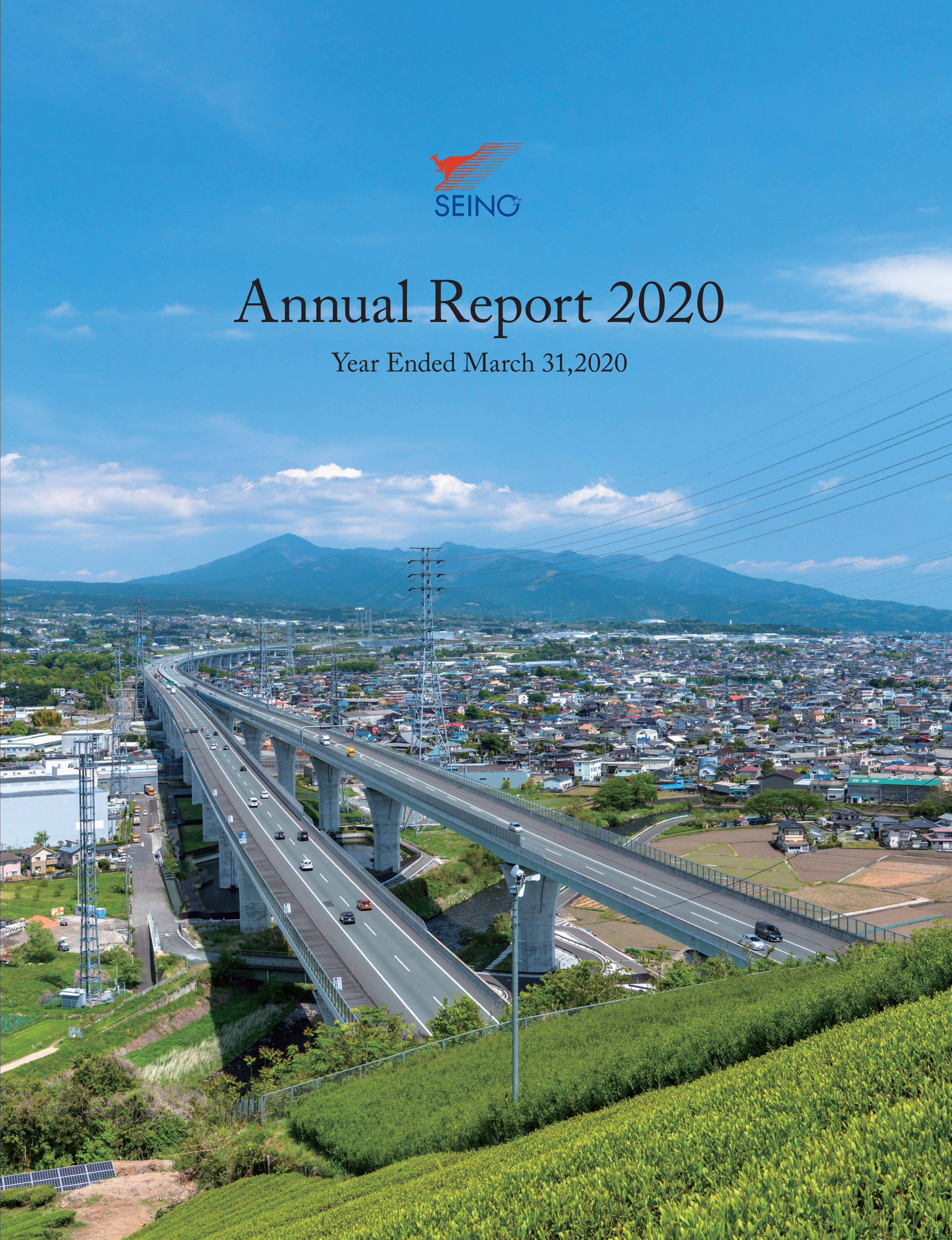
SEINO

Annual Report 2020

Year Ended March 31,2020



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, 81 consolidated subsidiaries and 23 affiliates engaged in transportation services, vehicle sales, merchandise sales, leasing for real estate services and other services.

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

As of March 31, 2020, Seino offers efficient transportation services throughout Japan via its 715 domestic terminals, a fleet of 24,917 trucks and a trucking network that averages 4,000 routes daily.

In addition, Seino has been carrying out ESG initiatives. Its efforts in this regard have included: expanding modal shifts in which some long-distance truck haulings are replaced with railway and ferry transport; starting the operation of double-connected trucks; and introducing AI-equipped heavy-duty hybrid trucks. Thus, Seino has increased the size and labor-saving capabilities of vehicles to promote reforms to its transport methods for addressing labor shortages and achieving environmental-load reduction.

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 June 25, 2020)

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

Seino Holdings Co., Ltd.

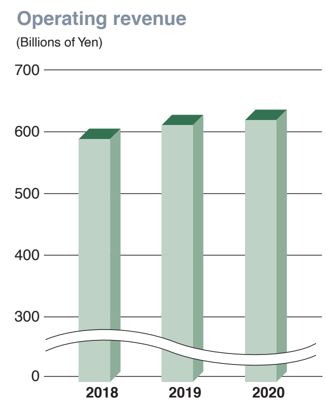
Financial Highlights

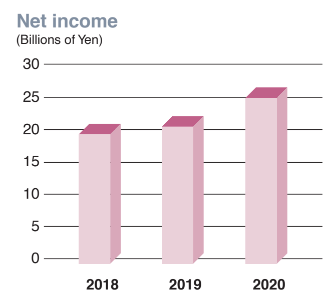
For the Years Ended March 31, 2020, 2019 and 2018

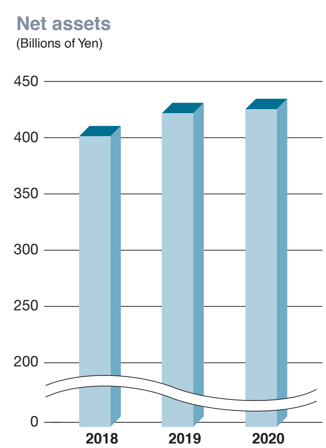
	Millions of Yen			Thousands of U.S. Dollars (Note)
	2020	2019	2018	2020
CONSOLIDATED BASIS:				
Operating revenue	**¥ 627,126**	¥ 618,436	¥ 596,130	**$ 5,753,450**
Operating income	**29,439**	31,209	27,879	**270,083**
Profit before income taxes	**39,637**	33,463	30,545	**363,642**
Net income	**25,677**	21,216	20,047	**235,568**
Net income per share (yen)	**127.56**	104.85	101.88	**1.17**

	Millions of Yen			Thousands of U.S. Dollars (Note)
	2020	2019	2018	2020
CONSOLIDATED BASIS:				
Cash and cash equivalents, and short-term investments	**¥110,054**	¥ 111,998	¥ 104,197	**$ 1,009,670**
Property and equipment, net of accumulated depreciation	**315,984**	310,633	295,321	**2,898,936**
Total assets	**657,243**	657,983	628,728	**6,029,752**
Long-term debt and other long-term liabilities	**17,999**	19,905	21,776	**165,128**
Net assets	**429,915**	426,207	405,739	**3,944,174**
Net assets per share (yen)	**2,160.50**	2,057.98	1,998.90	**19.82**

(Note) U.S. dollar amounts are translated at ¥109 = U.S. $1, only for the convenience of readers.







Corporate Data

(As of March 31, 2020)

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

Message from the Management

To Our Shareholders, Customers and Friends

We would like to take this opportunity to express our appreciation to our stakeholders, including shareholders and other investors, for the consistent support you have shown us over the years. The results for the fiscal year ending March, 2020 (April 1, 2019 to March 31, 2020) are presented herein.

Medium-term Management Plan "Value-Up Challenge 2020" 2017/4-2020-3

The following is a brief report on the performance of Seino Holdings Co., Ltd. for the fiscal year ended March 31, 2020, our 99th term (from April 1, 2019 to March 31, 2020).

Although Japan's economy in fiscal year under review has been on a moderate recovery trend due to improvements seen in employment and income environments, there are concerns about the effects of successive typhoons and other natural disasters, the consumption tax hike, and the trade friction between the U.S. and China. In addition, due to the spread of the novel coronavirus disease (COVID-19), the economy remained on a recession trend.

In the transportation industry, which is Seino Group's mainstay business, domestic freight volume is still on a declining trend, although efforts to collect appropriate fares continued. The business environment with management issues continued, with increasing outsourcing costs due to tight labor demand and difficulty in hiring.

Facing such circumstances, the Seino Group steadily implemented the various measures of the final fiscal year of the "Value-Up Challenge 2020: Take Off Toward Growth" medium-term management plan and pushed forward as a united group to improve our corporate value such as by expanding the provision of time value to our customers.

As a result, operating revenue for the fiscal year ended March 31, 2020 was ¥627,126 million (up 1.4% year on year), and although the effects of proper fare collection continued in our mainstay transportation business, due to the impact of the decrease in handled cargo volume, especially in the second half of the period, operating profit was ¥29,439 million (down 5.7% year on year), ordinary profit was ¥31,247 million (down 7.1% year on year), and partly due to the recording of extraordinary gains on sales of fixed assets associated with real estate transfers, profit attributable to owners of parent was ¥25,677 million (up 21.0% year on year).

Future Outlook

In our outlook for the Japanese economy, we expect that the moderate tone of recovery will continue amid the ongoing improvement in the employment and income environments with positive effects also expected from various policy measures. Nevertheless, there are lingering uncertainties reflecting concerns such as the impact on the global economy from trade frictions due to the increase in protectionism and fluctuations in the financial and capital markets.

