Annual Report 2023

Year Ended March 31,2023

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 20 affiliates engaged in transportation services, vehicle sales, merchandise sales, real estate leasing 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.

In recent years, in order to accelerate our evaluation from serving as a special groupcargo motor trucking company to serving as "the logistics company Seino," we have been working on fully utilizing our logistics facilities, as well as boosting our space efficiency and operational efficiency and achieving semi-automation with assistive robots. Furthermore, we have been working on resolving the issues of our customers based on customized proposals making use of the functions of our entire group, and have been striving to expand our revenues through enhancing our logistics infrastructure.

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.

Contents

Board of Directors

(As of June28, 2023)

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

Seino Holdings Co., Ltd.

Financial Highlights

For the Years Ended March 31, 2023, 2022 and 2021

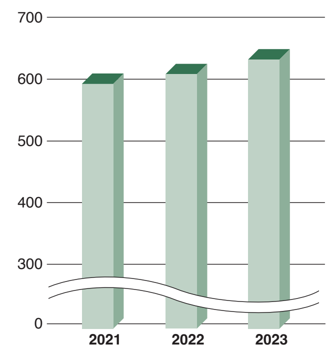
	Millions of Yen			Thousands of U.S. Dollars (Note)
	2023	2022	2021	**2023**
CONSOLIDATED BASIS:				
Operating revenue	**¥ 631,508**	¥ 607,658	¥ 592,046	**$ 4,712,746**
Operating income	**28,502**	27,546	24,561	**212,701**
Profit before income taxes	**31,352**	28,345	27,621	**233,970**
Net income	**19,013**	17,256	16,661	**141,888**
Net income per share (yen)	**104.87**	94.59	89.31	**0.78**

	Millions of Yen			Thousands of U.S. Dollars (Note)
	2023	2022	2021	**2023**
CONSOLIDATED BASIS:				
Cash and cash equivalents, and short-term investments	**¥ 109,752**	¥ 108,489	¥ 103,054	**$ 819,044**
Property and equipment, net of accumulated depreciation	**343,227**	341,680	334,605	**2,561,395**
Total assets	**703,894**	685,267	672,248	**5,252,940**
Long-term debt and other long-term liabilities	**45,392**	46,927	44,478	**338,746**
Net assets	**449,728**	433,521	422,635	**3,356,179**
Net assets per share (yen)	**2,449.98**	2,375.05	2,297.61	**18.28**

(Note) U.S. dollar amounts are translated at ¥134 = U.S. $1, only for the convenience of readers.

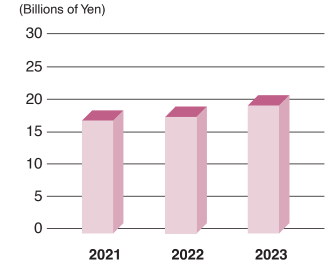
Operating revenue

(Billions of Yen)



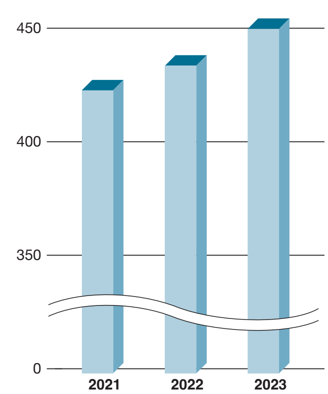
Net income

(Billions of Yen)



Net assets

(Billions of Yen)



Corporate Data

(As of March 31, 2023)

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	Tokyo Stock Exchange, Prime Market (code 9076) Nagoya Stock Exchange, Premier Market (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, 2023 (April 1, 2022 to March 31, 2023) are presented herein.

Medium-term Management Plan "Connecting our values - For the Prosperity of our Customers,"2022/4-2023/3

The following is a brief report on the performance of Seino Holdings Co., Ltd. for the fiscal year ended March 31, 2023, our 102th term (from April 1, 2022 to March 31, 2023).

During the fiscal year under review, although Japanese economy started to exhibit evidence of normalization of socio-economic activities accompanying the easing of restrictions on activities due to the novel coronavirus disease (COVID-19), giving rise to expectations of an economic recovery, the outlook has remained unclear due to soaring prices for raw materials, resources and energy resulting mainly from the impact of the situation in Ukraine, in addition to rising import costs and inflation as a result of the rapid depreciation of the yen caused by the widening gap between interest rates in Japan and the U.S., among other factors.

In the transportation industry, which is the mainstay business of the Seino Group, the volume of freight transportation in Japan showed signs of recovering, including a gradual pickup in industrial production overall. However, due to soaring prices for crude oil and raw materials, supply constraints and other factors, the conditions surrounding corporate activities continued to be severe.

Guided by the "Connecting our values - For the Prosperity of our Customers" three-year medium-term management plan, which was in its final year, the Seino Group responded to these conditions by offering value aimed at resolving the issues faced by customers, and concentrating its investments on growth areas such as logistics, with all employees moving forward as one to enhance its corporate value. The Seino Group has positioned the construction of an "open public platform" (O.P.P.) that enables mutual sharing of delivery services between cargo owner companies and logistics companies and provides customers with one-stop, no-stress services as the focus of its group-wide strategies, and as part of those efforts, has established a joint venture, HACOBELL INC., together with RAKSUL INC. Furthermore, the Seino Group made TIKUTAKUBIN Co., Ltd., which was a pioneer in the mail delivery business, a subsidiary in order to establish a delivery network in the last-mile field.

As a result, operating revenue for the fiscal year ended March 31, 2023 was ¥631,508 million (up 3.9% year on year), operating profit was ¥28,502 million (up 3.5% year on year), ordinary profit was ¥32,688 million (up 8.0% year on year), and profit attributable to owners of parent was ¥19,013 million (up 10.2% year on year).

Future Outlook

With regard to the outlook for the Japanese economy going forward, although production activities are expected to gradually pick up as shortages in the supply of semiconductors and other parts ease and industrial production strengthens, we expect that we will need to continue closely monitoring the impact from persistently high resource and energy prices and rising inflation.

In the transportation industry, which is the mainstay business of the Seino Group, shortages of long-distance truck drivers and other labor due to the shrinking workforce have become an issue.

Given such conditions, the Seino Group will work to address the low birthrate and aging population, environmental problems and other social issues we face, based on the slogan "'Team Green Logistics' –Creating Together, Contributing to the Future–." Amid the need to optimize the sustainable logistics network, we will work to strengthen our collaboration with various partners beyond the boundaries of our current customers, industries and business sectors and co-create "Green Logistics" as a united team in order to encourage consideration for the environment throughout the entire supply chain in line with the O.P.P. concept.

We have positioned our less-than-truckload transportation service as one part of social infrastructure, and in order to ensure that the provision of such service is stable, Seino Transportation Co., Ltd. merged with three group companies in April 2023. Through such efforts, we will work to reduce the number of vehicles with low loads, boost the operational efficiency for operations of the same economic zone, and rebuild and optimize the entire transportation system. In addition, we will collaborate with other companies in the industry while strengthening hub functions, address the "2024 problem" through "Green Logistics," which includes combining modal shifts, and mitigate the risk of being unable to conduct transport operations, while striving to secure stable earnings. Furthermore, in the chartered vehicles field, which is a growth area, we started the "Mitsukaru Charter" (charter finder) service that enables customers to arrange for chartered vehicles through HACOBELL INC.'s website that has an excellent UI/UX. We will carry out sales activities based on our advantage of being able to offer the optimal transportation modes that combine less-than-truckload transportation service and other methods.

In order to leverage the advantage of our nationwide operations, while implementing a cross-functional approach spanning the entire Seino Group, we will newly establish the Logistics Department, putting us in good stead to resolve problems as the "general contact point for customers" and make proposals on the optimal logistics in cooperation with other companies in the industry. In the specialized fields of the electronics, healthcare, automotive battery and other growth markets, we will establish three new departments for providing solution services for each of those industries, and position these departments as part of our growth strategy of the Company. We will also invest personnel and other management resources to strengthen our sales capabilities, aiming to achieve dramatic growth.

In the business of passenger car sales in the Vehicle Sales Business, TOYOTA COROLLA NETZ GIFU CO., LTD. will aim to be the dealer shops chosen by customers through various measures, such as working to optimize its dealer network by carrying out ongoing renovations together with the new establishment, elimination or consolidation of dealer shops and service centers based on an analysis of the local trading area, and introducing license plate recognition systems for ensuring prompt, personalized service for customers visiting the shops. In addition, we will strive to boost productivity by consolidating headquarters functions and backyard operations and securing personnel, thereby ensuring profits.

In truck sales, while aiming to increase sales of large trucks following the resumption of shipments from the manufacturer, as well as leases, insurance and other financial products, and small and medium-sized trucks, we will work to secure earnings by securing a solid number of vehicles by inviting customers to bring their vehicle in early for vehicle inspections and periodic maintenance and through increased sales of parts to repair centers and other businesses. In other areas, we will strive to enhance ES through the introduction of advanced maintenance equipment and other measures, which should have a positive effect on the retention and recruitment of mechanics.

In the Merchandise Sales Business, Real Estate Leasing Services Business, and Other Business, we will take steps to expand the business domain and strengthen our existing businesses.

In accordance with our new medium-term management plan and for the prosperity of our customers, the Seino Group will work to connect hearts and contribute to the future by being a corporate group chosen by customers by offering value that goes beyond logistics, and aim to achieve further growth.

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

June 2023

Yoshitaka Taguchi,
President and Chief Executive Officer

Special Feature

Expanding Scope of Operations and Creating New Value

Main Topics for 2023

Visualization of CO_2 emissions

Seino Transportation has added functionality for calculating CO_2 emissions whenever a quote for domestic transport rates is provided on its website. The company has adopted the revised ton-km method based on version 3.1 of the Joint Guidelines on Methods for Calculating Carbon Dioxide Emissions in the Logistics Sector. CO_2 emissions can be calculated both for consolidated cargo transport and for charter transport.

We are supporting our customers' efforts to create a decarbonized society.

Seino Holdings and RAKSUL announce joint venture

Seino Holdings and RAKSUL (headquarters: Shinagawa, Tokyo; president: Yasukane Matsumoto) have established a joint venture (JV) called HACOBELL (headquarters: Chuo, Tokyo; president: Kenji Hazama) as a specific measure for developing the "Open Public Platform" (OPP) to enable shared use of logistics infrastructure by shippers and transport companies and to provide one-stop, stress-free logistics services. It was also announced that the new company would join the group on August 8.

HACOBELL's strengths are in the development of software for optimizing delivery plan management by shippers and matching companies in support of every level of logistics, from last-mile delivery to trunk line transport. By providing these services and data, HACOBELL will provide greater convenience for shippers and transport companies that use the OPP.

At Seino Holdings, we expect that by widely encouraging participation in the OPP, we can not only solve driver shortages and other societal problems but also promote co-creation with the intent of achieving sustainable green logistics.

Using the OPP will allow us to solve the problems faced by logistics and society through co-creation that transcends industry boundaries.

Participation in promoting the adoption of electric vehicles

Seino Transportation is participating in the development and societal implementation of an energy management system that promotes the adoption of electric vehicles in Fukushima Prefecture and Tokyo. Large-scale societal implementation of this system for fuel cell trucks and electric trucks is taking place in Fukushima Prefecture and Tokyo in cooperation with automobile manufacturers, shippers, and logistics companies. Implementation is being carried out from January 2023 until the end of fiscal 2029. Vehicles account for about 80% of the CO_2 emitted in the logistics sector, so in order to contribute to achieving a decarbonized society, we need to convert transport vehicles into ZEVs (zero-emission vehicles) that emit no CO_2 while driving. Seino Transportation has put its name forward as a participating partner.

This program will introduce 580 such vehicles, including large fuel cell trucks for trunk line logistics and electric commercial light vans for last-mile deliveries. By integrating energy management with operational management, we can achieve cost and CO_2 reductions that are not possible with non-electric vehicles. At Seino Transportation, we also plan to introduce 45 fuel cell trucks and electric trucks at our Fukagawa, Tokyo, Omori, and Keihin Terminal branches. As CO_2 reduction becomes a social issue at the global level, we will accelerate our efforts toward achieving green logistics, including our contributions to carbon neutrality.

Tikutakubin joined Seino Group on September 1

Tikutakubin (headquarters: Nerima, Tokyo) and its affiliated subsidiary Tikutakubin (headquarters: Chiba City, Chiba Prefecture) joined the Seino Group on September 1, and Shuji Kawai, an executive officer at Seino Holdings, was appointed the company's president. Tikutakubin is a pioneer in mail delivery and postal services, with branches in Tokyo, Saitama, Chiba, and Hokkaido. Since its establishment in 1980, the company has been a pioneer in the mail delivery industry through the adoption of a proprietary product tracking and management system, and it has also built a last-mile delivery network with high customer satisfaction.

