

(ii) Information about geographic areas

Operating revenue

The Company has omitted the disclosure of operating revenue by geographic area because operating revenue to external customers in Japan accounts for more than 90% of the amount of operating revenue reported in the consolidated statements of income.

Property and equipment

The Company has omitted the disclosure of property and equipment by geographic area because property and equipment in Japan account for more than 90% of the amount of property and equipment reported in the consolidated balance sheets.

(iii) Information about major customers

The Company has not disclosed information about major customers because no customer contributed 10% or more to operating revenue in the consolidated statements of income.

(iv) Information on impairment loss by reportable segments:

	Transportation services	Vehicle sales	Merchandise sales	Real estate leasing services	Other	Total
	Millions of yen					
Impairment loss:						
For the year 2021	¥ —	¥ 54	¥ —	¥ —	¥ —	¥ 54
For the year 2020	129	80	—	66	267	542
For the year 2019	869	302	—	28	37	1,236
	Thousands of U.S. dollars					
Impairment loss:						
For the year 2021	$ —	$ 486	$ —	$ —	$ —	$ 486

(v) Information on goodwill by reportable segments:

	Transportation services	Vehicle sales	Merchandise sales	Real estate leasing services	Other	Total
	Millions of yen					
For the year 2021						
Amortization of goodwill	¥ 1,410	¥ 1	¥ —	¥ —	¥ 228	¥ 1,639
As of March 31, 2021						
Balance of goodwill	10,971	1	—	—	508	11,480
For the year 2020						
Amortization of goodwill	¥ 1,407	¥ 1	¥ —	¥ —	¥ 228	¥ 1,636
As of March 31, 2020						
Balance of goodwill	12,355	2	—	—	737	13,094
For the year 2019						
Amortization of goodwill	¥ 1,273	¥ 1	¥ —	¥ —	¥ 163	¥ 1,437
As of March 31, 2019						
Balance of goodwill	13,762	3	—	—	865	14,630

	Transportation services	Vehicle sales	Merchandise sales	Real estate leasing services	Other	Total
	Thousands of U.S. dollars					
For the year 2021						
Amortization of goodwill	$ 12,703	$ 9	$ —	$ —	$ 2,054	$ 14,766
As of March 31, 2021						
Balance of goodwill	98,838	9	—	—	4,576	103,423

(iv) Information on gain on negative goodwill by reportable segments:

	Transportation services	Vehicle sales	Merchandise sales	Real estate leasing services	Other	Total
	Millions of yen					
Gain on negative goodwill:						
For the year 2021	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
For the year 2020	—	—	—	—	—	—
For the year 2019	—	—	—	—	88	88

	Transportation services	Vehicle sales	Merchandise sales	Real estate leasing services	Other	Total
	Thousands of U.S. dollars					
Gain on negative goodwill:						
For the year 2021	$ —	$ —	$ —	$ —	$ —	$ —

Report of Independent Auditors

Independent Auditor's Report

To the Board of Directors of
SEINO HOLDINGS CO., LTD.:

Opinion

We have audited the accompanying consolidated financial statements of SEINO HOLDINGS CO., LTD. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2021 and 2020, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for each of the years in the three-year period ended March 31, 2021, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Testing of the effectiveness of IT controls relevant to recognizing the motor truck transportation revenue	
The key audit matter	**How the matter was addressed in our audit**
As described in Note 21, "Segment Information" to the financial statements, operating revenue from transportation services provided to external customers for the current fiscal year was ¥441,091 million. The motor truck transportation revenue of Seino Transportation Co., Ltd., the core company of the Transportation Services Business group, accounted for 49% of the operating revenue. Based on transportation contracts, the motor truck transportation revenue is recognized in a consistent manner on the basis of cargo acceptance.	For a series of data, we obtained an understanding of the information flow, data processing and automated internal controls within the IT system from the beginning of a transaction to the recognition of the motor truck transportation revenue with the assistance of IT specialists within our firm. In addition, we tested the effectiveness of certain internal controls required for stable operation of the IT system. Furthermore, we performed the procedures set forth below by involving IT specialists within our firm to test the operating effectiveness of certain significant internal controls:

While each transportation transaction amount is small in the motor truck transportation business, a large volume is traded every day, and the motor truck transportation revenue, which is the consideration of those transactions, is recognized based on the data processed and recorded by the system. In calculating freight charges, which provided the basis for the motor truck transportation revenue, detailed conditions are determined for each customer by distance or direction, or by weight, and then complicated calculations are performed based on the conditions. As described above, recognition of the motor freight transportation revenue is highly dependent on the IT system and may have a significant effect on financial reporting if there are defects or failures in the system, or data is not processed as expected. We, therefore, determined that our testing of the effectiveness of IT controls relevant to recognizing the motor truck transportation revenue was of most significance in our audit of the financial statements for the current fiscal year, and accordingly, a key audit matter.	• We tested the operating effectiveness of certain internal controls to prevent unintended changes or falsification of programs and data within the system; • In order to test the operating effectiveness of application controls for the automatic calculation of freight charges, we recalculated the freight charges for a sample of transactions by distance or direction, or by weight, and assessed the accuracy of data processing through the IT system; and • In order to test the operating effectiveness of application controls relevant to the automatic calculation of the total amount of daily freight charges by store location and automatic recognition of the motor truck transportation revenue, we recalculated a sample of journal entries that were recorded automatically and assessed the accuracy of data processing through the IT system.

Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with corporate auditors and the board of corporate auditors we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2021 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 of the Notes to the consolidated financial statements.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

岩田国良

Kuniyoshi Iwata
Designated Engagement Partner
Certified Public Accountant

加藤浩幸

Hiroyuki Kato
Designated Engagement Partner
Certified Public Accountant

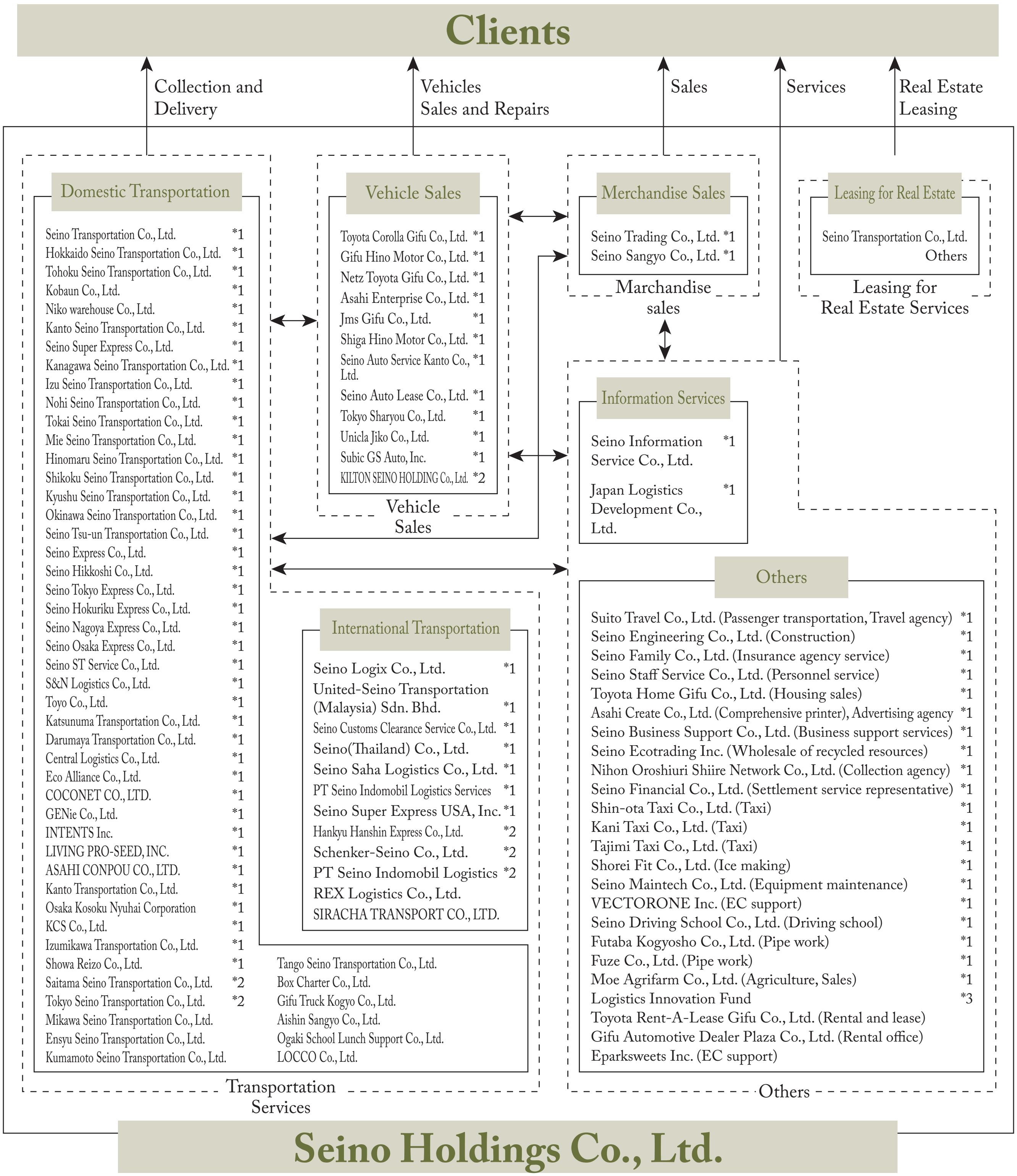
近藤繁紀

Shigeki Kondo
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Nagoya Office, Japan
September 30, 2021

Seino Group

The Seino Group consists of Seino Holdings Co., Ltd. and 82 consolidated subsidiaries, 1 nonconsolidated subsidiary, and 20 affiliates. The Seino Group operates in five business segments: transportation services, vehicle sales, merchandise sales, leasing for real estate services and other services. The business relationship in the Seino Group is as follows.



Note	*1: Consolidated subsidiaries	82
	*2: Affiliates (under the equity method)	6
	*3: Nonconsolidated subsidiaries	1
	Companies except those mentioned above are affiliates under the cost method.	14

Seino Holdings Co., Ltd.
1, Taguchi-cho, Ogaki, Gifu 503-8501 , Japan