Facing such circumstances, the Seino Group will steadily implement the various measures of the three-year medium-term management plan "Value-Up Challenge 2020: Take Off Toward Growth," which currently in the final fiscal year. While pursing the maximization of our corporate value, we will also strive to solve social issues through our business.

In our mainstay Transportation Services Business, we have started to see the results of our initiatives aimed at receiving reasonable transport fees and charges, but we also expect a reduction in the volume of freight handled after the consumption tax increase and an increase in personnel expenses and outsourcing costs due to the labor shortage.

Therefore, we will provide web services and shipping support systems designed to solve customer issues and propose overall logistics optimizations to further improve transportation quality and efficiency to link these efforts to productivity improvements. In addition, we will implement transportation reform including introduction of heavy vehicles such as articulated trucks, expansion of modal shifts and promotion of freight handling separation.

Moreover, we will proactively enhance the facilities and initiatives which contribute to the recruitment and improved retention rate of employees as well as maintain sites by rebuilding deteriorating and cramped facilities.

In addition, bearing in mind that the volume of freight transportation in Japan will shrink as the population declines and the conditions of low birthrate and aging population advance, we will also work on international transportation business including overseas expansion centering on the Asian region.

In passenger vehicle sales in the Vehicle Sales Business, we expect that the growth in the number of new vehicles sold will be eroded by the changes in the social structure such as low birthrate and aging population, and declining car ownership among young adults. As a result, we plan on keeping the business stable through expanding our portfolio of businesses relating to used car sales, car part sales, vehicle inspections and automotive repairs while focusing on new vehicle sales of mini-sized vehicles with small engine displacement. In truck sales also, we will make efforts to expand and enhance our portfolio of businesses relating to vehicle inspection and automotive repairs, and carry out initiatives for used vehicle part sales. We will carry out sales activities that are locally based while increasing employee satisfaction in addition to customer satisfaction through store renovations and introductions of the latest equipment.

In the Merchandise Sales Business and Other Business, we will expand our sales by strengthening existing businesses and develop new products designed from the viewpoint of the customer.

In the Leasing for Real Estate Services Business, we will work to develop our leasing and sales of idle real estate while effectively utilizing underutilized real estate.

While making steady efforts to achieve these business challenges, the Seino Group will work to strengthen the business foundation and contribute to our customers' prosperity to achieve further growth.

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

June 2020

Taguchi Yoshitaka,
President and Chief Executive Officer

Special Feature

Expanding Scope of Operations and Creating New Value

2020 marked the final year of the three-year medium-term management plan "Value-Up Challenge 2020: Takeoff Toward Growth." As we pursue the maximization of our value, using the strength we have cultivated until now, we will swiftly set forth reform and the spirit of challenge to create new values.

Main Topics for 2020

Opening of Narita Branch

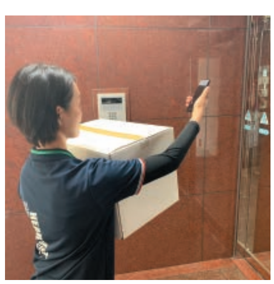
Seino Transportation's Narita Branch (21-2 Minamisanrizuka, Narita City, Chiba Prefecture), which had been under construction since last year, has been completed, and it opened for business on June 10.

The branch is in a favorable location about a 15-minute drive from Narita Airport, so, in addition to conventional pick-up and delivery operations, Seino Transportation is now able to carry out "international intermodal logistics" in which customs clearance, distribution processing, and storage can all be implemented together. Thus, the opening of the Narita Branch has made it possible for Seino Transportation to provide satisfactory services to customers involved in international cargo transport at an even higher level.

Enabling Deliveries Even When Customers Are Not Home

Coconet Inc. has formed a business partnership with Bitkey Inc., which develops and offers smart locks (devices that enable locks to be opened, closed, and managed using smartphones).

Coconet had been facing issues related to making redeliveries after customers were not at home, and the need for customers to request such redeliveries was placing a burden on the customers. The business partnership on this occasion has made it possible for Coconet delivery personnel to open automatic-door locks for the delivery of items to locations designated by customers inside their building if the property has a smart-lock installed, and this is helping to solve both of the abovementioned challenges.



Receipt of Comprehensive Efficiency Plan certification

Seino Transportation has received Comprehensive Efficiency Plan certification from the Ministry of Land, Infrastructure, Transport and Tourism in relation to its initiative in which it performed a modal shift to RoRo vessels of MOL Ferry Co., Ltd. with regard to truck transport between its Adachi Branch (Tokyo) and Tosu Branch (Saga Prefecture). The new transportation course achieves an approximately 39% reduction regarding volume of CO_2 emissions and an approximately 88% reduction regarding on-duty hours of drivers.

In the modal shift on this occasion, transport is by truck between the Adachi Branch and Port of Tokyo and between the Port of Kanda (Kitakyushu) and Tosu Branch, and there is a switch to marine transport between the Port of Tokyo and Port of Kanda.

Agreeing to Consider Business Partnership

Seino Holdings has agreed to hold discussions with SG Holdings regarding a tie-up involving joint operation, joint delivery, and so on across company frameworks. This is aimed at the provision of sustainable and highly convenient logistics services even amid the ongoing harsh business environment, which is caused by driver shortages, soaring labor costs, and other issues arising from population decline and the declining birthrate and aging population.

Currently, subcommittees are checking trial operations and verifying effectiveness, and next, courses and areas where deployment is possible will be selected going forward.

Introducing Vehicle No. 1 Ahead of Other Companies

In advance of other companies, Seino Transportation has introduced the “Hino Profia Hybrid,” which was developed by Hino Motors, Ltd. and is the world’s first heavy-duty truck equipped with a hybrid system, and it held a vehicle-delivery ceremony for “Vehicle No. 1” of this model.

The Profia Hybrid achieves high-level environmental performance and leading fuel efficiency for a heavy-duty truck by having AI forecast the travel load and then implement optimal hybrid control, and Seino Transportation’s most recent result for this model is 5.3 km/L.

Vehicle No. 1 is being used for operation on the route between the Ogaki Branch and Yamaguchi Branch, and Seino Transportation will consider further introducing this model after verifying the operating results of Vehicle No. 1.

Transporting Relief Supplies to Disaster-Stricken Areas

In response to a request from the government related to Typhoon Hagibis, which directly hit the Kanto area in October, Seino Transportation carried out the transport of relief supplies to disaster-stricken areas as a “designated public institution” in accordance with the Basic Act on Disaster Management.

Seino Transportation arranged for the provision of chartered vehicles to Seino Express, and then transported 6,000 pieces of long-lasting bread from a factory in Kagoshima to the Prefectural Central Comprehensive Disaster Risk Reduction Center in Mito City, which serves as a wide-area cargo transport base for Ibaraki Prefecture. In addition, Seino Transportation transported pre-packaged curry and processed quick-cooking rice to locations such as Nagano City and Koriyama City.

Transport of Taiko Drum to National Festival

Seino Super Express handled the transporting of a large taiko drum from Okunitama Shrine (Fuchu City, Tokyo) that was to be used at the “National Celebration for His Majesty the Emperor’s Accession to the Throne,” which took place at the Imperial Palace Outer Garden.

In order to smoothly transport this traditional, valuable large taiko drum, which is usually never transported outside of the shrine, Director Shimazaki and other staff created a trolly matching the shape of the taiko drum independently by hand, and the transport to the Imperial Palace Outer Garden was completed without any problems. Thus, Seino Super Express aims to solve the problems of customers by offering the transport of special products.

Implementing Verification of Drone Logistics in Shimonoseki City

Seino Holdings carried out Japan’s first “social-implementation experiment on drone logistics in skies over private land” in Shimonoseki City, Yamaguchi Prefecture in collaboration with TrueBizon, Ltd. (headquartered in Chuo-ku, Fukuoka City; President Mamoru Masumoto), Shimonoseki City, and other entities.

During the experiment on this occasion, products with a weight of 1 kg were air transported by drone to destinations 2.5 km away for customers living in mountainous areas. It is hoped that drone logistics combined with existing land transport can become a new means of logistics for “shopping refugees” (persons who have difficulty shopping for daily necessities) and residents of sparsely-populated areas.

Establishing Japan’s First Fund Specializing in Logistics

Together with Spiral Innovation Partners LLP (headquartered in Minato-ku, Tokyo; Representative Partner Hiroshi Oka), Seino Holdings has jointly established the “Logistics Innovation Fund,” Japan’s first “fund specializing in logistics-business areas” in which investments are made in start-up companies in peripheral areas of logistics, and has invested in the fund. The main objectives of establishing the fund were utilizing Seino’s own assets to support the businesses of start-up companies, and increasing the efficiency of operations by introducing cutting-edge technologies at logistics worksites. Going forward, Seino Holdings will make an effort to engage in co-creation with the start-up companies that are investment destinations with a view to achieving mutual business expansion.

Expanding Our Operations Scope and Creating New Value

Transportation Services Business

In the Transportation Services Business, based on our medium–term management plan, we set “providing value to customers” as our strategic vision, and in order to solve customers’ problems, we provided time value and shipping work support using web services, and made proposals for the overall optimization utilizing logistics functions.

At Seino Transportation Co., Ltd., the core company of the Transportation Services Business group, we collected appropriate fares for “continuous” “value provision”, and also focused on securing the volume of freight handled through capturing and keeping new freight consignors by providing a stable transportation network by diagramming route flights, and by leading to improvement of business efficiency and increased customer convenience by proposing electronic data exchange that digitizes transaction business from orders to payments.