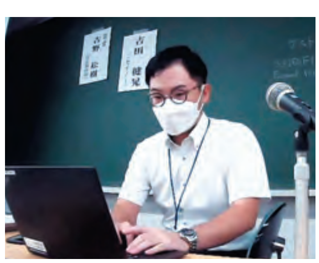
The public has been ordering individual items online more frequently due in part to the COVID-19 pandemic, and product sizes have been getting smaller year by year, leading to an increase in deliveries of items that can be delivered to mailboxes. These factors will allow us to develop home delivery infrastructure that will facilitate new lifestyles and help to solve social issues by combining the trunk line delivery network of Seino Holdings with the last-mile delivery network that is one of Tikutakubin's strengths.

Tikutakubin

The Tikutakubin logo

Paper by Seino employee wins Digital Practice Paper Award

A Seino employee has received two awards for its paper "Relieving Labor Shortages at Logistics Sites and Implementing Telework": the Information Processing Society of Japan's Digital Practice Paper Award and the IBM Knowledge Mall Award for Excellence. The paper was written by Takeaki Yoshida, a member of the BRAIS Group within the LLP Division at Seino Information Service (location: Taguchicho, Ogaki City; president: Hideki Hayashi). Yoshida's solutions for workplace visualization and remote communication through the use of a logistics cockpit received high acclaim, and on September 15, he gave a lecture and participated in a panel discussion at Keio University.



The Information Processing Society of Japan's Digital Practice Paper Award is a very prestigious accolade awarded only to one paper per year.

Amagasaki Branch's Nishibayashi wins the Prime Minister's Award at the National Truck Driver Contest

Hitoshi Nishibayashi, a sales team leader at the Seino Transportation Amagasaki Branch, received the Prime Minister's Award for the best overall score across all categories at the 54th National Truck Driver Contest.

The competition involved 126 truck drivers selected from the trucking associations of the various prefectures. The contestants competed in advanced driving skills that are required of commercial truck drivers and were tested on specialized knowledge related to relevant laws and regulations as well as truck design.

This is the first time an employee of the Seino Group has won the Prime Minister's Award.

Sales leader Hitoshi Nishibayashi says he just drove the way he always does.

Seino obtains CEIV Pharma certification at Narita International Airport

Seino Transportation has obtained the CEIV Pharma quality certification for air transport of pharmaceutical products from the International Air Transport Association (IATA) at Narita International Airport. CEIV Pharma is a globally accepted standard for the air transport of pharmaceuticals. Going forward, Seino Transportation will develop a system for integrated domestic and international transport of pharmaceuticals, which require temperature control.

Right: Sentaro Hattori, Director in charge of the Logistics Department, accepting the certification

The establishment of one of Gifu Prefecture's largest Toyota dealership chains

Toyota Corolla Gifu has merged with Netz Toyota Gifu to form Toyota Corolla Netz Gifu (headquarters: Gifu City; president: Takao Taguchi). Following changes to make all Toyota models available through all Toyota dealership chains nationwide, these two companies had been preparing for this merger, which would form one of the largest dealership chains in Gifu with 60 new car dealerships, 14 used car dealerships, 2 dealerships selling both new and used cars, and 1,446 employees. Going forward, Toyota Corolla Netz Gifu aims to improve its services to ensure the peace of mind and trust of its customers, based on the idea of putting customers first.

Expanding Our Operations Scope and Creating New Value

Transportation Services Business

Based on the medium-term management plan, the Seino Group transformed to "Logistics Seino" while promoting efficiency in our mainstay special mixed freight transportation service "Less-than-truckload Seino," and securing stable profits. In order to contribute to our customers' value chains, we leveraged the advantage of our nationwide operations without being limited to the Seino Group's domains and strove to strengthen our sales in logistics fields with potential for growth, such as by aiming to develop advanced logistics specialized for the electronics and healthcare business categories. By collaborating with warehouse business operators nationwide, sharing information on available space, and combining outsourcing of logistics operations, we optimized the overall logistics from the viewpoint of the customer, and developed our "Mitsukaru Souko" (warehouse finder) service for minimizing the time for opening logistics sites.

At Seino Transportation Co., Ltd., the core company of the Transportation Services Business group, we rebuilt deteriorating facilities and invested in renovations for extending the useful lives of facilities, while making full use of this company's logistics and transportation function. We worked to translate these efforts into winning new cargo owner companies and raising the percentage of continuing shipments, thereby securing higher volumes of cargo handled. Moreover, in response to the so-called "2024 problem" resulting from limits being placed on the maximum number of hours that drivers can work overtime, we promoted reasonable transport fees, mainly in the long-distance category where costs will increase and in the heavy-load category where profitability is low, and worked to secure profits. In addition, we promoted diagramming for establishing a system of on-time route departures that does not depend on the volume of cargo handled, as well as utilized unit-load transport and other measures to improve the efficiency of the entire transport operation and optimized costs so that they are correlated with the volume of cargo handled. We also took steps to reduce CO_2 emissions and reform working styles, such as launching operation of articulated trucks at the Nishi Hiroshima branch and Kita Osaka branch.

As a result of the above, operating revenue for this segment was ¥474,702 million (up 4.7% year on year) and operating profit was ¥21,870 million (up 3.6% year on year).

Vehicle Sales Business

In the business of passenger car sales, amid the intensifying competition between channels as a result of the introduction of a system where all Toyota dealers nationwide sell the full lineup of Toyota vehicles, we merged two subsidiaries in January 2023 and established TOYOTA COROLLA NETZ GIFU CO., LTD., aiming to be the dealer shops chosen by customers. As the largest Toyota dealer group in Gifu Prefecture, we put our customers first and aim to provide an improved level of service in which they can feel reassured and trust. Along with ongoing renovations to dealer shops to increase customer satisfaction, we also engaged in other efforts, including launching promotions that take advantage of the effects of introducing new models and making early replacement proposals through the use of residual value installment sales. Although new vehicle sales were lower than those in the previous year due to the global semiconductor shortage and repeated shutdowns of manufacturers accompanying stoppages in the supply of parts, because the number of vehicles allocated to the dealer shops increased starting from the fourth quarter and the profit per vehicle rose due to an increase in the number of high-priced models sold, both revenue and profit increased compared to the previous year. Moreover, used vehicle sales also recorded a year-on-year decline in volumes, due to a reduction in the number of traded-in vehicles caused by delivery delays of new vehicles and difficulties in procuring vehicles caused by the rising market. However, the increase in retail prices caused by delivery delays of new vehicles, and the rise in the auction market, resulted in higher operating revenue. In the service division, we strove to secure earnings through vehicle inspections and vehicle maintenance and garage services, as well as through sales of products, such as maintenance packages that lead to repeat visits, and expanding the lineup of recommended products.

In truck sales, although new vehicle sales recorded a year-on-year decrease due to the suspension of vehicle shipments as a result of the issue regarding the manufacturer's misconduct concerning engine certification, we worked to secure earnings by increasing used vehicle sales utilizing a used vehicle sales network, encouraging customers to visit the workshop for preventive maintenance and working to bring outsourced inspection and maintenance operations in-house.

As a result of the above, operating revenue for this segment was ¥94,209 million (down 4.1% year on year) and operating profit was ¥4,709 million (up 4.9% year on year).

Merchandise Sales Business

The Merchandise Sales Business engages in the sale of fuel, paper and paper products, and other products. As a result of the above, operating revenue for this segment was ¥33,518 million (up 9.0% year on year) and operating profit was ¥800 million (up 1.4% year on year).

Real Estate Leasing Services Business

In the Real Estate Leasing Services Business, we mainly work to make maximum use of the potential of real estate by leasing the sites of former truck terminals, stores, and other locations.

As a result of the above, operating revenue for this segment was ¥2,192 million (up 8.9% year on year), and operating profit was ¥1,615 million (up 7.0% year on year).

Other Business

The Other Business segment includes the information services business, the housing sales business, the construction contract business, and the personnel services business. Operating revenue for this segment was ¥26,887 million (up 14.8% year on year), and operating profit was ¥1,174 million (down 1.7% year on year).

Operating Revenue by Business Segment

(Millions of yen)

	FY Ended March 31, 2023		FY Ended March 31, 2022		
	Results	Composition	Results	Composition	Year-on-Year
Transportation services	474,702	75.2%	453,253	74.6%	4.7%
Vehicle sales	94,209	14.9%	98,221	16.2%	(4.1%)
Merchandise sales	33,518	5.3%	30,754	5.1%	9.0%
Real estate lesing services	2,192	0.3%	2,013	0.3%	8.9%
Others	26,887	4.3%	23,417	3.8%	14.8%
Total	631,508	100.0%	607,658	100.0%	3.9%

Operating Income by Business Segment

(Millions of yen)

	FY Ended March 31, 2023		FY Ended March 31, 2022		
	Results	Composition	Results	Composition	Year-on-Year
Transportation services	21,870	76.7%	21,108	76.6%	3.6%
Vehicle sales	4,709	16.5%	4,491	16.3%	4.9%
Merchandise sales	800	2.8%	789	2.9%	1.4%
Real estate lesing services	1,615	5.7%	1,509	5.5%	7.0%
Others	1,174	4.1%	1,194	4.3%	(1.7%)
Total	30,168	105.8%	29,091	105.6%	3.7%
Elimination	(1,666)	(5.8%)	(1,545)	(5.6%)	—
Consolidated	28,502	100.0%	27,546	100.0%	3.5%

Financial Review

Operating Results

The consolidated sales of Seino Holdings for the fiscal year ended March 31, 2023 amounted to ¥631,508 million (a 3.9% increase from the previous fiscal year). This was mainly due to growth in our logistics and charter divisions within our transportation business as well as contributions made by newly consolidated subsidiaries.

Meanwhile, because of the sharp increase in raw material prices and energy prices due to the impact of the Ukraine invasion and an abrupt increase in material prices due to the large disparity in American and Japanese interest rates, sales costs rose by ¥554,998 million, a 3.5% increase from the previous fiscal year, but the ratio of operating costs to sales stood at 87.9%, a 0.3% decrease from the previous fiscal year.

Sales expenses and general administrative expenses came to ¥48,008 million (a 9.0% increase from the previous fiscal year) due to an increase in salaries linked to business performance resulting from an increase in product volume as well as higher personnel expenses related to newly consolidated subsidiaries, and operating profit came to ¥28,502 million.

Current net income before tasks and other adjustments increased by 10.6% from the previous fiscal year to ¥31,352 million, and current net income rose by 10.2% from the previous fiscal year to ¥19,013 million.

Current net income per share stood at ¥104.87, and return on equity was 4.3%. The annual cash dividend per share rose to ¥56.00, which marked a 93.1% increase from the previous fiscal year, and thus the dividend payout ratio amounted to 53.4%. This is because our dividend policy is to have either a dividend on equity (DOE) ratio of 2.4% or a consolidated dividend payout ratio OF 30%, whichever is higher.

Financial Position

Total assets at the end of the current consolidated fiscal year amounted to ¥703,894 million, which marked an increase of ¥18,627 million from the end of the previous consolidated fiscal year. The main factors were an increase in cash and deposits and an increase in the market value of inventories and marketable securities held. Liabilities totaled ¥254,166 million, which marked a ¥2,420 million increase from the end of the previous consolidated fiscal year. Furthermore, net assets increased by ¥16,207 million from the end of the previous consolidated fiscal year to reach ¥449,728 million due to a rise in retained earnings.

Cash Flows

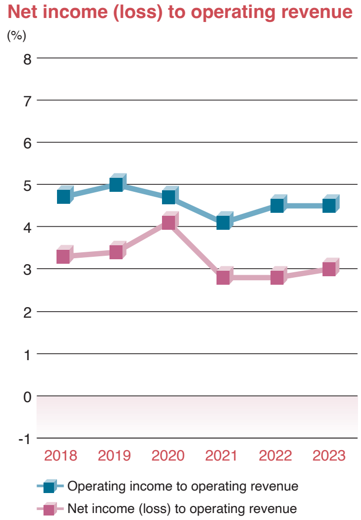
Cash flow from operating activities amounted to ¥39,274 million, marking a decrease of ¥6,254 million from the previous consolidated fiscal year, due to factors such as an increase in inventories and a decrease in trade payables.