On the other hand, we worked to increase the size and save labor of vehicles by expanding modal shifts to switch part of long-distance routes to transportation by railways and ferries and by starting operation of articulated trucks, and large hybrid trucks equipped with AI. By promoting transportation reform as measures for labor shortages, we also worked on ESG, which leads to a reduced environmental burden.

Furthermore, in order to secure personnel in the declining working population, we are working to enhance the benefits package such as by the introduction of a license acquisition subsidy system and a stock benefit trust (J-ESOP) for employees, while also shortening working hours through labor reform and reducing the operational burden, such as by the introduction of a long-term vacation system that includes annual paid vacation in Golden Week holidays, Bon vacation and the year-end and New Year holidays.

In terms of business expansion, Seino Transportation Co., Ltd. newly established the Narita branch (Narita city, Chiba prefecture), expanded the Osaka Nishi branch (Minato ward, Osaka city), newly established the STC Gyotoku (61 employee dormitories: Ichikawa city, Chiba prefecture), and Seino Super Express Co., Ltd. is expanding and relocating the Yashiro freight center (Kato City, Hyogo Prefecture). As a result of the above, operating revenue for this segment was ¥466,473 million, up 0.9% year on year, and operating profit was ¥23,339 million, down 4.6% year on year.

Vehicle Sales Business

In the business of passenger car sales during the fiscal year under review, we aimed to further improve customer satisfaction by renewing stores and improving the service system to become number “one” in the region. In addition, the number of new car sales increased year on year through various efforts including campaigns centered on support cars, early replacement proposals by utilizing residual value installment sales, and sales efforts taking advantage of the effects of new vehicle model launches. However, in used vehicle sales, due in part to the impact of the reduction in trade-in vehicles, the number of vehicles sold were lower than that of the previous fiscal year. In the service division, we strove to secure revenues by promoting vehicle inspections and vehicle maintenance and garage services, as well as the sales of products that lead to repeat visits such as maintenance packages and automotive coatings.

In truck sales, we worked to expand sales in order to increase the number of customers and the number of owned vehicles, but as demand for light trucks ran out, the number of new vehicles sold in Japan in the current fiscal year was slightly lower than that of the previous fiscal year.

In office expansion efforts, Netz Toyota Gifu Co., Ltd. carried out a full renovation of the Shinsei branch (Motosu City, Gifu Prefecture), and Gifu Hino Motors Co., Ltd. carried out a full renovation of the Anpachi Office maintenance factory (Anpachi Town, Gifu Prefecture) and the Ogaki Branch (Ogaki City, Gifu Prefecture).

As a result of the above, operating revenue for this segment was ¥104,664 million, up 2.4% year on year, and operating profit was ¥4,353 million, down 10.3% year on year.

Merchandise Sales Business

The Merchandise Sales Business engages in the sale of fuel, paper and paper products, and other products. Operating revenue for this segment was ¥32,868 million, down 1.9% year on year, partly due to the impact of a fall in sales unit prices for fuel sales. Operating profit was ¥871 million, up 5.0% year on year.

Leasing for Real Estate Services Business

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

As a result of the above, operating revenue for this segment was ¥1,732 million (up 4.9% year on year), and operating profit was ¥1,383 million (up 3.6% year on year).

Other Business

Our Other Business segment includes the information services business, the housing sales business, the construction contract business, the passenger transportation business, and the personnel services business. Operating revenue for this segment was ¥21,389 million (up 15.2% year on year), and operating profit was ¥688 million (down 23.7 % year on year).

Operating Revenue by Business Segment

(Millions of yen)

	FY Ended March 31, 2020		FY Ended March 31, 2019		
	Results	Composition	Results	Composition	Year-on-Year
Transportation Services	466,473	74.4%	462,459	74.8%	0.9%
Vehicle sales	104,664	16.7%	102,234	16.5%	2.4%
Merchandise sales	32,868	5.2%	33,518	5.4%	(1.9%)
Leasing for Real-estate Services	1,732	0.3%	1,651	0.3%	4.9%
Others	21,389	3.4%	18,574	3.0%	15.2%
Total	627,126	100.0%	618,436	100.0%	1.4%

Operating Income by Business Segment

(Millions of yen)

	FY Ended March 31, 2020		FY Ended March 31, 2019		
	Results	Composition	Results	Composition	Year-on-Year
Transportation Services	23,339	79.3%	24,475	78.4%	(4.6%)
Vehicle sales	4,353	14.8%	4,851	15.5%	(10.3%)
Merchandise sales	871	3.0%	829	2.7%	5.0%
Leasing for Real-estate Services	1,383	4.7%	1,334	4.3%	3.6%
Others	688	2.3%	902	2.9%	(23.7%)
Total	30,634	104.1%	32,391	103.8%	(5.4%)
Elimination	(1,195)	(4.1)	(1,182)	(3.8%)	—
Consolidated	29,439	100.0%	31,209	100.0%	(5.7%)

Financial Review

Operating Results

The consolidated sales of Seino Holdings for the fiscal year ended March 2020 amounted to ¥627,126 million (a 1.4% increase from the previous fiscal year). This was due to factors such as a rise in shipping-fare per unit resulting from the effects of initiatives aimed at the receipt of appropriate shipping fares.

Operating costs amounted to ¥555,298 million, which was a 1.6% increase from the previous fiscal year, due to factors such as a rise in outsourcing costs regarding vehicles used. Meanwhile, the ratio of operating costs rate to sales stood at 88.5%, a 0.2% increase from the previous fiscal year.

Selling, general, and administrative expenses came to ¥42,389 million (a 4.1% increase from the previous fiscal year) due to a rise in labor costs. In spite of this, operating profit came to ¥29,439 million.

Also, partly due to extraordinary gains related to the sale of land, current net income before taxes and other adjustments increased by 18.5% from the previous fiscal year to ¥39,637 million, and current net income rose by 21.0% from the previous fiscal year to ¥25,677 million.

Current net income per share stood at ¥127.56, and return on equity was 6.1%. Annual cash dividend per share rose to ¥39.00, which marked a 21.9% increase from the previous fiscal year.

Financial Position

Total assets at the end of the current consolidated fiscal year amounted to ¥657,243 million, which marked a decrease of ¥740 million from the end of the previous consolidated fiscal year. The main factors behind this included the fact that even though cash and deposits increased due to a rise in gains from sale of fixed assets, securities decreased due to the repayment of negotiable certificates of deposit. Liabilities totaled ¥227,328 million, which marked a ¥4,447 million increase from the end of the previous consolidated fiscal year. Furthermore, net assets grew by ¥3,708 million from the end of the previous consolidated fiscal year to reach ¥429,915 million. The main factors behind this included a rise in retained earnings.

Cash Flows

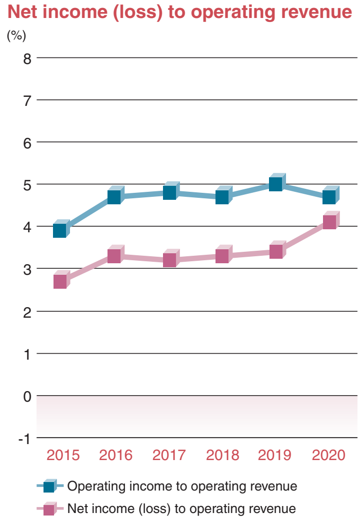
Cash flow from operating activities amounted to ¥34,964 million, marking a decline of ¥13,045 million from the previous consolidated fiscal year, due to an increase in corporate income taxes paid, decrease in trade notes and accounts receivable, and other factors.

Cash flow from investment activities came to -¥18,053 million, which was a ¥4,477 million decrease from the previous consolidated fiscal year. This was because even though proceeds from the repayment of negotiable certificates of deposit decreased, proceeds from the sales of intangible assets increased accompanying the sale of the land of the former Tokyo Branch.

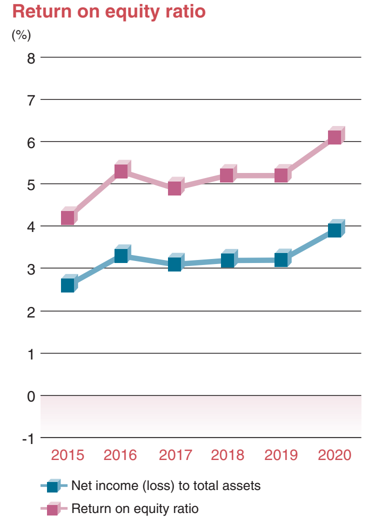
Cash flow from financial activities rose by ¥14,728 million from the previous consolidated fiscal year to -¥21,922 million resulting from an increase in expenditures due to the acquisition of treasury stock.

As a result, cash and cash equivalents in the current consolidated fiscal year fell by ¥4,980 million from the previous consolidated fiscal year to ¥93,482 million.

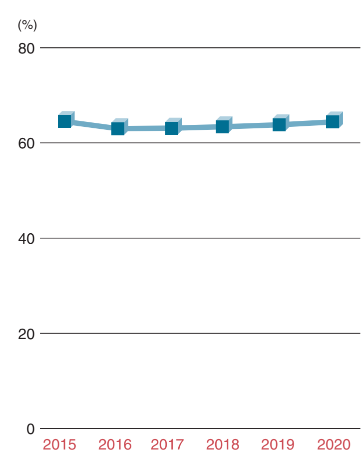
Operating income to operating revenue
Net income (loss) to operating revenue



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



Shareholders' equity ratio



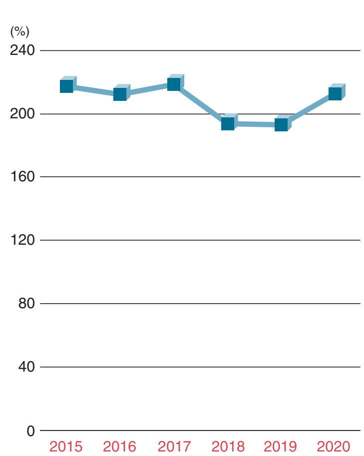
SEINO HOLDINGS CO., LTD. and Consolidated Subsidiaries

Six-year Summary

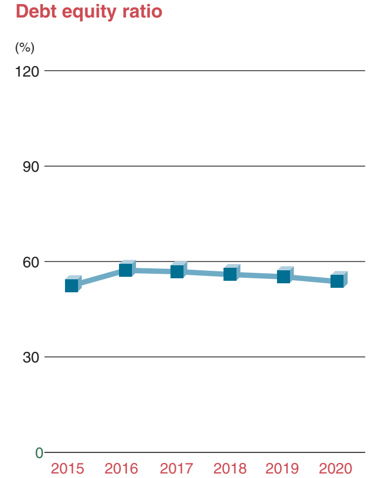
For the Years Ended March 31, 2020, 2019, 2018, 2017, 2016 and 2015

	Millions of Yen					
	2020	2019	2018	2017	2016	2015
For the year:						
Operating revenue:	¥ 627,126	¥ 618,436	¥ 596,130	¥ 567,539	¥ 555,457	¥ 542,452
Transportation services	466,473	462,459	443,168	422,870	416,113	398,972
Vehicle sales	104,664	102,234	103,342	100,237	94,441	95,351
Merchandise sales	32,868	33,518	31,575	27,749	28,029	32,699
Leasing for real estate services	1,732	1,651	1,599	1,543	1,472	1,401
Other	21,389	18,574	16,446	15,140	15,402	14,029
Operating costs	555,298	546,514	529,196	502,639	492,802	487,664
Selling, general and administrative expenses	42,389	40,713	39,055	37,783	36,469	33,402
Operating income	29,439	31,209	27,879	27,117	26,186	21,386
Net income (loss)	25,677	21,216	20,047	18,206	18,864	14,456
At year-end:						
Current assets	249,831	251,683	243,883	232,792	221,278	221,338
Total assets	657,243	657,983	628,728	594,264	579,565	548,525
Current liabilities	117,457	130,357	125,871	106,479	104,207	101,829
Short-term borrowings	4,130	5,470	3,610	2,704	2,768	2,519
Long-term debt, including current maturities	17,999	19,905	21,776	26,468	25,293	10,125
Net assets	429,915	426,207	405,739	381,299	371,007	363,314
	Yen					
Per share data:						
Net (loss) income:						
-Basic	¥ 127.56	¥ 104.85	¥ 101.88	¥ 92.09	¥ 94.87	¥ 72.67
Cash dividends	39.00	32.00	30.00	27.00	28.00	21.00
	Thousands					
Number of shares issued	207,679	207,679	207,679	207,679	207,679	207,679
	Percent					
Ratios:						
Operating income to operating revenue	4.7	5.0	4.7	4.8	4.7	3.9
Net income (loss) to operating revenue	4.1	3.4	3.3	3.2	3.3	2.7
Net income (loss) to total assets	3.9	3.2	3.2	3.1	3.3	2.6
Return on equity ratio	6.1	5.2	5.2	4.9	5.3	4.2
Shareholders' equity ratio	64.4	63.8	63.4	63.1	63.0	64.5
Current ratio	212.7	193.1	193.8	218.6	212.3	217.4
Debt equity ratio	53.7	55.2	55.9	56.8	57.2	52.4
Payout ratio	30.6	30.5	29.4	29.3	29.5	28.9

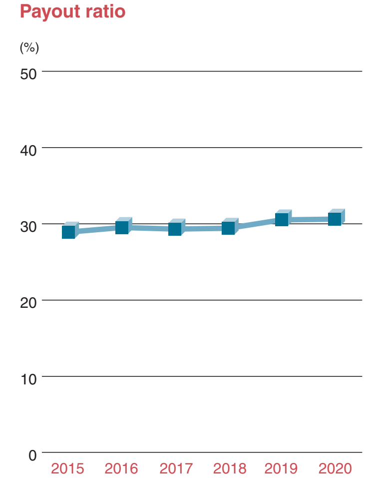
Current ratio



Debt equity ratio



Payout ratio



SEINO HOLDINGS CO., LTD. and Subsidiaries

Consolidated Balance Sheets

March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars
	2020	**2019**	**2020**
Assets:			
Current assets:			
Cash and cash equivalents (Note 3)	**¥ 93,482**	¥ 98,462	**$ 857,633**
Short-term investments (Notes 3 and 5)	**16,572**	13,536	**152,037**
Trade receivables (Note 3)	**120,546**	120,895	**1,105,926**
Inventories (Note 4)	**13,778**	13,168	**126,404**
Other current assets	**5,715**	5,819	**52,431**
Allowance for doubtful accounts	**(262)**	(197)	**(2,404)**
Total current assets	**249,831**	251,683	**2,292,027**
Property and equipment (Notes 6, 7 and 9):			
At cost	**638,007**	631,291	**5,853,275**
Accumulated depreciation	**(322,023)**	(320,658)	**(2,954,339)**
Net property and equipment	**315,984**	310,633	**2,898,936**
Investments and other assets:			
Investment securities (Notes 3 and 5)	**34,563**	38,725	**317,092**
Investments in and long-term loans to affiliates and nonconsolidated subsidiaries (Note 5)	**16,876**	15,736	**154,826**
Goodwill	**13,094**	14,630	**120,128**
Deferred tax assets (Note 17)	**16,727**	16,475	**153,459**
Employee retirement benefit asset (Note 12)	**—**	14	**—**
Other assets	**10,168**	10,087	**93,284**
Total investments and other assets	**91,428**	95,667	**838,789**
Total assets	**¥ 657,243**	¥ 657,983	**$ 6,029,752**
Current liabilities:			
Short-term borrowings (Notes 3, 9, 10 and 11)	**¥ 4,130**	¥ 5,470	**$ 37,890**
Current portion of long-term debt (Notes 3, 9 and 11)	**2,342**	2,609	**21,486**
Trade payables (Note 3)	**48,711**	54,414	**446,890**
Accrued expenses	**16,352**	16,772	**150,018**
Income taxes payable	**4,822**	7,376	**44,239**
Other current liabilities	**41,100**	43,716	**377,064**
Total current liabilities	**117,457**	130,357	**1,077,587**
Long-term debt (Notes 3, 9 and 11)	**15,657**	17,296	**143,642**
Employee retirement benefit liability (Note 12)	**79,784**	75,486	**731,963**
Asset retirement obligations (Note 8)	**3,568**	3,053	**32,734**
Accrued severance indemnities for directors and corporate auditors	**1,508**	1,457	**13,835**
Provision for share-based remuneration	**5,634**	—	**51,688**
Provision for directors' stock payments	**97**	42	**890**
Deferred tax liabilities (Note 17)	**2,440**	2,934	**22,386**
Other long-term liabilities	**1,183**	1,151	**10,853**
Total liabilities	**227,328**	231,776	**2,085,578**
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	**389,743**
Capital surplus	**83,744**	83,748	**768,294**
Retained earnings	**309,304**	290,156	**2,837,651**
Less treasury stock at cost: 11,762,469 shares in 2020 and 3,814,170 shares in 2019	**(15,837)**	(4,452)	**(145,294)**
Total shareholders' equity	**419,693**	411,934	**3,850,394**
Accumulated other comprehensive income			
Net unrealized gains on available-for-sale securities	**9,898**	12,708	**90,807**
Land revaluation decrement	**(109)**	(114)	**(1,000)**
Retirement benefit adjustment	**(5,613)**	(4,397)	**(51,495)**
Foreign currency translation adjustments	**(603)**	(579)	**(5,532)**
Total accumulated other comprehensive income	**3,573**	7,618	**32,780**
Noncontrolling interests	**6,649**	6,655	**61,000**
Total net assets	**429,915**	426,207	**3,944,174**
Total liabilities and net assets	**¥ 657,243**	¥ 657,983	**$ 6,029,752**

See accompanying Notes to Consolidated Financial Statements.