Cash flow from investment activities came to −¥29,589 million, which was a ¥2,205 million decrease from the previous consolidated fiscal year. This was the result of factors such as decreases in expenditures for acquiring tangible and intangible fixed assets and decreases in expenditures for acquiring subsidiary shares in conjunction with a change in consolidation scope.

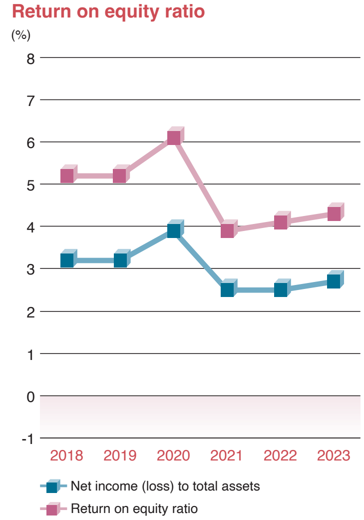
Cash flow from financial activities rose by ¥290 million from the previous consolidated fiscal year to −¥8,172 million. This result of factors such as an increase in dividends paid.

As a result of the above, cash and cash equivalents in the current consolidated fiscal year increased by ¥1,540 million from the previous consolidated fiscal year to ¥101,065 million.

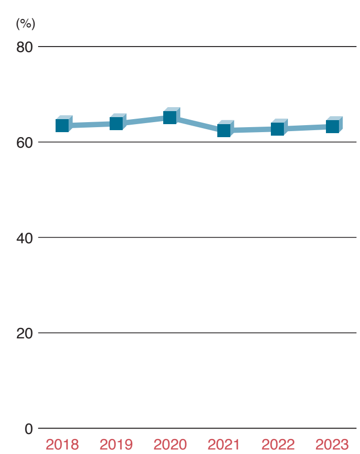
Operating income to operating revenue
Net income (loss) to operating revenue



Net income (loss) to total assets
Return on equity ratio



Shareholders' equity ratio



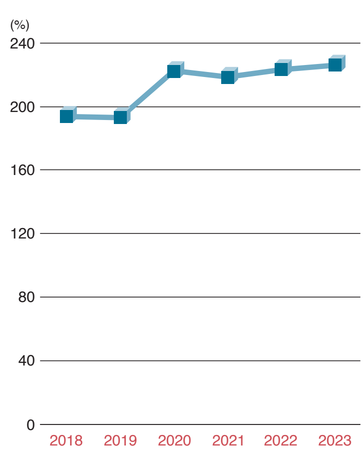
SEINO HOLDINGS CO., LTD. and Consolidated Subsidiaries

Six-year Summary

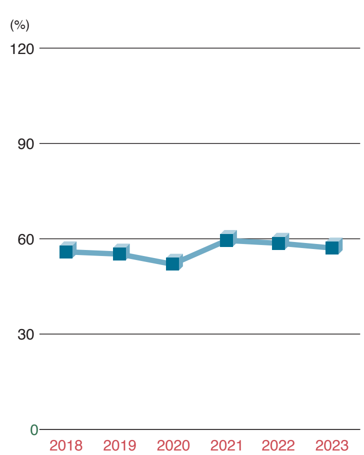
For the Years Ended March 31, 2023, 2022, 2021, 2020, 2019 and 2018

	Millions of Yen					
	2023	2022	2021	2020	2019	2018
For the year:						
Operationg revenue:	¥ 631,508	¥ 607,658	¥ 592,046	¥ 625,627	¥ 617,162	¥ 596,130
Transportation services	474,702	453,253	441,091	466,473	462,459	443,168
Vehicle sales	94,209	98,221	98,334	103,165	100,960	103,342
Merchandise sales	33,518	30,754	31,034	32,868	33,518	31,575
Real estate leasing services	2,192	2,013	1,865	1,732	1,651	1,599
Other	26,887	23,417	19,722	21,389	18,574	16,446
Operating costs	554,998	536,079	525,852	553,541	545,253	529,196
Selling,general and administative expences	48,008	44,033	41,633	42,389	40,713	39,055
Operating income	28,502	27,546	24,561	29,697	31,196	27,879
Net income (loss)	19,013	17,256	16,661	25,848	21,208	20,047
At year end:						
Current assets	255,432	245,578	242,711	248,332	251,683	243,883
Total assets	703,894	685,267	672,248	654,533	657,983	628,728
Currrent liabolities	112,967	109,980	110,993	111,582	130,357	125,871
Short-term borrowings	4,760	3,241	4,471	4,130	5,470	3,610
Longterm debt, including current maturities	45,392	46,927	44,478	17,999	19,905	21,776
Net asset	449,728	433,521	422,635	432,813	428,934	405,739
	Yen					
Per share data:						
Net (loss) income:						
-Basic	¥ 104.87	¥ 94.59	¥ 89.31	¥ 128.41	¥ 104.81	¥ 101.88
Cash dividends	56.00	29.00	27.00	39.00	32.00	30.00
	Thousands					
Number of shares issued	207,679	207,679	207,679	207,679	207,679	207,679
	Percent					
Ratios:						
Operating income to operation revenue	4.5	4.5	4.1	4.7	5.0	4.7
Net income (loss) to operating revenue	3.0	2.8	2.8	4.1	3.4	3.3
Net income (loss) to total assets	2.7	2.5	2.5	3.9	3.2	3.2
Return on equity ratio	4.3	4.1	3.9	6.1	5.2	5.2
Shareholders' equity ratio	63.2	62.7	62.4	65.1	63.8	63.4
Current ratio	226.1	223.3	218.7	222.6	193.1	193.8
Dept equity ratio	57.1	58.6	59.5	52.0	55.2	55.9
Payout ratio	53.4	30.7	30.2	30.4	30.5	29.4

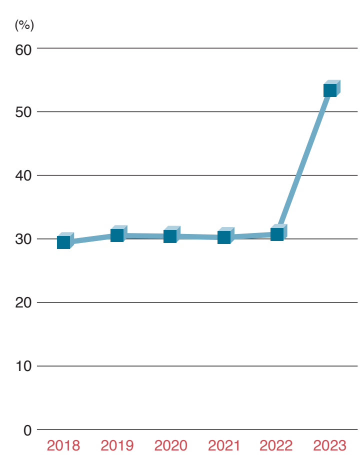
Current ratio



Debt equity ratio



Payout ratio



SEINO HOLDINGS CO., LTD. and Subsidiaries

Consolidated Balance Sheets

March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Assets:			
Current assets:			
Cash and cash equivalents (Note 3)	¥ 101,065	¥ 99,525	$ 754,216
Short-term investments (Notes 3 and 5)	8,687	8,964	64,828
Trade receivables (Note 3)	119,242	118,649	889,866
Contract assets	1,289	1,051	9,619
Inventories (Note 4)	16,388	11,237	122,299
Other current assets	9,206	6,498	68,702
Allowance for doubtful accounts	(445)	(346)	(3,321)
Total current assets	255,432	245,578	1,906,209
Property and equipment (Notes 6, 7 and 9):			
At cost	692,238	680,129	5,165,955
Accumulated depreciation	(349,011)	(338,449)	(2,604,560)
Net property and equipment	343,227	341,680	2,561,395
Investments and other assets:			
Investment securities (Notes 3 and 5)	38,747	40,137	289,157
Investments in and long-term loans to affiliates and nonconsolidated subsidiaries (Note 5)	26,544	20,631	198,090
Goodwill	11,603	11,126	86,589
Deferred tax assets (Note 18)	15,650	14,783	116,791
Other assets	12,691	11,332	94,709
Total investments and other assets	105,235	98,009	785,336
Total assets	¥ 703,894	¥ 685,267	$ 5,252,940
Current liabilities:			
Short-term borrowings (Notes 3, 9, 10 and 11)	¥ 4,760	¥ 3,241	$ 35,522
Current portion of long-term debt (Notes 3, 9 and 11)	2,490	2,603	18,582
Trade payables (Note 3)	49,875	48,915	372,202
Accrued expenses	16,109	15,972	120,216
Income taxes payable	6,691	5,489	49,933
Contract liabilities	3,873	3,631	28,903
Other current liabilities	29,169	30,129	217,679
Total current liabilities	112,967	109,980	843,037
Long-term debt (Notes 3, 9 and 11)	42,902	44,324	320,164
Employee retirement benefit liability (Note 12)	83,138	82,328	620,433
Asset retirement obligations (Note 8)	3,839	3,707	28,649
Accrued severance indemnities for directors and corporate auditors	1,833	1,611	13,679
Provision for share-based remuneration	5,054	5,242	37,717
Provision for directors' stock payments	180	198	1,343
Deferred tax liabilities (Note 18)	2,960	3,000	22,090
Other long-term liabilities	1,293	1,356	9,649
Total liabilities	254,166	251,746	1,896,761
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	317,030
Capital surplus	80,874	80,940	603,537
Retained earnings	346,416	332,861	2,585,194
Less treasury stock at cost: 26,109,781 shares in 2023 and 26,677,070 shares in 2022	(36,422)	(37,139)	(271,806)
Total shareholders' equity	433,350	419,144	3,233,955
Accumulated other comprehensive income			
Net unrealized gains on available-for-sale securities	13,763	14,620	102,709
Land revaluation decrement	(97)	(122)	(724)
Retirement benefit adjustment	(2,849)	(3,542)	(21,261)
Foreign currency translation adjustments	677	(208)	5,052
Total accumulated other comprehensive income	11,494	10,748	85,776
Share acquisition rights	3	—	23
Noncontrolling interests	4,881	3,629	36,425
Total net assets	449,728	433,521	3,356,179
Total liabilities and net assets	¥ 703,894	¥ 685,267	$ 5,252,940

See accompanying Notes to Consolidated Financial Statements.

SEINO HOLDINGS CO., LTD. and Subsidiaries

Consolidated Statements of Income

For the Years Ended March 31, 2023, 2022 and 2021

	Millions of yen			Thousands of U.S. dollars
	2023	2022	2021	**2023**
Operating revenue (Note 22)	**¥ 631,508**	¥ 607,658	¥ 592,046	**$ 4,712,746**
Operating costs and expenses (Note 12):				
Operating costs	**554,998**	536,079	525,852	**4,141,776**
Selling, general and administrative expenses	**48,008**	44,033	41,633	**358,269**
	603,006	580,112	567,485	**4,500,045**
Operating income	**28,502**	27,546	24,561	**212,701**
Other income (expenses):				
Interest and dividend income	**978**	859	1,350	**7,298**
Interest expense	**(424)**	(435)	(408)	**(3,164)**
(Loss) gain on investments in partnerships	**(348)**	(229)	189	**(2,597)**
Commission for purchase of treasury shares	**—**	—	(90)	**—**
Subsidy income	**32**	6	310	**239**
Subsidies for employment adjustment	**25**	97	597	**186**
Loss on sale or disposal of property and equipment	**(1,088)**	(671)	(652)	**(8,119)**
Gain on sale of investment securities	**147**	31	1,011	**1,097**
Share of profit of entities accounted for using equity method	**2,446**	1,560	443	**18,254**
Impairment loss on fixed assets (Notes 2(i) and 22)	**(787)**	(1,141)	(54)	**(5,873)**
Loss on valuation of shares of subsidiaries and associates	**(18)**	—	(383)	**(134)**
Compensation received for the exercise of eminent domain	**584**	—	—	**4,358**
Miscellaneous, net	**1,303**	722	747	**9,724**
	2,850	799	3,060	**21,269**
Profit before income taxes	**31,352**	28,345	27,621	**233,970**
Income taxes (Note 18):				
Current	**12,628**	11,813	11,272	**94,239**
Deferred	**(736)**	(1,115)	(496)	**(5,493)**
Total income taxes	**11,892**	10,698	10,776	**88,746**
Profit	**19,460**	17,647	16,845	**145,224**
Profit attributable to noncontrolling interests	**447**	391	184	**3,336**
Profit attributable to owners of parent	**¥ 19,013**	¥ 17,256	¥ 16,661	**$ 141,888**

	Yen			U.S. dollars
Per share:				
Profit attributable to owners of parent				
-Basic	**¥ 104.87**	¥ 94.59	¥ 89.31	**$ 0.78**
-Diluted	**98.40**	88.78	89.29	**0.73**
Cash dividends	**56.00**	29.00	27.00	**0.41**

See accompanying Notes to Consolidated Financial Statements.