SEINO HOLDINGS CO., LTD. and Subsidiaries

Consolidated Statements of Income

For the Years Ended March 31, 2020, 2019 and 2018

	Millions of yen			Thousands of U.S. dollars
	2020	2019	2018	**2020**
Operating revenue (Note 21)	**¥ 627,126**	¥ 618,436	¥ 596,130	**$ 5,753,450**
Operating costs and expenses (Note 12):				
Operating costs	**555,298**	546,514	529,196	**5,094,477**
Selling, general and administrative expenses	**42,389**	40,713	39,055	**388,890**
	597,687	587,227	568,251	**5,483,367**
Operating income	**29,439**	31,209	27,879	**270,083**
Other income (expenses):				
Interest and dividend income	**788**	716	709	**7,229**
Interest expense	**(458)**	(334)	(231)	**(4,202)**
Loss on investments in partnerships	**(40)**	(69)	(33)	**(367)**
Subsidy income	**516**	91	157	**4,734**
Gain on sale or disposal of property and equipment	**15,457**	436	596	**141,807**
Gain on sale of investment securities	**26**	478	292	**239**
Share of (loss) profit of entities accounted for using equity method	**(26)**	874	(472)	**(239)**
Impairment loss on fixed assets (Notes 2(i) and 21)	**(542)**	(1,236)	(191)	**(4,973)**
Compensation received for the exercise of eminent domain	**96**	51	509	**881**
Gain on negative goodwill (Note 21)	**—**	88	63	**—**
Provision for share-based remuneration	**(5,634)**	—	—	**(51,688)**
Miscellaneous, net	**15**	1,159	1,267	**138**
	10,198	2,254	2,666	**93,559**
Profit before income taxes	**39,637**	33,463	30,545	**363,642**
Income taxes (Note 17):				
Current	**13,222**	14,582	11,984	**121,303**
Deferred	**878**	(2,215)	(1,443)	**8,055**
Total income taxes	**14,100**	12,367	10,541	**129,358**
Profit	**25,537**	21,096	20,004	**234,284**
(Loss) profit attributable to noncontrolling interests	**(140)**	(120)	(43)	**(1,284)**
Profit attributable to owners of parent	**¥ 25,677**	¥ 21,216	¥ 20,047	**$ 235,568**

	Yen			U.S. dollars
Per share:				
Profit attributable to owners of parent				
-Basic	**¥ 127.56**	¥ 104.85	¥ 101.88	**1.17**
-Diluted	**—**	—	98.48	**—**
Cash dividends	**39.00**	32.00	30.00	**0.35**

See accompanying Notes to Consolidated Financial Statements.

SEINO HOLDINGS CO., LTD. and Subsidiaries

Consolidated Statements of Comprehensive Income

For the Years Ended March 31, 2020, 2019 and 2018

	Millions of yen			Thousands of U.S. dollars
	2020	2019	2018	**2020**
Profit	¥ **25,537**	¥ 21,096	¥ 20,004	$ **234,284**
Other comprehensive income (Note 18):				
Net unrealized gains on available-for-sale securities	**(2,794)**	(1,965)	3,144	**(25,633)**
Remeasurements of defined benefit plans, net of tax	**(1,178)**	1,513	888	**(10,807)**
Foreign currency translation adjustments	**45**	(53)	24	**413**
Share of other comprehensive income of affiliates accounted for using equity method	**(92)**	(256)	(35)	**(844)**
Total other comprehensive income	**(4,019)**	(761)	4,021	**(36,871)**
Comprehensive income	¥ **21,518**	¥ 20,335	¥ 24,025	$ **197,413**
Comprehensive income attributable to:				
Owners of the parent	¥ **21,626**	¥ 20,471	¥ 24,046	$ **198,404**
Noncontrolling interests	**(108)**	(136)	(21)	**(991)**

SEINO HOLDINGS CO., LTD. and Subsidiaries

Consolidated Statements of Changes in Net Assets

For the Years Ended March 31, 2020, 2019 and 2018

		Shareholders' equity					Accumulated other comprehensive income						
	Number of shares of common stock issued	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains on available-for-sale securities	Land revaluation decrement	Retirement benefit adjustment	Foreign currency translation adjustments	Total accumulated other comprehensive income	Non controlling interests	Total net assets
	Millions of yen												
Balance at March 31, 2017	207,679,783	¥ 42,482	¥ 80,631	¥ 260,275	¥ (12,554)	¥ 370,834	¥ 11,574	¥ (114)	¥ (6,785)	¥ (311)	¥ 4,364	¥ 6,101	¥ 381,299
Profit attributable to owners of parent	—	—	—	20,047	—	20,047	—	—	—	—	—	—	20,047
Cash dividends	—	—	—	(5,328)	—	(5,328)	—	—	—	—	—	—	(5,328)
Reversal of land revaluation decrement	—	—	—	—	—	—	—	—	—	—	—	—	—
Purchases of treasury stock and fractional shares, net	—	—	1,275	—	3,598	4,873	—	—	—	—	—	—	4,873
Change in treasury shares of parent arising from transactions with noncontrolling shareholders	—	—	134	—	—	134	—	—	—	—	—	—	134
Net changes in items other than shareholders' equity	—	—	—	—	—	—	3,142	—	851	7	4,000	714	4,714
Balance at March 31, 2018	207,679,783	42,482	82,040	274,994	(8,956)	390,560	14,716	(114)	(5,934)	(304)	8,364	6,815	405,739
Profit attributable to owners of parent	—	—	—	21,216	—	21,216	—	—	—	—	—	—	21,216
Cash dividends	—	—	—	(6,054)	—	(6,054)	—	—	—	—	—	—	(6,054)
Reversal of land revaluation decrement	—	—	—	—	—	—	—	—	—	—	—	—	—
Purchases of treasury stock and fractional shares, net	—	—	1,704	—	4,504	6,208	—	—	—	—	—	—	6,208
Change in treasury shares of parent arising from transactions with noncontrolling shareholders	—	—	4	—	—	4	—	—	—	—	—	—	4
Net changes in items other than shareholders' equity	—	—	—	—	—	—	(2,008)	—	1,537	(275)	(746)	(160)	(906)
Balance at March 31, 2019	207,679,783	42,482	83,748	290,156	(4,452)	411,934	12,708	(114)	(4,397)	(579)	7,618	6,655	426,207
Profit attributable to owners of parent	—	—	—	25,677	—	25,677	—	—	—	—	—	—	25,677
Cash dividends	—	—	—	(6,524)	—	(6,524)	—	—	—	—	—	—	(6,524)
Reversal of land revaluation decrement	—	—	—	(5)	—	(5)	—	—	—	—	—	—	(5)
Purchases of treasury stock and fractional shares, net	—	—	—	—	(11,385)	(11,385)	—	—	—	—	—	—	(11,385)
Change in treasury shares of parent arising from transactions with noncontrolling shareholders	—	—	(4)	—	—	(4)	—	—	—	—	—	—	(4)
Net changes in items other than shareholders' equity	—	—	—	—	—	—	(2,810)	5	(1,216)	(24)	(4,045)	(6)	(4,051)
Balance at March 31, 2020	207,679,783	¥ 42,482	¥ 83,744	¥ 309,304	¥ (15,837)	¥ 419,693	¥ 9,898	¥ (109)	¥ (5,613)	¥ (603)	¥ 3,573	¥ 6,649	¥ 429,915
		Thousands of U.S. dollars											
Balance at March 31, 2019		$ 389,743	$ 768,330	$2,661,982	$ (40,844)	$3,779,211	$ 116,587	$ (1,046)	$ (40,339)	$ (5,312)	$ 69,890	$ 61,055	$ 3,910,156
Profit attributable to owners of parent		—	—	235,568	—	235,568	—	—	—	—	—	—	235,568
Cash dividends		—	—	(59,853)	—	(59,853)	—	—	—	—	—	—	(59,853)
Reversal of land revaluation decrement		—	—	(46)	—	(46)	—	—	—	—	—	—	(46)
Purchases of treasury stock and fractional shares, net		—	—	—	(104,450)	(104,450)	—	—	—	—	—	—	(104,450)
Change in treasury shares of parent arising from transactions with noncontrolling shareholders		—	(36)	—	—	(36)	—	—	—	—	—	—	(36)
Net changes in items other than shareholders' equity		—	—	—	—	—	(25,780)	46	(11,156)	(220)	(37,110)	(55)	(37,165)
Balance at March 31, 2020		$ 389,743	$ 768,294	$2,837,651	$(145,294)	$3,850,394	$ 90,807	$ (1,000)	$ (51,495)	$ (5,532)	$ 32,780	$ 61,000	$ 3,944,174

See accompanying Notes to Consolidated Financial Statements.

SEINO HOLDINGS CO., LTD. and Subsidiaries

Consolidated Statements of Cash Flows

For the Years Ended March 31, 2020, 2019 and 2018

	Millions of yen			Thousands of U.S. dollars
	2020	2019	2018	2020
Cash flows from operating activities:				
Profit before income taxes	¥ 39,637	¥ 33,463	¥ 30,545	$ 363,642
Adjustments for:				
Depreciation	20,198	19,001	17,775	185,303
Impairment loss on fixed assets	542	1,236	191	4,973
Amortization of goodwill	1,636	1,437	1,165	15,009
Gain on negative goodwill	—	(88)	(63)	—
Net increase in employee retirement benefit liability	2,501	2,929	2,518	22,945
Gain on sale or disposal of property and equipment	(15,457)	(436)	(596)	(141,807)
Share of loss (profit) of entities accounted for using equity method	26	(874)	472	239
Loss on investments in partnerships	40	69	33	367
Gain on sale of investment securities	(26)	(478)	(292)	(239)
Net provision (reversal) for accrued severance indemnities for directors and corporate auditors	52	(174)	(203)	477
Increase in provision for share-based remuneration	5,634	—	—	51,688
Net provision for directors' stock payments	56	42	—	513
Decrease (increase) in trade receivables	914	(845)	(6,914)	8,385
(Increase) decrease in inventories	(691)	1,491	(2,270)	(6,339)
(Decrease) increase in trade payables	(6,185)	2,585	6,489	(56,743)
Other, net	1,092	865	2,000	10,018
Subtotal	49,969	60,223	50,850	458,431
Interest and dividends received	1,204	974	1,109	11,046
Interest paid	(445)	(264)	(232)	(4,082)
Income taxes paid	(15,764)	(12,924)	(10,440)	(144,624)
Net cash provided by operating activities	34,964	48,009	41,287	320,771
Cash flows from investing activities:				
Increase in property and equipment	(34,693)	(30,620)	(18,556)	(318,285)
Increase in long-term investments and loans	(3,937)	(3,956)	(11,748)	(36,119)
Decrease in property and long-term investments	23,641	2,686	3,540	216,890
(Increase) decrease in short-term investments	(2,916)	10,474	1,687	(26,752)
Purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 16)	(148)	(1,114)	(1,195)	(1,358)
Net cash used in investing activities	(18,053)	(22,530)	(26,272)	(165,624)
Cash flows from financing activities:				
Increase in long-term debt	200	790	—	1,835
Repayment of long-term debt	(1,815)	(1,731)	(3,191)	(16,652)
Net (decrease) increase in short-term borrowings	(1,138)	595	903	(10,440)
Proceeds from share issuance to noncontrolling shareholders	21	48	936	193
Dividends paid to shareholders	(6,524)	(6,054)	(5,328)	(59,853)
Dividends paid to noncontrolling interests	(52)	(38)	(38)	(477)
Purchases of treasury stock, net of disposals	(11,385)	357	393	(104,450)
Other, net	(1,229)	(1,161)	(855)	(11,275)
Net cash used in financing activities	(21,922)	(7,194)	(7,180)	(201,119)
Effect of exchange rate changes on cash and cash equivalents	31	(37)	13	284
Net (decrease) increase in cash and cash equivalents	(4,980)	18,248	7,848	(45,688)
Cash and cash equivalents at beginning of year	98,462	80,214	72,366	903,321
Cash and cash equivalents at end of year	¥ 93,482	¥ 98,462	¥ 80,214	$ 857,633