SEINO HOLDINGS CO., LTD. and Subsidiaries

Consolidated Statements of Comprehensive Income

For the Years Ended March 31, 2023, 2022 and 2021

	Millions of yen			Thousands of U.S. dollars
	2023	2022	2021	**2023**
Profit	¥ **19,460**	¥ 17,647	¥ 16,845	$ **145,224**
Other comprehensive income (Note 19):				
Net unrealized gains on available-for-sale securities	**(859)**	(669)	5,383	**(6,410)**
Remeasurements of defined benefit plans, net of tax	**744**	1,345	627	**5,552**
Foreign currency translation adjustments	**124**	49	(51)	**925**
Share of other comprehensive income of affiliates accounted for using equity method	**756**	554	(58)	**5,642**
Total other comprehensive income	**765**	1,279	5,901	**5,709**
Comprehensive income	¥ **20,225**	¥ 18,926	¥ 22,746	$ **150,933**
Comprehensive income attributable to:				
Owners of the parent	¥ **19,734**	¥ 18,531	¥ 22,560	$ **147,269**
Noncontrolling interests	**491**	395	186	**3,664**

SEINO HOLDINGS CO., LTD. and Subsidiaries

Consolidated Statements of Changes in Net Assets

For the Years Ended March 31, 2023, 2022 and 2021

		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	Share acquisition rights	Noncontrolling interests	Total net assets
							Millions of yen							
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
Cumulative effects of changes in accounting policies	—	—	—	(517)	—	(517)	—	—	—	—	—	—	2	(515)
Restated balance at March 31, 2021	207,679,783	42,482	81,626	320,662	(35,498)	409,272	15,344	(122)	(4,890)	(860)	9,472	—	3,376	422,120
Profit attributable to owners of parent	—	—	—	17,256	—	17,256	—	—	—	—	—	—	—	17,256
Cash dividends	—	—	—	(5,057)	—	(5,057)	—	—	—	—	—	—	—	(5,057)
Purchases of treasury stock and fractional shares, net	—	—	(8)	—	(1,641)	(1,649)	—	—	—	—	—	—	—	(1,649)
Change in treasury shares of parent arising from transactions with noncontrolling shareholders	—	—	(678)	—	—	(678)	—	—	—	—	—	—	—	(678)
Net changes in items other than shareholders' equity	—	—	—	—	—	—	(724)	—	1,348	652	1,276	—	253	1,529
Balance at March 31, 2022	207,679,783	42,482	80,940	332,861	(37,139)	419,144	14,620	(122)	(3,542)	(208)	10,748	—	3,629	433,521
Profit attributable to owners of parent	—	—	—	19,013	—	19,013	—	—	—	—	—	—	—	19,013
Cash dividends	—	—	—	(5,432)	—	(5,432)	—	—	—	—	—	—	—	(5,432)
Reversal of land revaluation decrement	—	—	—	(26)	—	(26)	—	—	—	—	—	—	—	(26)
Purchases of treasury stock and fractional shares, net	—	—	(58)	—	717	659	—	—	—	—	—	—	—	659
Change in treasury shares of parent arising from transactions with noncontrolling shareholders	—	—	(8)	—	—	(8)	—	—	—	—	—	—	—	(8)
Net changes in items other than shareholders' equity	—	—	—	—	—	—	(857)	25	693	885	746	3	1,252	2,001
Balance at March 31, 2023	207,679,783	¥ 42,482	¥ 80,874	¥ 346,416	¥ (36,422)	¥ 433,350	¥ 13,763	¥ (97)	¥ (2,849)	¥ 677	¥ 11,494	¥ 3	¥ 4,881	¥ 449,728
							Thousands of U.S. dollars							
Balance at March 31, 2022		$ 317,030	$ 604,030	$2,484,037	$ (277,157)	$3,127,940	$ 109,104	$ (910)	$ (26,433)	$ (1,552)	$ 80,209	$ —	$ 27,082	$3,235,231
Profit attributable to owners of parent		—	—	141,888	—	141,888	—	—	—	—	—	—	—	141,888
Cash dividends		—	—	(40,537)	—	(40,537)	—	—	—	—	—	—	—	(40,537)
Reversal of land revaluation decrement		—	—	(194)	—	(194)	—	—	—	—	—	—	—	(194)
Purchases of treasury stock and fractional shares, net		—	(433)	—	5,351	4,918	—	—	—	—	—	—	—	4,918
Change in treasury shares of parent arising from transactions with noncontrolling shareholders		—	(60)	—	—	(60)	—	—	—	—	—	—	—	(60)
Net changes in items other than shareholders' equity		—	—	—	—	—	(6,395)	186	5,172	6,604	5,567	23	9,343	14,933
Balance at March 31, 2023		$ 317,030	$ 603,537	$2,585,194	$ (271,806)	$3,233,955	$ 102,709	$ (724)	$ (21,261)	$ 5,052	$ 85,776	$ 23	$ 36,425	$3,356,179

See accompanying Notes to Consolidated Financial Statements.

SEINO HOLDINGS CO., LTD. and Subsidiaries

Consolidated Statements of Cash Flows

For the Years Ended March 31, 2023, 2022 and 2021

	Millions of yen			Thousands of U.S. dollars
	2023	2022	2021	**2023**
Cash flows from operating activities:				
Profit before income taxes	¥ **31,352**	¥ 28,345	¥ 27,621	$ **233,970**
Adjustments for:				
Depreciation	**21,555**	21,490	20,352	**160,858**
Impairment loss on fixed assets	**787**	1,141	54	**5,873**
Amortization of goodwill	**2,193**	1,789	1,639	**16,366**
Net increase in employee retirement benefit liability	**1,809**	2,918	2,611	**13,500**
Loss on sale or disposal of property and equipment	**1,088**	671	652	**8,119**
Share of (profit) of entities accounted for using equity method	**(2,446)**	(1,560)	(443)	**(18,254)**
Loss (profit) on investments in partnerships	**348**	229	(189)	**2,597**
Gain on sale of investment securities	**(147)**	(31)	(1,011)	**(1,097)**
Loss on valuation of shares of subsidiaries and associates	**18**	—	383	**134**
Net provision for accrued severance indemnities for directors and corporate auditors	**149**	41	62	**1,112**
Decrease in provision for share-based remuneration	**(188)**	(206)	(185)	**(1,403)**
Net provision for directors' stock payments	**(18)**	55	46	**(134)**
Decrease (increase) in trade receivables	**1,447**	(1,151)	(767)	**10,799**
(Increase) decrease in inventories	**(5,030)**	1,808	214	**(37,537)**
(Decrease) increase in trade payables	**(134)**	1,434	(451)	**(1,000)**
Other, net	**(1,015)**	(1,989)	(447)	**(7,575)**
Subtotal	**51,768**	54,984	50,141	**386,328**
Interest and dividends received	**1,414**	1,063	1,258	**10,552**
Interest paid	**(446)**	(417)	(389)	**(3,328)**
Income taxes paid	**(13,462)**	(10,102)	(12,325)	**(100,463)**
Net cash provided by operating activities	**39,274**	45,528	38,685	**293,089**
Cash flows from investing activities:				
Increase in property and equipment	**(24,931)**	(29,383)	(35,453)	**(186,052)**
Increase in long-term investments and loans	**(4,781)**	(1,760)	(1,000)	**(35,679)**
Decrease in property and long-term investments	**60**	433	1,652	**448**
Decrease in short-term investments	**272**	468	7,093	**2,030**
Purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 16)	**(685)**	(1,631)	(258)	**(5,112)**
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	**476**	79	—	**3,552**
Net cash used in investing activities	**(29,589)**	(31,794)	(27,966)	**(220,813)**
Cash flows from financing activities:				
Increase in long-term debt	**630**	11,036	25,389	**4,701**
Repayment of long-term debt	**(2,031)**	(9,588)	(1,039)	**(15,157)**
Net decrease in short-term borrowings	**(482)**	(480)	(422)	**(3,597)**
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	**(15)**	(781)	(5,518)	**(112)**
Proceeds from share issuance to noncontrolling shareholders	**—**	4	—	**—**
Dividends paid to shareholders	**(5,252)**	(4,928)	(7,492)	**(39,194)**
Dividends paid to noncontrolling interests	**(144)**	(84)	(71)	**(1,074)**
Purchases of treasury stock, net of disposals	**527**	(1,813)	(19,998)	**3,933**
Other, net	**(1,405)**	(1,248)	(1,340)	**(10,485)**
Net cash used in financing activities	**(8,172)**	(7,882)	(10,491)	**(60,985)**
Effect of exchange rate changes on cash and cash equivalents	**27**	(10)	(27)	**201**
Net increase in cash and cash equivalents	**1,540**	5,842	201	**11,492**
Cash and cash equivalents at beginning of year	**99,525**	93,683	93,482	**742,724**
Cash and cash equivalents at end of year	¥ **101,065**	¥ 99,525	¥ 93,683	$ **754,216**

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, 2023, which was ¥134 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, 2023, 2022 and 2021, 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, 2023, 2022 and 2021 was as follows:

	2023	2022	2021
Subsidiaries:			
Domestic	76	76	76
Overseas	6	6	6
Affiliates accounted for by the equity method	6	6	6
Nonconsolidated subsidiaries	1	1	1
Affiliates stated at cost	13	13	14

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. Significant transactions for the period between the subsidiaries' 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, 2023, 2022 and 2021, recoverable amounts of assets were measured based on value in use using discounted future cash flows at interest rates principally of 4.7%, 3.5% and 4.8%, 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
	2023	2022	2021	**2023**
Property subject to impairment:	10 business branches and 2 idle properties	8 business branches and 2 idle properties	1 business branch	
Impairment loss recorded for:				
land	¥ 275	¥ 371	¥ 54	$ 2,052
buildings and structures	505	549	—	3,769
other property	7	221	—	52
	¥ 787	¥ 1,141	¥ 54	$ 5,873

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 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) Accounting for revenue and expenses recognition

The Seino Group has adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 30, 2020) and the Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 26, 2021). In relation to recognition of revenue from contracts with customers, the nature of principal performance obligations for major businesses of the Seino Group and the typical timing of the satisfaction of those performance obligations (i.e., typical timing of revenue recognition) are as follows:

The Seino Group divides the business segment by products and services based on the main businesses of each subsidiary into "Transportation Services Business," "Vehicle Sales Business," "Merchandise Sales Business" and "Real Estate Leasing Services Business".

The Transportation Services Business is the motor truck transportation business, home delivery service, house moving service and charter service mainly for small-lot commercial cargo. In addition, this business includes the consigned freight forwarding business, and delivery to cargo by using the various mode of transportation such as airlines, railways, ocean freight, etc. The Seino Group provides mainly domestic transportation services. Transportation revenue is recognized as the related performance obligations are satisfied, as the control of the promised services is continuously transferred to the customer.

The Vehicle Sales Business focuses mainly on sales and repair services for passenger cars and trucks. The performance obligations are satisfied at the time the related vehicles are registered and owned by the customers. Regarding new and used vehicles sales, the performance obligations are satisfied at the time the car is registered, and revenue is recognized as the performance obligations are satisfied. For installment sales, transaction prices are based on the contract with the customer that distinguishes between financial components and other. Interest equivalent, a financial component method, is recognized as revenue based on the contract period with the customer, and other transaction prices are recognized as revenue at the time of inspection. In regard to repair services, the performance obligations are satisfied at the time of completion of the repair work.

The Merchandise Sales Business sells fuel and paper products. With the sales of products, the time from dispatching the goods until the inspection process at the customer side is not long. Therefore, the revenue will be recognized at the time the goods are shipped. In fuel sales, transactions of light oil and delivery tax as agent, the transaction price is calculated based on the net amount after deducting the amount to be paid to the other party from the amount of consideration received from the customer.

The Real Estate Leasing Services Business focuses mainly on leasing car parking, mansions and land used as truck terminals and branches in the past. We recognize revenue according to the agreement with the customers.

Generally, payment is received within approximately one month from the time the performance obligation is satisfied. In the installment sales in the Vehicle Sales Business, however, payment is generally received within a range of three to five years depending on the agreement.

(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.

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) Changes in accounting policy

Application of Accounting Standards, etc. for Revenue Recognition

The Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, issued on March 31, 2020, hereinafter referred to as "Revenue recognition accounting standards") will be applied from the beginning of the previous fiscal year.

We decided to recognize revenue when the promised goods or services are transferred to the customer and recognize as revenue the amount expected to be received at the time of completing the transfer of the promised goods or service. In the Transportation business, we have recognized revenue when we received the freight from customer, but for satisfying the performance obligations, we decided to change the revenue recognition. Certain subsidiaries have recognized the total sum received from the customers as revenue. However, we considered the duties related to providing the goods and the services to the customer and changed from recognizing the total sum received from the customer to the net value after deducting the amount which we have to pay to the third party as an agent.