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, 2020, which was ¥109 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, 2020, 2019 and 2018, 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, 2020, 2019 and 2018 was as follows:

	2020	2019	2018
Subsidiaries:			
Domestic	76	75	70
Overseas	5	6	6
Affiliates accounted for by the equity method	6	7	7
Nonconsolidated subsidiaries	2	—	—
Affiliates stated at cost	15	15	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. One subsidiary has a fiscal year that ends on October 31 and provisionally prepares financial statements as of January 31. In addition, one subsidiary has a fiscal year that ends on June 30 and provisionally prepares financial statements as of March 31. Significant transactions for the period between the subsidiary's year-end and the Company's year-end are adjusted for on consolidation.

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

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

(b) Cash and cash equivalents

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

(c) Investments and marketable securities

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

(d) Accounting for derivatives

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

(e) Allowance for doubtful accounts

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

(f) Inventories

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

(g) Property and equipment and depreciation

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

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

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

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

(h) Intangible assets

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

(i) Accounting standard for impairment of fixed assets

The Company and its domestic subsidiaries have adopted the "Accounting Standard for Impairment of Fixed Assets" issued by the Business Accounting Council of Japan and the related practical guidance issued by ASBJ. The standard requires that fixed assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss is to be recognized in the income statement by reducing the carrying amount of the impaired asset or group of assets to the recoverable amount, to be measured as the higher of the asset's net selling price or value in use. Fixed assets include intangible assets as well as land, buildings and other forms of property and are to be grouped at the lowest level for which there are identifiable cash flows distinguishable from other groups of assets. For the purpose of recognition and measurement of impairment loss, fixed assets are grouped into cash-generating units, such as operating business branches other than idle or unused property. The method used to group assets to measure impairment of fixed assets in the transportation services segment, excluding some consolidated subsidiaries, is a method that groups assets by the entire segment. At March 31, 2020, 2019 and 2018, recoverable amounts of assets were measured based on value in use using discounted future cash flows at interest rates principally of 8.7%, 8.2% and 7.5%, 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
	2020	2019	2018	**2020**
Property subject to impairment:	6 business branches and 1 idle property	6 business branches and 3 idle properties	8 business branches and 2 idle properties	
Impairment loss recorded for:				
land	¥ 359	¥ 676	¥ 181	$ 3,294
buildings and structures	129	543	10	1,184
other property	54	17	—	495
	¥ 542	¥ 1,236	¥ 191	$ 4,973

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

(j) Employee retirement benefits

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

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

(k) Severance indemnities for directors and corporate auditors

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

(l) Provision for share-based remuneration

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

(m) Provision for directors' stock payments

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

(n) Revenue recognition for freight charges

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

(o) Income taxes

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

(p) Enterprise taxes

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

(q) Appropriation of retained earnings

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

(r) Translation of foreign currency accounts

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

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

(s) Per share data

Basic net income per share is computed by dividing income available to common shareholders by the weighted average number of shares of common stock outstanding during the respective year, retroactively adjusted for stock splits. Unless there is an anti-dilutive effect, diluted net income per share is calculated to reflect the potential dilution assuming that all convertible bonds are converted at the time of issue. Diluted earnings per share for the fiscal years ended March 31, 2020 and 2019 are not shown because there were no potentially dilutive shares.

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

(t) Adoption of consolidated taxation system

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

(Additional information)

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

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

(u) Changes in presentation method

(i) Accounting policies issued but not yet adopted

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

Overview

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

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

Effective date

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

Effects of application

The Company and its consolidated domestic subsidiaries are in the process of determining the effects of these new standards on the consolidated financial statements.

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

Overview

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

Effective date

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

"Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020)

Overview

The purpose of this accounting standard is to promote the disclosure of information that contribute to financial statement users' understanding of accounting estimates of items that have the potential to materially affect the financial statements of the following fiscal year by the accounting estimates made in the financial statements of the current fiscal year.

Effective date

Effective from the end of the consolidated fiscal year ending March 31, 2021.

"Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections" (ASBJ Statement No. 24, March 31, 2020)

Overview

The purpose of this accounting standard is to provide an outline of the accounting principles and procedures adopted for cases in which the application of the relevant accounting standards is not clear.

Effective date

Effective from the end of the consolidated fiscal year ending March 31, 2021.

(ii) Change in presentation method

(Consolidated Statements of Income)

Effective from the fiscal year under review, "Subsidy income," which had been included in "Miscellaneous, net" for the previous fiscal year, has been presented separately because of its increased importance. The Consolidated Statements of Income for the fiscal years ended March 31, 2019 and 2018 were reclassified to conform to the change in presentation. As a result, ¥1,250 million recorded in "Miscellaneous, net" for the fiscal year ended March 31, 2019 was reclassified to "Subsidy income" of ¥91 million and "Miscellaneous, net" of ¥1,159 million. In addition, ¥1,424 million recorded in "Miscellaneous, net" for the fiscal year ended March 31, 2018 was reclassified to "Subsidy income" of ¥157 million and "Miscellaneous, net" of ¥1,267 million.

(v) Additional information

(i) 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 three years and subsequently sells them periodically to the Shareholding Association in accordance with certain conditions and methods stipulated in the E-Ship Agreement over the three-year period. 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, the accumulation of net loss on sales of its shares, and will pay off the 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, 2019 were ¥607 million and 455 thousand shares, respectively. The book value of bank loans of the E-Ship Trust recorded in the consolidated balance sheet as of March 31, 2019 was ¥384 million, respectively.

The E-Ship Trust was terminated on March 26, 2020.

(ii) 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, 2020 and 2019 were ¥181 million ($1,660 thousand) and 91 thousand shares and ¥181 million and 91 thousand shares, respectively.

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

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

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

In addition, ¥5,634 million ($51,688 thousand) was recorded in "Provision for share-based remuneration" for the fiscal year ended March 31, 2020 because there was the cost for the awarded points based on their length of service by previous consolidated fiscal year.

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, 2020 was ¥6,991 million ($64,138 thousand) and 4,848 thousand shares.

(iv) Accounting estimates associated with the spread of COVID-19

The Company group expects the negative impact of the novel coronavirus on its businesses. This is because there will be a significant economic slowdown due to the stagnation of production and a consumption activity after the state of emergency has been declared in Japan. In addition, the end of the spread of COVID-19 infection is unclear now.

The Company group's accounting is based on certain assumptions in accounting treatment concerning the recoverability of deferred tax assets and impairment losses, etc. In the Transportation Services Business, it is assumed that movement restrictions due to the declaration of the emergency will be gradually lifted from May 2020, and that production activity will gradually recover after December 2020. In the vehicle sales business, it is assumed that 80% of the passenger cars and 70% of the trucks and buses will be sold in the fiscal year 2020 compared to the fiscal year 2019.

However, there are many uncertainties over the impact of COVID-19 which could affect the Group's financial position and operating results for the fiscal year ending March 31, 2021.

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 indirect financing such as bank loans for investments in facilities, taking immediate liquidity into consideration.

(ii) Details of financial instruments and Risks

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

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

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

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

(iii) Risk Management for Financial Instruments

Monitoring of credit risk

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

Monitoring market risk

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

Monitoring liquidity risk

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

(iv) Supplemental information on fair values

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

(b) Fair values of financial instruments

The fair and carrying values of the financial instruments included in the consolidated balance sheets at March 31, 2020 and 2019, 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, 2020:			
Cash and cash equivalents	¥ 93,482	¥ 93,482	¥ —
Short-term investments	16,572	16,571	(1)
Trade receivables	120,546	120,546	—
Investment securities	30,175	30,175	—
Total assets	¥ 260,775	¥ 260,774	¥ (1)
Short-term borrowings	¥ 4,130	¥ 4,130	¥ —
Trade payables	48,711	48,711	—
Current portion of long-term bank loans	2,342	2,342	—
Long-term bank loans	9,180	9,055	(125)
Total liabilities	¥ 64,363	¥ 64,238	¥ (125)

	Carrying value	Fair value	Difference
		Millions of yen	
At March 31, 2019:			
Cash and cash equivalents	¥ 98,462	¥ 98,462	¥ —
Short-term investments	13,536	13,536	—
Trade receivables	120,895	120,895	—
Investment securities	34,444	34,444	—
Total assets	¥ 267,337	¥ 267,337	¥ —
Short-term borrowings	¥ 5,470	¥ 5,470	¥ —
Trade payables	54,414	54,414	—
Current portion of long-term bank loans	1,391	1,391	—
Long-term bank loans	10,371	10,263	(108)
Total liabilities	¥ 71,646	¥ 71,538	¥ (108)

	Carrying value	Fair value	Difference
	Thousands of U.S. dollars		
At March 31, 2020:			
Cash and cash equivalents	$ 857,633	$ 857,633	$ —
Short-term investments	152,037	152,028	(9)
Trade receivables	1,105,926	1,105,926	—
Investment securities	276,835	276,835	—
Total assets	$ 2,392,431	$ 2,392,422	$ (9)
Short-term borrowings	$ 37,890	$ 37,890	$ —
Trade payables	446,890	446,890	—
Current portion of long-term bank loans	21,486	21,486	—
Long-term bank loans	84,220	83,073	(1,147)
Total liabilities	$ 590,486	$ 589,339	$ (1,147)

Notes:

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

Assets:

Cash and cash equivalents

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

Trade receivables

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

Short-term investments and investment securities

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

Liabilities:

Trade payables

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

Short-term borrowings and current portion of long-term bank loans

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

Long-term bank loans

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

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Carrying value:			
Unlisted equity securities, other than those of affiliates	**¥ 1,470**	¥ 1,926	**$ 13,486**
Investments in partnerships	**2,918**	2,355	**26,771**
	¥ 4,388	¥ 4,281	**$ 40,257**

(3) The redemption schedule for financial assets with maturities at March 31, 2020 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, 2020:				
Cash and cash equivalents	¥ 93,482	¥ —	¥ —	¥ —
Short-term investments	16,574	—	—	—
Trade receivables	88,469	31,344	731	2
	¥ 198,525	¥ 31,344	¥ 731	¥ 2

	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, 2020:				
Cash and cash equivalents	$ 857,633	$ —	$ —	$ —
Short-term investments	152,055	—	—	—
Trade receivables	811,642	287,560	6,706	18
	$ 1,821,330	$ 287,560	$ 6,706	$ 18

(4) For the repayment schedule for long-term bank loans at March 31, 2020, see Note 9, "Short-term Borrowings and Long-term Debt."

4. Inventories

Inventories at March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Merchandise and finished products	**¥ 11,731**	¥ 11,485	**$ 107,624**
Work in process	**1,279**	831	**11,734**
Raw materials and supplies	**768**	852	**7,046**
	¥ 13,778	¥ 13,168	**$ 126,404**

5. Investments

At March 31, 2020 and 2019, short-term investments consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Marketable securities:			
Bonds and other	**¥ 8,207**	¥ 2,100	**$ 75,294**
Total marketable securities	**8,207**	2,100	**75,294**
Time deposits with an original maturity of more than three months	**8,365**	11,436	**76,743**
	¥ 16,572	¥ 13,536	**$ 152,037**

At March 31, 2020 and 2019, investment securities consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Marketable securities:			
Equity securities	**¥ 30,122**	¥ 34,276	**$ 276,349**
Bonds	**—**	108	**—**
Other	**53**	60	**486**
Total marketable securities	**30,175**	34,444	**276,835**
Other non-marketable securities	**4,388**	4,281	**40,257**
	¥ 34,563	¥ 38,725	**$ 317,092**

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

	Carrying value	Fair value	Difference
	Millions of yen		
At March 31, 2020			
Securities with fair value exceeding carrying amount:			
Bonds	¥ —	¥ —	¥ —
Other	—	—	—
Securities with fair value not exceeding carrying amount:			
Bonds	¥ 3,000	¥ 3,000	¥ —
Other	3,000	2,999	(1)
	¥ 6,000	¥ 5,999	¥ (1)
	Thousands of U.S. dollars		
At March 31, 2020			
Securities with fair value exceeding carrying amount:			
Bonds	$ —	$ —	$ —
Other	—	—	—
Securities with fair value not exceeding carrying amount:			
Bonds	$ 27,523	$ 27,523	$ —
Other	27,523	27,514	(9)
	$ 55,046	$ 55,037	$ (9)

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, 2020 and 2019, 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, 2020:				
Equity securities	¥ 15,381	¥ 15,294	¥ (553)	¥ 30,122
Bonds	118	—	(11)	107
Other	2,127	26	—	2,153
	¥ 17,626	¥ 15,320	¥ (564)	¥ 32,382
At March 31, 2019:				
Equity securities	¥ 15,585	¥ 18,824	¥ (133)	¥ 34,276
Bonds	118	—	(10)	108
Other	2,127	33	—	2,160
	¥ 17,830	¥ 18,857	¥ (143)	¥ 36,544
	Thousands of U.S. dollars			
At March 31, 2020:				
Equity securities	$ 141,110	$ 140,312	$ (5,073)	$ 276,349
Bonds	1,083	—	(101)	982
Other	19,514	238	—	19,752
	$ 161,707	$ 140,550	$ (5,174)	$ 297,083

At March 31, 2020 and 2019 investments in and long-term loans to affiliates and nonconsolidated subsidiaries consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Equity securities of affiliates and nonconsolidated subsidiaries	¥ 15,238	¥ 15,736	$ 139,798
Investments in partnerships of nonconsolidated subsidiaries	1,638	—	15,028
	¥ 16,876	¥ 15,736	$ 154,826

6. Property and Equipment

At March 31, 2020 and 2019, property and equipment consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Property and equipment, at cost:			
Land	¥ 174,108	¥ 176,941	$ 1,597,321
Buildings and structures	287,332	281,227	2,636,073
Vehicles	111,382	109,563	1,021,853
Machinery and equipment	47,748	46,390	438,055
Construction in progress	5,604	5,417	51,413
Other	11,833	11,753	108,560
	638,007	631,291	5,853,275
Less accumulated depreciation	(322,023)	(320,658)	(2,954,339)
Total property and equipment	¥ 315,984	310,633	$ 2,898,936

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, 2020 and 2019, 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 ¥2,549 million ($23,385 thousand) and ¥2,746 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, 2020 and 2019 and the fair values of the rental properties were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Carrying value at the beginning of year	¥ 13,956	¥ 14,622	$ 128,037
Net changes during the year	3,101	(666)	28,449
Carrying value at the end of year	¥ 17,057	¥ 13,956	$ 156,486
Fair value at the end of year *	¥ 22,041	¥ 18,583	$ 202,211

*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, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Operating revenue	¥ 1,732	¥ 1,651	$ 15,890
Operating costs	357	329	3,275
Income from rental operations	1,375	1,322	12,615
Loss on disposal of rental property and other	¥ (463)	¥ (435)	$ (4,248)

8. Asset Retirement Obligations

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

Asset retirement obligations for the years ended March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
At the beginning of year	¥ 3,065	¥ 2,963	$ 28,119
New consolidations	—	—	—
New obligations	498	55	4,569
Changes in estimated obligations and accretion	42	46	386
Settlement payments	(4)	(19)	(37)
Other	(12)	20	(110)
At the end of year	¥ 3,589	¥ 3,065	$ 32,927

9. Short-term Borrowings and Long-term Debt

At March 31, 2020 and 2019, short-term borrowings consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Unsecured bank overdrafts with interest rates ranging from 0.269% to 1.300% per annum at March 31, 2020	¥ 530	¥ 3,965	$ 4,862
Secured bank overdrafts with interest rates 0.900% per annum at March 31, 2020	100	—	918
Short-term bank loans, secured with interest rates ranging from 0.526% to 0.526% per annum at March 31, 2020	500	525	4,587
Short-term bank loans, unsecured with interest rates ranging from 0.158% to 6.300% per annum at March 31, 2020	3,000	980	27,523
	¥ 4,130	¥ 5,470	$ 37,890

At March 31, 2020, the Company and certain subsidiaries had unsecured overdraft agreements with 13 banks. Under the agreements, the Company and the subsidiaries were entitled to withdraw up to ¥39,730 million ($364,495 thousand). The Company and the subsidiaries were not obligated to pay commitment fees on the unused portions of the overdraft facilities.

At March 31, 2020 and 2019, long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Loans from government agencies and banks, repayable through 2025, with interest rates ranging from 0.530% to 4.650% per annum at March 31, 2020:			
Secured	¥ 9,298	¥ 10,369	$ 85,303
Unsecured	849	1,393	7,788
Capitalized lease obligations	7,852	8,143	72,037
	17,999	19,905	165,128
Less current portion	(2,342)	(2,609)	(21,486)
	¥ 15,657	¥ 17,296	$ 143,642

At March 31, 2020 and 2019, respectively, the following assets were pledged as collateral for certain long-term debt:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Land	¥ 3,261	¥ 5,175	$ 29,917
Buildings and structures	1,087	1,442	9,972
Cash and deposits	1,232	1,246	11,303
Shares of subsidiaries and associates	1,133	1,133	10,394
Long-term loans receivable from subsidiaries and associates	550	760	5,046

The aggregate annual maturities of long-term debt as of March 31, 2020 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2021	¥ 2,342	$ 21,486
2022	2,031	18,633
2023	8,661	79,459
2024	978	8,972
2025	635	5,826
Thereafter	3,352	30,752
	¥ 17,999	$ 165,128

10. Commitment Line Agreement

Consolidated subsidiary Kanto Transportation Co., Ltd. had a commitment line agreement of ¥2,000 million ($18,349 thousand) as of March 31, 2020 to ensure its access to financing. The outstanding balance of borrowings under this agreement was ¥500 million ($4,587 thousand) at March 31, 2020.