The application of revenue recognition accounting standards, etc., is in accordance with the transitional treatment stipulated in Paragraph 84 of the revenue recognition accounting standards.

As a result, on the consolidated statements of income and comprehensive income for the fiscal year ended March 31, 2022, "Operating revenue" decreased by ¥15,001 million, "Operating costs" decreased by ¥15,396 million, both "Operating income" and "Income before income taxes" increased by ¥395 million and "Retained earnings at the beginning balance" decreased by ¥516 million, "Basic net income per share" increased by ¥1.43 and "Diluted net income per share" increased by ¥1.35 compared with the amounts that would have been reported without the change.

In the consolidated balance sheet for the previous fiscal year, "Trade receivables," which were shown in "Current assets," will be changed from "Trade receivables" and "Contract assets" from the fiscal year ended March 31, 2022. "Other current liabilities," which was presented in "Current liabilities," is now included in "Contract liabilities" and "Other current liabilities" from the current fiscal year. However, in accordance with the transitional treatment stipulated in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, no reclassification has been applied for the previous fiscal year in accordance with the new presentation method. The impact on segment information is described in the related section.

In accordance with the transitional treatment stipulated in Paragraph 89-3 of the Accounting Standard for Revenue Recognition, notes on "Revenue Recognition" related to the previous fiscal year are not included.

Application of Accounting Standards for Fair Value Measurement

The Company and its subsidiaries apply "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021) since the year ended March 31, 2023 and prospectively apply the new accounting policies under ASBJ Guidance No. 31 in accordance with the transitional provisions set out in Paragraph 27-2 of ASBJ Guidance No. 31.

Within the notes of "Financial Instruments," where disclosure is made by level of fair values of financial instruments, information on investment funds relevant to the year ended March 31, 2022 is not provided in accordance with Paragraph 27-3 of the ASBJ Guidance No. 31.

(u) Accounting policies issued but not yet adopted

Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, October 28, 2022, ASBJ)

Accounting Standard for Presentation of Comprehensive Income (ASBJ Statement No. 25, October 28, 2022, ASBJ)

Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022, ASBJ)

(1) Overview

The transfer of JICPA's practical guidelines on tax effect accounting to ASBJ was completed with the issuance of standards and guidance including ASBJ Statement No. 28, Partial Amendments to Accounting Standard for Tax Effect Accounting (hereinafter collectively referred to as "ASBJ Statement No. 28, etc.") in February 2018. During their deliberations, it had been determined that the following two issues would be further discussed subsequent to the issuance of ASBJ Statement No. 28. The above standards and guidance were issued as a result of the discussions on the two issues below:

Categories in which income tax expense should be recorded (taxes on other comprehensive income)

Tax effects associated with sales of shares of subsidiaries, etc. (i.e., shares of subsidiaries or affiliates) when the group taxation regime is applied

(2) Effective date

The standards and guidance will be effective from the beginning of the fiscal year ending March 31, 2025.

(3) Effects of application of the standards and guidance

The effects of the application of Accounting Standard for Current Income Taxes, etc., on the consolidated financial statements are currently under evaluation.

(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, 2023 and 2022 were ¥234 million ($1,746 thousand) and 151 thousand shares and ¥171 million and 87 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.

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, 2023 and 2022 were ¥6,482 million ($48,373 thousand) and 4,495 thousand shares and ¥6,649 million and 4,611 thousand shares, respectively.

(iii) Employee Shareholding Incentive Plan (E-Ship®)

The Company has introduced an Employee Shareholding Incentive Plan (E-Ship®) for the welfare of its employees. The plan is an incentive plan that covers all employees participating in the Shareholding Association.

Under the plan, the Company, as the trustor, entered into a specified trust cash funding agreement (the "E-Ship Agreement") with a trust bank as trustee to set up the trust (the "E-Ship Trust"). The E-Ship Trust purchases the number of shares of the Company that the Shareholding Association expects to purchase over the next four years and subsequently sells them periodically over a four-year period to the Shareholding Association in accordance with certain conditions and methods stipulated in the E-Ship Agreement. At the end of the trust period, the E-Ship Trust's retained earnings, the accumulation of net gain on sales of its shares, are distributed to the eligible employees in accordance with the E-Ship Agreement. For its part, the Company guarantees any retained loss and the accumulation of net loss on the sales of its shares and will pay off any amount of outstanding debt at the end of the trust period as it guarantees the debt of E-Ship Trust.

The shares of the Company held by the E-Ship Trust are accounted for as treasury stock under net assets. The assets, liabilities, income and expenses of the E-Ship Trust were consolidated in the accompanying consolidated financial statements. The book value and number of shares held by the E-Ship Trust at March 31, 2023 and 2022 were ¥1,299 million ($9,694 thousand) and 1,140 thousand shares and ¥1,813 million and 1,590 thousand shares, respectively. The book value of bank loans of the E-Ship Trust recorded in the consolidated balance sheet as of March 31, 2023 and 2022 were ¥1,258 million ($9,388 thousand) and ¥1,821 million, 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 value of financial instruments reflects variable factors and is, therefore, subject to change depending on different assumptions 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, 2023 and 2022 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, 2023: (*2)			
Short-term investments	¥ 8,687	¥ 8,687	¥ —
Investment securities	34,968	34,968	—
Total assets	¥ 43,655	¥ 43,655	¥ —
Convertible bonds	¥ 25,150	¥ 24,962	¥ (188)
Long-term bank loans	9,388	9,223	(165)
Total liabilities	¥ 34,538	¥ 34,185	¥ (353)

	Carrying value	Fair value	Difference
		Millions of yen	
At March 31, 2022: (*2)			
Short-term investments	¥ 8,964	¥ 8,964	¥ —
Investment securities	36,609	36,609	—
Total assets	¥ 45,573	¥ 45,573	¥ —
Convertible bonds	¥ 25,200	¥ 24,775	¥ (425)
Long-term bank loans	9,821	9,716	(105)
Total liabilities	¥ 35,021	¥ 34,491	¥ (530)

	Carrying value	Fair value	Difference
		Thousands of U.S. dollars	
At March 31, 2023: (*2)			
Short-term investments	$ 64,828	$ 64,828	$ —
Investment securities	260,955	260,955	—
Total assets	$ 325,783	$ 325,783	$ —
Convertible bonds	$ 187,687	$ 186,284	$ (1,403)
Long-term bank loans	70,059	68,828	(1,231)
Total liabilities	$ 257,746	$ 255,112	$ (2,634)

Note 1: Cash and cash equivalents, trade receivables, short-term borrowings, trade payables and the current portion of long-term bank loans are omitted because they are stated at the carrying amount as these are settled in the short term and with fair values approximately equal to the carrying amount.
Note 2: Unlisted equity securities and investments in partnerships stated at the amount of net assets attributed to the ownership percentage are not included in the table above.

(i) The following were unlisted equity securities and investments in partnerships stated at the amount of net assets attributed to the ownership percentage:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Carrying value:			
Unlisted equity securities, other than those of affiliates	**¥ 1,863**	¥ 1,766	**$ 13,903**
Investments in partnerships	**1,916**	1,762	**14,299**
	¥ 3,779	¥ 3,528	**$ 28,202**

(ii) The redemption schedule for financial assets with maturities at March 31, 2023 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, 2023:				
Cash and cash equivalents	¥ 101,065	¥ —	¥ —	¥ —
Short-term investments	8,687	—	—	—
Trade receivables	89,920	28,713	609	—
Investment securities – bonds and other	—	140	—	—
	¥ 199,672	¥ 28,853	¥ 609	¥ —

	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, 2022:				
Cash and cash equivalents	¥ 99,525	¥ —	¥ —	¥ —
Short-term investments	8,964	—	—	—
Trade receivables	88,342	29,668	639	—
Investment securities – bonds and other	—	128	—	—
	¥ 196,831	¥ 29,796	¥ 639	¥ —

	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, 2023:				
Cash and cash equivalents	$ 754,216	$ —	$ —	$ —
Short-term investments	64,828	—	—	—
Trade receivables	671,045	214,276	4,545	—
Investment securities – bonds and other	—	1,045	—	—
	$ 1,490,089	$ 215,321	$ 4,545	$ —

(iii) For the repayment schedule for long-term bank loans at March 31, 2023, see Note 9, "Short-term Borrowings and Long-term Debt."

(c) Classification and breakdown of the fair value of financial instruments

The fair value of financial instruments is classified into the following three levels based on the observability and materiality of the inputs used to calculate the fair value.

Level 1: Fair value based on observable (unadjusted) quoted market prices in active markets for identical assets or liabilities.
Level 2: Fair value calculated using inputs other than Level 1 inputs that are directly or indirectly observable.
Level 3: Fair value calculated using significant unobservable inputs

When multiple inputs that have a significant effect on the fair value calculation are used, the fair value is classified into the lowest level from which significant inputs were used.

(i) Financial instruments recorded on the consolidated balance sheet at fair value

	Level 1	Level 2	Level 3	Total
		Millions of yen		
At March 31, 2023:				
Securities and investment securities				
Equity securities	¥ 34,816	¥ —	¥ —	¥ 34,816
Bonds	—	3,137	—	3,137
Other	—	15	—	15
Total assets	¥ 34,816	¥ 3,152	¥ —	¥ 37,968

	Level 1	Level 2	Level 3	Total
		Millions of yen		
At March 31, 2022:				
Securities and investment securities				
Equity securities	¥ 36,416	¥ —	¥ —	¥ 36,416
Bonds	—	3,119	—	3,119
Other	—	11,000	—	11,000
Total assets	¥ 36,416	¥ 14,119	¥ —	¥ 50,535

Investment trusts were not included in the table above. The amount of the investment trusts reported in the consolidated balance sheet was ¥74 million in financial assets for the fiscal year ended March 31, 2022.

	Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total
At March 31, 2023:				
Securities and investment securities				
Equity securities	$ 259,821	$ —	$ —	$ 259,821
Bonds	—	23,410	—	23,410
Other	—	112	—	112
Total assets	$ 259,821	$ 23,522	$ —	$ 283,343

(ii) Financial instruments other than those recorded on the consolidated balance sheets at fair value

	Millions of yen			
	Level 1	Level 2	Level 3	Total
At March 31, 2023:				
Convertible bonds	¥ —	¥ 24,962	¥ —	¥ 24,962
Long-term bank loans	—	9,223	—	9,223
Total liabilities	¥ —	¥ 34,185	¥ —	¥ 34,185

	Millions of yen			
	Level 1	Level 2	Level 3	Total
At March 31, 2022:				
Convertible bonds	¥ —	¥ 24,775	¥ —	¥ 24,775
Long-term bank loans	—	9,716	—	9,716
Total liabilities	¥ —	¥ 34,491	¥ —	¥ 34,491

	Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total
At March 31, 2023:				
Convertible bonds	$ —	$ 186,284	$ —	$ 186,284
Long-term bank loans	—	68,828	—	68,828
Total liabilities	$ —	$ 255,112	$ —	$ 255,112

Note: Valuation Techniques and Inputs Used in Calculating Fair Value

Investment securities

Listed stocks are valued using quoted market prices. Since listed stocks are traded in active markets, their fair value is classified as Level 1 fair value. Bonds and other are classified as Level 2 fair value because they are traded infrequently, and there prices are not considered quoted prices in an active market.

Convertible bonds

Convertible bonds are based on prices quoted by correspondent financial institutions and are classified as Level 2 fair value because they are traded infrequently, and there prices are not considered quoted prices in an active market.

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 and is classified as Level 2 fair value.

4. Inventories

Inventories at March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Merchandise and finished products	**¥ 14,502**	¥ 9,760	**$ 108,224**
Work in process	**974**	681	**7,269**
Raw materials and supplies	**912**	796	**6,806**
	¥ 16,388	¥ 11,237	**$ 122,299**

5. Investments

At March 31, 2023 and 2022, short-term investments consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Time deposits with an original maturity of more than three months	**¥ 8,687**	¥ 8,964	**$ 64,828**
	¥ 8,687	¥ 8,964	**$ 64,828**

At March 31, 2023 and 2022, investment securities consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Marketable securities:			
Equity securities	**¥ 34,816**	¥ 36,416	**$ 259,821**
Bonds	**137**	118	**1,022**
Other	**15**	75	**112**
Total marketable securities	**34,968**	36,609	**260,955**
Other non-marketable securities	**3,779**	3,528	**28,202**
	¥ 38,747	¥ 40,137	**$ 289,157**

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, 2023 and 2022, 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, 2023:				
Equity securities	**¥ 14,753**	**¥ 20,557**	**¥ (494)**	**¥ 34,816**
Bonds	**119**	**18**	**—**	**137**
Other	**13**	**2**	**—**	**15**
	¥ 14,885	**¥ 20,577**	**¥ (494)**	**¥ 34,968**
At March 31, 2022:				
Equity securities	¥ 15,065	¥ 21,866	¥ (515)	¥ 36,416
Bonds	109	9	—	118
Other	27	48	—	75
	¥ 15,201	¥ 21,923	¥ (515)	¥ 36,609
	Thousands of U.S. dollars			
At March 31, 2023:				
Equity securities	**$ 110,097**	**$ 153,411**	**$ (3,687)**	**$ 259,821**
Bonds	**888**	**134**	**—**	**1,022**
Other	**97**	**15**	**—**	**112**
	$ 111,082	**$ 153,560**	**$ (3,687)**	**$ 260,955**

At March 31, 2023 and 2022 investments in and long-term loans to affiliates and nonconsolidated subsidiaries consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Equity securities of affiliates and nonconsolidated subsidiaries	**¥ 21,892**	¥ 17,001	**$ 163,373**
Investments in partnerships of nonconsolidated subsidiaries	**4,652**	3,630	**34,717**
	¥ 26,544	¥ 20,631	**$ 198,090**

6. Property and Equipment

At March 31, 2023 and 2022, property and equipment consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Property and equipment, at cost:			
Land	¥ 187,960	¥ 185,077	$ 1,402,687
Buildings and structures	320,726	310,519	2,393,477
Vehicles	114,751	114,468	856,351
Machinery and equipment	51,445	50,352	383,918
Construction in progress	2,672	4,623	19,940
Other	14,684	15,090	109,582
	692,238	680,129	5,165,955
Less accumulated depreciation	(349,011)	(338,449)	(2,604,560)
Total property and equipment	¥ 343,227	¥ 341,680	$ 2,561,395

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, 2023 and 2022, 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 ¥2,084 million ($15,552 thousand) and ¥1,851 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, 2023 and 2022 and the fair values of the rental properties were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Carrying value at the beginning of year	¥ 19,664	¥ 18,242	$ 146,746
Net changes during the year	463	1,422	3,455
Carrying value at the end of year	¥ 20,127	¥ 19,664	$ 150,201
Fair value at the end of year *	¥ 30,193	¥ 27,569	$ 225,321

*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, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Operating revenue	¥ 2,192	¥ 2,013	$ 16,358
Operating costs	583	512	4,351
Income from rental operations	1,609	1,501	12,007
Loss on disposal of rental property and other	¥ (20)	¥ (402)	$ (149)

8. Asset Retirement Obligations

Asset retirement obligations are based upon estimated future restoration obligations pursuant to real estate lease agreements and land leasehold rights agreements mainly for logistics terminals. The asset retirement obligations are calculated based upon the useful life designated by law or the estimated useful life period and are discounted by the yield rate of government bonds.

Asset retirement obligations for the years ended March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
At the beginning of year	¥ 3,717	¥ 3,628	$ 27,739
New consolidations	8	8	60
New obligations	116	44	865
Changes in estimated obligations and accretion	43	44	321
Settlement payments	(48)	(7)	(358)
Other	3	—	22
At the end of year	¥ 3,839	¥ 3,717	$ 28,649

9. Short-term Borrowings and Long-term Debt

At March 31, 2023 and 2022, short-term borrowings consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Unsecured bank overdrafts with interest rates ranging from 0.275% to 0.992% per annum at March 31, 2023	¥ 1,130	¥ 430	$ 8,433
Secured bank overdrafts with interest rates 0.900% per annum at March 31, 2023	50	50	373
Short-term bank loans, unsecured with interest rates ranging from 0.152% to 0.992% per annum at March 31, 2023	3,580	2,761	26,716
	¥ 4,760	¥ 3,241	$ 35,522

At March 31, 2023, 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 ¥37,330 million ($278,582 thousand). The Company and the subsidiaries were not obligated to pay commitment fees on the unused portions of the overdraft facilities.

At March 31, 2023 and 2022, long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Zero coupon convertible bonds due March 2026, including unamortized premiums (¥150 million ($1,119 thousand) at March 31, 2023)	¥ 25,150	¥ 25,200	$ 187,687
Loans from government agencies and banks, repayable through 2047, with interest rates ranging from 0.210% to 5.850% per annum at March 31, 2023:			
Secured	505	580	3,769
Unsecured	10,058	10,462	75,059
Capitalized lease obligations	9,679	10,685	72,231
	45,392	46,927	338,746
Less current portion	(2,490)	(2,603)	(18,582)
	¥ 42,902	¥ 44,324	$ 320,164

At March 31, 2023 and 2022, respectively, the following assets were pledged as collateral for certain long-term debt:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Land	¥ 1,227	¥ 1,117	$ 9,157
Buildings and structures	396	413	2,955

The aggregate annual maturities of long-term debt as of March 31, 2023 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2024	¥ 2,490	$ 18,582
2025	2,235	16,679
2026	28,985	216,306
2027	1,876	14,000
2028	1,784	13,314
Thereafter	7,872	58,746
	¥ 45,242	$ 337,627

10. Commitment Line Agreement

Consolidated subsidiary Tikutakubin Co., Ltd. (Nerima Ward, Tokyo) had a facility agreement in the amount of ¥2,000 million ($14,925 thousand) as of March 31, 2023 to ensure its access to financing. In addition, Tikutakubin Co., Ltd.'s outstanding balance of borrowings under the agreement was ¥2,000 million ($14,925 thousand) on March 31, 2023.

11. Financial Covenants

Consolidated subsidiary Tikutakubin Co., Ltd. (Nerima Ward, Tokyo) is a party to a syndicated loan agreement that included the following financial covenants.

1. The amount of equity on the balance sheets of Tikutakubin Co., Ltd. (Nerima Ward, Tokyo) is required to be equal to or greater than 75% of equity on the balance sheet as of the fiscal year ended March 31, 2019 and the previous fiscal year ended March 31, 2020 or later.
2. An ordinary loss on the profit and loss statement of Tikutakubin Co., Ltd. (Nerima Ward, Tokyo) is not allowed for the two consecutive years as of the fiscal year ended March 31, 2020 or later.

Remaining balances of debt were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Short-term borrowings	**¥ 2,000**	¥ —	**$ 14,926**
Current portion of long-term debt	**85**	—	**634**
Long-term debt	**489**	—	**3,649**
	¥ 2,574	¥ —	**$ 19,209**

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.

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, 2023 and 2022, 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
	2023	2022	**2023**
At the beginning of year	**¥ 86,792**	¥ 85,852	**$ 647,702**
Service cost	**4,342**	4,310	**32,403**
Interest cost	**199**	196	**1,485**
Actuarial differences	**284**	(70)	**2,119**
Benefits paid	**(4,078)**	(2,866)	**(30,433)**
Past service cost	**—**	(650)	**—**
Others	**128**	20	**955**
At the end of year	**¥ 87,667**	¥ 86,792	**$ 654,231**

(b) Movements in plan assets:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
At the beginning of year	**¥ 4,464**	¥ 4,413	**$ 33,313**
Actuarial differences	**343**	179	**2,560**
Contributions paid by the employer	**2**	2	**15**
Benefits paid	**(280)**	(130)	**(2,090)**
At the end of year	**¥ 4,529**	¥ 4,464	**$ 33,798**

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

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Funded retirement benefit obligation	**¥ 7,844**	¥ 7,737	**$ 58,537**
Plan assets	**(4,529)**	(4,464)	**(33,798)**
	3,315	3,273	**24,739**
Unfunded retirement benefit obligation	**79,823**	79,055	**595,694**
Net employee retirement benefit liability	**¥ 83,138**	¥ 82,328	**$ 620,433**
Employee retirement benefit liability	**83,138**	82,328	**620,433**
Employee retirement benefit asset	**—**	—	**—**
Net employee retirement benefit liability	**¥ 83,138**	¥ 82,328	**$ 620,433**

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

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Service cost	**¥ 4,342**	¥ 4,310	**$ 32,403**
Interest cost	**199**	196	**1,485**
Amortization of actuarial differences	**1,164**	1,237	**8,687**
Amortization of past service cost	**(91)**	(86)	**(679)**
Net periodic retirement benefit expenses	**¥ 5,614**	¥ 5,657	**$ 41,896**

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

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Past service cost	**¥ 91**	¥ (564)	**$ 679**
Actual differences	**(1,223)**	(1,485)	**(9,127)**
Total balance	**¥ (1,132)**	¥ (2,049)	**$ (8,448)**

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

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Past service cost yet to be recognized	**¥ (914)**	¥ (1,006)	**$ (6,821)**
Actuarial differences yet to be recognized	**4,779**	6,002	**35,664**
Total balance	**¥ 3,865**	¥ 4,996	**$ 28,843**

(g) Plan assets

(i) Plan assets comprise:

	Percent	
	2023	2022
Cash and cash equivalents	**5%**	10%
Bonds	**1%**	1%
Equity securities	**94%**	89%
Total*	**100%**	100%

*Note: * For the fiscal years ended March 31, 2023 and 2022, the assets of the retirement benefit payment trust constituted 98% of total plan assets.*

(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):

	2023	2022
Discount rate	**(mainly) 0.1%**	(mainly) 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 ¥369 million ($2,754 thousand) and ¥359 million for the years ended March 31, 2023 and 2022, respectively.

13. Contingent Liabilities

At March 31, 2023 and 2022, 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 ¥221 million ($1,649 thousand) and ¥1,100 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, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Operating leases:			
Due within one year	**¥ 2,768**	¥ 1,594	**$ 20,657**
Due after one year	**14,266**	12,323	**106,462**
	¥ 17,034	¥ 13,917	**$ 127,119**

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, 2023 and 2022, 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
	2023	2022	**2023**
Operating leases:			
Due within one year	**¥ 411**	¥ 402	**$ 3,067**
Due after one year	**2,513**	2,584	**18,754**
	¥ 2,924	¥ 2,986	**$ 21,821**

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, 2023 and 2022, 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 ($31,806 thousand) at March 31, 2023 and 2022.

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, 2023, the Company paid interim dividends of ¥11 per share, amounting to ¥2,060 million ($15,373 thousand). In addition, at the annual shareholders' meeting held on June 28, 2023, the shareholders approved cash dividends of ¥45 per share, amounting to ¥8,431 million ($62,918 thousand). The appropriation had not been accrued in the consolidated financial statements as of March 31, 2023 as such appropriations are recognized in the period in which they are approved by the shareholders.

16. Revenue Recognition

(a) Disaggregating revenue from contracts with customers

The disaggregation of revenue from contracts with customers is described in the segment section.

(b) Basis for understanding revenue arising from contracts with customers

The Seino Group recognizes revenue by applying the following five-step approach.

Step 1: Identify the contract with the customer.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligations in the contract.
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

Basic information in understanding revenue is as stated in Note 2(n), "Accounting for revenue and expense recognition."

(c) The satisfaction of performance obligations based on the contracts with customers and cashflows arising from such contracts and the amount and timing of revenue arising from contracts with customers existing at the end of the current fiscal year expected to be recognized in and after the following fiscal year

(i) Contract asset and contract liability balances

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Receivables from contracts with customers beginning balance	**¥ 118,650**	¥ 118,038	**$ 885,448**
Receivables from contracts with customers ending balance	**119,242**	118,650	**889,866**
Contract assets beginning balance	**1,051**	366	**7,843**
Contract assets ending balance	**1,289**	1,051	**9,619**
Contract liabilities beginning balance	**3,631**	4,371	**27,097**
Contract liabilities ending balance	**3,873**	3,631	**28,903**

The amount of revenue recognized in the current period from performance obligations that were satisfied in prior periods was ¥2,554 million ($19,060 thousand) and ¥3,396 million for the years ended March 31, 2023 and 2022, respectively.

Contract assets consist mainly of unbilled work-in-progress receivables related to revenue recognized based on the progress in the software and construction business. In addition, Contract assets are increased by the recognition of revenue and decreased by the transfer to receivables arising from contracts with customers when the Companies' rights to the consideration become unconditional upon invoicing or delivery. Contract liabilities consist primarily of advances received from customers on car sales and repair services. Contract liabilities are increased by the receipt of advances from customers and decreased by the reversal of such advances upon the recognition of revenue.

(ii) Transaction price allocated to remaining performance obligations

	Millions of yen	Thousands of U.S. dollars
Year ending March 31,	2023	2023
2024	¥ 1,701	$ 12,694
2025	402	3,000
2026	174	1,299
Thereafter	9	67
Total	¥ 2,286	$ 17,060

	Millions of yen
Year ending March 31,	2022
2023	¥ 2,204
2024	506
2025	170
Thereafter	2
Total	¥ 2,882

The total transaction price allocated to unsatisfied performance obligations was mainly for car repair service contracts in the Vehicle Sales Business, in which revenue is expected to be recognized at each six-month legally mandated inspection. The initial contract period is for three years, followed by two-year periods.

The Company and its consolidated subsidiaries apply the practical expedient to transaction prices allocated to the remaining performance obligations of one year or less and long-term contracts of the Transportation Services Business and have the right to receive amounts of consideration that correspond to the value to the customer for the portion of performance completed to date.

Therefore, pursuant to Paragraph 19 of the Implementation Guidance on Accounting Standard for Revenue Recognition, revenue is recognized at the amount the companies are entitled to claim and is not presented. In addition, there are no material amounts of consideration arising from contracts with customers that are not included in the transaction prices.

17. Stock Options

1. Expenses related to stock options and gain on reversal of stock acquisition rights
   Not applicable

2. Details of stock options

(1) Stock options that existed in the year ended March 31, 2023 were as follows:

	Stock Option #1	Stock Option #2
Company (Subsidiaries)	Hacobell Inc.	Hacobell Inc.
Title and number of grantees (Subsidiaries)	1 director and 29 officers	1 director and 2 officers
Number of stock options	7,461 common shares	3,349 common shares
Grant date	March 28, 2023	March 28, 2023
Conditions for vesting	*1	*1
Requisite service period	No provisions	No provisions
Exercise period	From March 28, 2023 to March 27, 2033	From March 28, 2023 to March 27, 2033

*Note:*1 Conditions for vesting are as follows:*

(a) When exercising stock acquisition rights, the person who holds the stock acquisition rights or stock acquisition rights to exercise (hereinafter referred to as the "Rights Holder") subject to the condition that the acquisition events specified in each item of conditions' have not occurred, the exercise of the stock acquisition rights for which an acquisition event has occurred shall not be permitted. However, this does not apply if Hacobell Inc. specifically approves the exercise.
(b) The Rights Holder shall not be able to exercise the stock acquisition rights until Hacobell Inc. shares are listed on any financial instruments exchange. However, this does not apply if Hacobell Inc. specifically approves the exercise.
(c) Stock acquisition rights shall be exercised in units of one stock acquisition right, and the partial exercise of each stock acquisition right shall not be permitted.

(2) Stock option activity during the year ended March 31, 2023 was as follows:

	Shares	
	Stock Option #1	Stock Option #2
Company (Subsidiaries)	Hacobell Inc.	Hacobell Inc.
Before vested		
As of March 31, 2022	—	—
Granted	7,461	3,349
Forfeited	—	—
Vested	—	—
Outstanding	7,461	3,349
After vested		
As of March 31, 2022	—	—
Granted	—	—
Forfeited	—	—
Vested	—	—
Outstanding	—	—

(3) Price information is as follows:

	Yen	
	Stock Option #1	Stock Option #2
Company (Subsidiaries)	Hacobell Inc.	Hacobell Inc.
Exercise price	35,000	35,000
Average stock price at exercise	—	—
Fair value at the grant date	—	—

3. Assumptions used to measure fair value of stock options

Because Hacobell Inc. was an unlisted company, the stock options were measured based on their intrinsic value instead of their market value. The intrinsic value of each stock option is estimated based on comparable multiple valuation methods.

4. Estimation of the number of vested stock options

Because it is difficult to reasonably estimate the number of stock options that will expire in the future, the actual number of forfeited stock options is used.

5. Total intrinsic value of stock options

(1) The total intrinsic value of the stock options as of March 31, 2023 was zero.

(2) The total intrinsic value of the stock options exercised during the year ended March 31, 2023 was not applicable.

18. Income Taxes

The tax effects of temporary differences that give rise to a significant portion of deferred tax assets and liabilities at March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Deferred tax assets:			
Employee retirement benefit liability	**¥ 28,769**	¥ 28,608	**$ 214,694**
Enterprise tax accruals	**618**	570	**4,612**
Accrued bonuses	**4,013**	4,045	**29,948**
Intercompany capital gains	**1,231**	1,314	**9,186**
Operating loss carryforwards	**1,033**	854	**7,709**
Loss on assets transferred	**2,062**	1,957	**15,388**
Impairment loss on fixed assets	**12,331**	12,343	**92,022**
Allowance for doubtful accounts	**298**	231	**2,224**
Other	**6,682**	6,656	**49,866**
	57,037	56,578	**425,649**
Less valuation allowance	**(15,884)**	(15,241)	**(118,537)**
	41,153	41,337	**307,112**
Deferred tax liabilities:			
Deferred capital gains	**8,104**	8,540	**60,478**
Unrealized gains on available-for-sale securities	**5,774**	6,240	**43,090**
Valuation adjustments for consolidation	**11,222**	11,221	**83,746**
Other	**3,363**	3,553	**25,097**
	28,463	29,554	**212,411**
Net deferred tax assets	**¥ 12,690**	¥ 11,783	**$ 94,701**

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, 2023 and 2022, 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, 2023 and 2022 was as follows:

	Percentage of pretax income	
	2023	2022
Japanese statutory tax rate	**29.9%**	29.9%
Increase (decrease) due to:		
Permanently nondeductible expenses	**0.3**	0.2
Tax exempt income	**(0.2)**	(0.2)
Local minimum taxes - per capita levy	**2.4**	2.5
Amortization of goodwill	**2.2**	2.0
Equity in net income of affiliates	**(2.3)**	(1.6)
Changes in valuation allowance	**1.8**	0.3
Different tax rates applied to the consolidated subsidiaries	**4.1**	4.2
Tax credit for salary growth	**(0.2)**	—
Other	**(0.1)**	0.4
Effective income tax rate	**37.9%**	37.7%

The Company and some of its domestic consolidated subsidiaries have adopted the group tax sharing system from the fiscal year ended March 31, 2023. In addition, corporation tax and local corporation tax, as well as their tax effects, are accounted for and disclosed in accordance with Practical Solution on the Accounting and Disclosure under the Group Tax Sharing System (PITF No. 42, August 12, 2021).

19. 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, 2023, 2022 and 2021 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2023	2022	2021	**2023**
Net unrealized gains on available-for-sale securities:				
(Decrease) increase during the year	**¥ (1,417)**	¥ (854)	¥ 8,453	**$ (10,575)**
Reclassification adjustments	**92**	(22)	(1,034)	**687**
Subtotal, before tax	**(1,325)**	(876)	7,419	**(9,888)**
Tax effect	**466**	207	(2,036)	**3,478**
Subtotal, net of tax	**(859)**	(669)	5,383	**(6,410)**
Foreign currency translation adjustments:				
Increase (decrease) during the year	**124**	49	(51)	**925**
Reclassification adjustments	**—**	—	—	**—**
Subtotal, before tax	**124**	49	(51)	**925**
Tax effect	**—**	—	—	**—**
Subtotal, net of tax	**124**	49	(51)	**925**

	Millions of yen			Thousands of U.S. dollars
	2023	2022	2021	**2023**
Retirement benefit adjustment:				
Increase (decrease) during the year	**59**	899	(382)	**440**
Reclassification adjustments	**1,073**	1,150	1,335	**8,008**
Subtotal, before tax	**1,132**	2,049	953	**8,448**
Tax effect	**(388)**	(704)	(326)	**(2,896)**
Subtotal, net of tax	**744**	1,345	627	**5,552**
Shares of other comprehensive income of affiliates accounted for using equity method:				
Increase (decrease) during the year	**754**	608	(73)	**5,627**
Reclassification adjustments	**2**	(54)	15	**15**
Subtotal	**756**	554	(58)	**5,642**
Total other comprehensive income	**¥ 765**	¥ 1,279	¥ 5,901	**$ 5,709**

20. Business Combinations

(Merger among consolidated subsidiaries)

At the meeting of the Board of Directors held on April 4, 2022, the Company resolved to conduct an absorption type merger with Netz Toyota Gifu Co., Ltd. as the surviving company and Toyota Corolla Gifu Co., Ltd. as the absorbed company.

1. Overview of the transaction

(1) Names and businesses of the combining Companies
Name of the surviving Company: Netz Toyota Gifu Co., Ltd.
Business: Vehicle dealership
Name of the absorbed Company: Toyota Corolla Gifu Co., Ltd.
Business: Vehicle dealership

(2) Date of Business Combination
January 1, 2023

(3) Name of the company after business combination
Toyota Corolla Netz Gifu Co., Ltd.

2. Overview of accounting treatment
Pursuant to the Accounting Standard for Business Combinations Accounting Standards Board of Japan (ASBJ) Statement No. 21, issued on January 16, 2019 and the Guidance on Accounting Standard for Business Combination and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, issued on January 16, 2019), the absorption-type merger was treated as a transaction under common control.

21. Subsequent Events

(Merger among consolidated subsidiaries)

At the meeting of the Board of Directors held on April 1, 2022, Seino Transportation Co., Ltd. resolved to conduct an absorption type merger, with Seino Transportation Co., Ltd. as the surviving company and Kanto Seino Transportation Co., Ltd., Nohi Seino Transportation Co., Ltd. and Tokai Seino Transportation Co., Ltd., as the absorbed companies.

1. Overview of the transaction

(1) Names and businesses of the combining Companies
Name of the surviving Company: Seino Transportation Co., Ltd.
Business: Transportation services
Names of the absorbed Companies: Kanto Seino Transportation Co., Ltd., Nohi Seino Transportation Co., Ltd., Tokai Seino Transportation Co., Ltd.
Business: Transportation services

(2) Schedule
April 1, 2022 resolution date of Board of Directors regarding the merger and the companies concerned in the absorption-type merger.
April 1, 2022 was the execution date of contract.

(3) Date of Business Combination
April 1, 2023

(4) Name of the company after Business Combination
Seino Transportation Co., Ltd.

(5) Other matters related to the transaction
The Company owns all the shares of the surviving company and the absorbed companies. Therefore, the Company neither issued new shares nor allotted outstanding shares in this business combination.

2. Overview of accounting treatment
Pursuant to the Accounting Standard for Business Combinations Accounting Standards Board of Japan (ASBJ) Statement No. 21, issued on January 16, 2019 and the Guidance on Accounting Standard for Business Combination and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, issued on January 16, 2019), the absorption-type merger will be treated as a transaction under common control.

(Cancellation of treasury shares)

The Board of Directors of the Company resolved at its meeting held on June 12, 2023 matters concerning the Company's cancellation of its common stock pursuant to the provisions of the Articles of Incorporation as applied pursuant to Article 178 of the Business Corporation Law as detailed below.

(1) Class of shares
Common stock

(2) Number of shares
20,000,000 shares (9.6% of the total number of shares outstanding prior to the retirement)

(3) Scheduled date
June 27, 2023

(Share repurchase)

The Board of Directors of the Company resolved at its meeting held on June 12, 2023 matters concerning the Company's repurchase of its common stock pursuant to the provisions of the Articles of Incorporation as applied pursuant to Article 459, Paragraph 1, Item 1 of the Business Corporation Law as detailed below.

1. Reason for share repurchase
To implement flexible capital policies in response to changes in the business environment

2. Details of the repurchase

(1) Class of shares to be repurchased
Common stock

(2) Total number of shares that may be repurchased:
21,000,000 shares (maximum), 11.2% of issued shares excluding treasury stock

(3) Aggregate repurchase price
¥30,000 million ($223,881 thousand) (maximum)

(4) Period of repurchase
June 13, 2023 to June 12, 2024

(Changes in dividend policy)

The Board of Directors of the Company resolved at its meeting held on June 12, 2023 to change the Company's policy for dividends as detailed below. In addition, the policy change will be effective from the second quarter dividends of the fiscal year ending March 31, 2024.

(1) Before change
The Company positions profit of shareholders as an important management policy. It has a basic policy of implementing interim dividends, paying annual dividends of 11 yen per share or higher in principle and maintaining a DOE (dividend on equity) ratio of 2.4% or a consolidated payout ratio of around 30%, whichever is higher, while enhancing shareholder capital with a mid-to long-term view and improving profitability. In addition, maximum dividends is a consolidated payout ratio of 100%, expect for paying annual dividends of 11 yen per share or higher.

(2) After change
The Company positions profit of shareholders as an important management policy. It has a basic policy of implementing interim dividends, paying annual dividends with a DOE (dividend on equity) ratio of 4.0% or higher.

22. 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 and information about the disaggregation of revenue from contracts with customers

Information about reportable segment for the years ended March 31, 2023, 2022 and 2021 is summarized as follows:

For the year 2023:	Transportation services *(*5)*	Vehicle sales	Merchandise sales *(*5)*	Real estate leasing services	Other *(*4, 5)*	Total	Adjustments *(*1)*	Consolidated
	Millions of yen							
Operating revenue:								
Revenue from contracts with customers	**¥ 473,340**	**¥ 92,444**	**¥ 33,518**	**¥ —**	**¥ 26,522**	**¥ 625,824**	**¥ —**	**¥ 625,824**
Other revenue	**1,362**	**1,765**	**—**	**2,192**	**365**	**5,684**	**—**	**5,684**
External customers	**474,702**	**94,209**	**33,518**	**2,192**	**26,887**	**631,508**	**—**	**631,508**
Intersegment sales and transfers	**2,468**	**6,265**	**14,310**	**—**	**8,664**	**31,707**	**(31,707)**	**—**
Total operating revenue	**477,170**	**100,474**	**47,828**	**2,192**	**35,551**	**663,215**	**(31,707)**	**631,508**
Segment income *(*2)*	**¥ 21,870**	**¥ 4,709**	**¥ 800**	**¥ 1,615**	**¥ 1,174**	**¥ 30,168**	**¥ (1,666)**	**¥ 28,502**
Segment assets *(*3)*	**¥ 551,653**	**¥ 116,607**	**¥ 17,406**	**¥ 19,927**	**¥ 51,097**	**¥ 756,690**	**¥ (52,796)**	**¥ 703,894**
Depreciation	**18,977**	**2,097**	**61**	**228**	**625**	**21,988**	**(433)**	**21,555**
Amortization of goodwill	**1,978**	**—**	**—**	**—**	**215**	**2,193**	**—**	**2,193**
Investments in affiliates accounted for using the equity method	**21,593**	**87**	**—**	**—**	**—**	**21,680**	**(2)**	**21,678**
Increase in tangible and intangible fixed assets	**23,752**	**3,681**	**41**	**158**	**670**	**28,302**	**(324)**	**27,978**
For the year 2022:								
Operating revenue:								
Revenue from contracts with customers	¥ 452,453	¥ 96,907	¥ 30,754	¥ —	¥ 23,111	¥ 603,225	¥ —	¥ 603,225
Other revenue	800	1,314	—	2,013	306	4,433	—	4,433
External customers	453,253	98,221	30,754	2,013	23,417	607,658	—	607,658
Intersegment sales and transfers	1,978	10,918	13,527	—	9,402	35,825	(35,825)	—
Total operating revenue	455,231	109,139	44,281	2,013	32,819	643,483	(35,825)	607,658
Segment income *(*2)*	¥ 21,108	¥ 4,491	¥ 789	¥ 1,509	¥ 1,194	¥ 29,091	¥ (1,545)	¥ 27,546
Segment assets *(*3)*	¥ 528,218	¥ 119,782	¥ 17,120	¥ 19,631	¥ 50,760	¥ 735,511	¥ (50,244)	¥ 685,267
Depreciation	18,978	2,038	62	182	663	21,923	(433)	21,490
Amortization of goodwill	1,559	1	—	—	229	1,789	—	1,789
Investments in affiliates accounted for using the equity method	16,691	81	—	—	—	16,772	(2)	16,770
Increase in tangible and intangible fixed assets	28,685	4,005	46	931	728	34,395	(627)	33,768
For the year 2021:								
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 2023	Transportation services	Vehicle sales	Merchandise sales	Real estate leasing services	Other *(*4)*	Total	Adjustments *(*1)*	Consolidated
	Thousands of U.S. dollars							
Operating revenue:								
Revenue from contracts with customers	**$ 3,532,388**	**$ 689,881**	**$ 250,134**	**$ —**	**$ 197,925**	**$ 4,670,328**	**$ —**	**$ 4,670,328**
Other revenue	**10,164**	**13,172**	**—**	**16,358**	**2,724**	**42,418**	**—**	**42,418**
External customers	**3,542,552**	**703,053**	**250,134**	**16,358**	**200,649**	**4,712,746**	**—**	**4,712,746**
Intersegment sales and transfers	**18,418**	**46,753**	**106,791**	**—**	**64,657**	**236,619**	**(236,619)**	**—**
Total operating revenue	**3,560,970**	**749,806**	**356,925**	**16,358**	**265,306**	**4,949,365**	**(236,619)**	**4,712,746**
Segment income *(*2)*	**$ 163,209**	**$ 35,142**	**$ 5,970**	**$ 12,052**	**$ 8,761**	**$ 225,134**	**$ (12,433)**	**$ 212,701**
Segment assets *(*3)*	**$ 4,116,813**	**$ 870,201**	**$ 129,896**	**$ 148,709**	**$ 381,321**	**$ 5,646,940**	**$ (394,000)**	**$ 5,252,940**
Depreciation	**141,619**	**15,649**	**455**	**1,702**	**4,664**	**164,089**	**(3,231)**	**160,858**
Amortization of goodwill	**14,761**	**—**	**—**	**—**	**1,605**	**16,366**	**—**	**16,366**
Investments in affiliates accounted for using the equity method	**161,142**	**649**	**—**	**—**	**—**	**161,791**	**(15)**	**161,776**
Increase in tangible and intangible fixed assets	**177,254**	**27,470**	**306**	**1,179**	**5,000**	**211,209**	**(2,418)**	**208,791**

*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(t), "Summary of Significant Accounting Policies – Changes in accounting policy", the Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the previous fiscal year under review and changed the accounting treatment for revenue recognition. According to those changes, compared with the amounts that would have been reported with previous accounting treatment, in the Transportation business, "External customers" decreased by ¥12,482 million and "Segment income" decreased by ¥40 million for the year ended March 31, 2022. In Merchandise sales, "External customers" decreased by ¥3,790 million for the year ended March 31, 2022. In Other, "External customers" increased by ¥1,272 million , and "Segment income" increased by ¥436 million for the year ended March 31, 2022.*

(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 2023	¥ 392	¥ 395	¥ —	¥ —	¥ —	¥ 787
For the year 2022	110	207	—	291	533	1,141
For the year 2021	—	54	—	—	—	54
			Thousands of U.S. dollars			
Impairment loss:						
For the year 2023	$ 2,925	$ 2,948	$ —	$ —	$ —	$ 5,873

(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 2023						
Amortization of goodwill	¥ 1,978	¥ —	¥ —	¥ —	¥ 215	¥ 2,193
As of March 31, 2023						
Balance of goodwill	11,537	—	—	—	66	11,603
For the year 2022						
Amortization of goodwill	¥ 1,559	¥ 1	¥ —	¥ —	¥ 229	¥ 1,789
As of March 31, 2022						
Balance of goodwill	10,846	—	—	—	280	11,126
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

	Transportation services	Vehicle sales	Merchandise sales	Real estate leasing services	Other	Total
			Thousands of U.S. dollars			
For the year 2023						
Amortization of goodwill	$ 14,761	$ —	$ —	$ —	$ 1,605	$ 16,366
As of March 31, 2023						
Balance of goodwill	86,097	—	—	—	492	86,589

(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 2023	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
For the year 2022	12	—	—	—	—	12
For the year 2021	—	—	—	—	—	—

	Transportation services	Vehicle sales	Merchandise sales	Real estate leasing services	Other	Total
			Thousands of U.S. dollars			
Gain on negative goodwill:						
For the year 2023	$ —	$ —	$ —	$ —	$ —	$ —

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, 2023 and 2022, 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, 2023, 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, 2023 and 2022, 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 22, "Segment Information" to the financial statements, operating revenue from transportation services provided to external customers for the current fiscal year was ¥474,701 million. The motor truck transportation revenue of Seino Transportation Co., Ltd., the core company of the Transportation Services Business group, accounted for 50% of the operating revenue. Based on transportation contracts, the motor truck transportation revenue is recognized as the related performance obligations are satisfied.	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.

Other Information

The other information comprises the information included in the Annual Report but does not include the consolidated financial statements, the financial statements, and our auditor's report thereon. The other information is expected to be made available to us after the date of this auditor's report. Management is responsible for the other information. 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 reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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, 2023 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.

Shigeki Kondo
Designated Engagement Partner
Certified Public Accountant

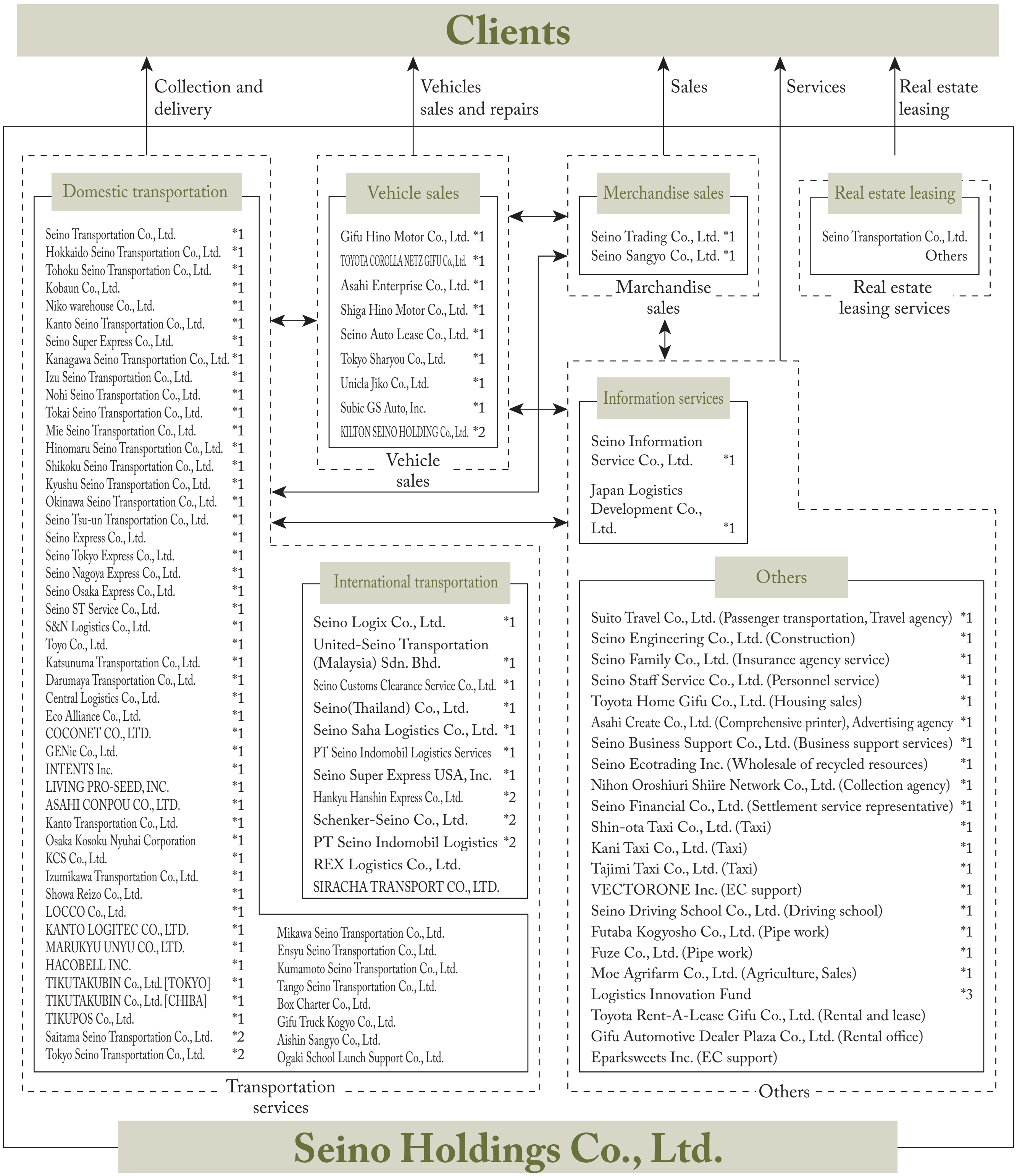
Hideki Saito
Designated Engagement Partner
Certified Public Accountant

Masaki Yamada
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Nagoya Office, Japan
September 29, 2023

Seino Group

The Seino Group consists of Seino Holdings Co., Ltd. and 82 consolidated subsidiaries, 1 nonconsolidated subsidiary, and 19 affiliates. The Seino Group operates in five business segments: transportation services, vehicle sales, merchandise sales, real estate leasing 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. 13

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