11. Financial Covenants

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

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

Remaining balances of debt were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Short-term borrowings	¥ 500	¥ 500	$ 4,587
Current portion of long-term debt	800	800	7,339
Long-term debt	8,300	9,100	76,147
	¥ 9,600	¥ 10,400	$ 88,073

12. Employee Retirement Benefits

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

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

As of and for the year ended March 31, 2020 and 2019, 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
	2020	2019	2020
At the beginning of year	¥ 82,281	¥ 81,375	$ 754,871
Service cost	4,324	4,287	39,670
Interest cost	189	185	1,734
Actuarial differences	463	653	4,248
Benefits paid	(3,467)	(2,999)	(31,808)
Past service cost	419	(1,258)	3,844
Others	4	38	37
At the end of year	¥ 84,213	¥ 82,281	$ 772,596

(b) Movements in plan assets:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
At the beginning of year	¥ 6,809	¥ 6,572	$ 62,468
Actuarial differences	(2,240)	329	(20,550)
Contributions paid by the employer	2	2	18
Benefits paid	(142)	(94)	(1,303)
At the end of year	¥ 4,429	¥ 6,809	$ 40,633

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Funded retirement benefit obligation	¥ 7,500	¥ 7,037	$ 68,807
Plan assets	(4,429)	(6,809)	(40,633)
	3,071	228	28,174
Unfunded retirement benefit obligation	76,713	75,244	703,789
Net employee retirement benefit liability	¥ 79,784	¥ 75,472	$ 731,963
Employee retirement benefit liability	79,784	75,486	731,963
Employee retirement benefit asset	—	(14)	—
Net employee retirement benefit liability	¥ 79,784	¥ 75,472	$ 731,963

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Service cost	¥ 4,324	¥ 4,287	$ 39,670
Interest cost	189	185	1,734
Amortization of actuarial differences	1,487	1,427	13,642
Amortization of past service cost	(173)	(59)	(1,587)
Net periodic retirement benefit expenses	¥ 5,827	¥ 5,840	$ 53,459

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Past service cost	¥ 592	¥ (1,200)	$ 5,431
Actual differences	1,215	(1,102)	11,147
Total balance	¥ 1,807	¥ (2,302)	$ 16,578

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Past service cost yet to be recognized	¥ (461)	¥ (1,052)	$ (4,229)
Actuarial differences yet to be recognized	8,459	7,244	77,605
Total balance	¥ 7,998	¥ 6,192	$ 73,376

(g) Plan assets

(i) Plan assets comprise:

	Percent	
	2020	2019
Cash and cash equivalents	15%	10%
Bonds	1%	1%
Equity securities	84%	89%
Total*	100%	100%

*99% of total plan assets consisted of the assets of the retirement benefit payment trust.

(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):

	2020	2019
Discount rate (mainly)	0.1%	0.1%
Long-term expected rate of return	0.0%	0.0%

(i) Defined contribution plan

Amounts of required contributions to the contributions plans of the Company and certain consolidated subsidiaries were ¥241 million ($2,211 thousand) for the year ended March 31, 2020.

13. Contingent Liabilities

At March 31, 2020 and 2019, the Seino Group was contingently liable for trade notes and discount notes endorsed to affiliates and third parties and for guarantees, including substantial guarantees, principally of indebtedness of third parties in the aggregate amount of ¥1,205 million ($11,055 thousand) and ¥1,261 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, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Operating leases:			
Due within one year	¥ 965	¥ 763	$ 8,853
Due after one year	7,829	2,161	71,826
	¥ 8,794	¥ 2,924	$ 80,679

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, 2020 and 2019, 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
	2020	2019	2020
Operating leases:			
Due within one year	¥ 391	¥ 206	$ 3,587
Due after one year	2,978	398	27,321
	¥ 3,369	¥ 604	$ 30,908

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, 2020 and 2019, 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 ($39,101 thousand) at March 31, 2020 and 2019.

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, 2020, the Company paid interim dividends of ¥11 per share, amounting to ¥2,232 million ($20,477 thousand). In addition, at the annual shareholders' meeting held on June 25, 2020, the shareholders approved cash dividends of ¥28 per share, amounting to ¥5,624 million ($51,596 thousand). The appropriation had not been accrued in the consolidated financial statements as of March 31, 2020 as such appropriations are recognized in the period in which they are approved by the shareholders.

16 Consolidated Statements of Cash Flows

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Gain on disposal of treasury stock	¥ —	¥ 1,619	$ —
Decrease in treasury stock	—	4,232	—
Decrease in convertible bonds	—	5,851	—

17. Income Taxes

The tax effects of temporary differences that give rise to a significant portion of deferred tax assets and liabilities at March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Deferred tax assets:			
Employee retirement benefit liability	¥ 27,794	¥ 26,286	$ 254,991
Enterprise tax accruals	532	743	4,881
Accrued bonuses	4,139	4,178	37,972
Intercompany capital gains	1,220	1,203	11,193
Operating loss carryforwards	642	566	5,890
Loss on assets transferred	1,675	1,437	15,367
Impairment loss on fixed assets	12,274	13,508	112,605
Allowance for doubtful accounts	205	192	1,881
Other	5,837	3,474	53,550
	54,318	51,587	498,330
Less valuation allowance	(14,774)	(15,503)	(135,541)
	39,544	36,084	362,789
Deferred tax liabilities:			
Deferred capital gains	8,488	5,032	77,872
Unrealized gains on available-for-sale securities	4,412	5,408	40,477
Valuation adjustments for consolidation	11,460	11,523	105,138
Employee retirement benefit asset	—	5	—
Other	897	575	8,229
	25,257	22,543	231,716
Net deferred tax assets	¥ 14,287	¥ 13,541	$ 131,073

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, 2020 and 2019, 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, 2020 and 2019 was as follows:

	Percentage of pretax income	
	2020	2019
Japanese statutory tax rate	29.9%	29.9%
Increase (decrease) due to:		
Permanently nondeductible expenses	0.3	0.4
Tax exempt income	(0.2)	(0.2)
Local minimum taxes - per capita levy	1.8	2.1
Amortization of goodwill	1.4	1.4
Equity in net income of affiliates	0.0	(0.9)
Changes in valuation allowance	(2.0)	0.3
Different tax rates applied to the consolidated subsidiaries	4.4	4.2
Tax credit for salary growth	(0.0)	(0.2)
Other	0.0	0.0
Effective income tax rate	35.6%	37.0%

18. Comprehensive Income

Amounts reclassified to net income (loss) in the current period that were recognized in other comprehensive income in the current or previous periods and the tax effects for each component of other comprehensive income for the years ended March 31, 2020, 2019 and 2018 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2020	2019	2018	2020
Net unrealized gains on available-for-sale securities:				
(Decrease) increase during the year	¥ (4,090)	¥ (2,250)	¥ 4,795	$ (37,523)
Reclassification adjustments	300	(450)	(292)	2,752
Subtotal, before tax	(3,790)	(2,700)	4,503	(34,771)
Tax effect	996	735	(1,359)	9,138
Subtotal, net of tax	(2,794)	(1,965)	3,144	(25,633)

	Millions of yen			Thousands of U.S. dollars
	2020	2019	2018	**2020**
Foreign currency translation adjustments:				
Increase (decrease) during the year	**45**	(53)	24	**413**
Reclassification adjustments	**—**	—	—	**—**
Subtotal, before tax	**45**	(53)	24	**413**
Tax effect	**—**	—	—	**—**
Subtotal, net of tax	**45**	(53)	24	**413**

	Millions of yen			Thousands of U.S. dollars
	2020	2019	2018	**2020**
Retirement benefit adjustment:				
(Decrease) increase during the year	**(3,122)**	934	(120)	**(28,642)**
Reclassification adjustments	**1,315**	1,368	1,467	**12,064**
Subtotal, before tax	**(1,807)**	2,302	1,347	**(16,578)**
Tax effect	**629**	(789)	(459)	**5,771**
Subtotal, net of tax	**(1,178)**	1,513	888	**(10,807)**
Shares of other comprehensive income of affiliates accounted for using equity method:				
Decrease during the year	**(88)**	(245)	(33)	**(807)**
Reclassification adjustments	**(4)**	(11)	(2)	**(37)**
Subtotal	**(92)**	(256)	(35)	**(844)**
Total other comprehensive income	**¥ (4,019)**	¥ (761)	¥ 4,021	**$ (36,871)**

19. Subsequent Events

Share Repurchase

The Board of Directors of the Company resolved at its meeting held on May 13, 2020 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.

Reason for share repurchase
To improve capital efficiency and implement flexible capital policies in response to changes in the business environment

Class of shares to be repurchased
Common stock

Total number of shares that may be repurchased:
20,000,000 shares (maximum), 9.96% of issued shares excluding treasury stock

Aggregate repurchase price
¥ 20,000 million ($183,486 thousand) (maximum)

Period of repurchase
May 14, 2020 to December 23, 2020

Disposal of Treasury Stocks as Compensation for Granting of Restricted Shares to the Company's Directors

On July 3, 2020, the Company resolved to dispose of its treasury stocks as restricted share-based remuneration and executed the disposal on July 31, 2020 as follows.

1. Overview of the Disposal of Treasury stocks

(1) Disposal date	July 31, 2020
(2) Class and number of shares to be disposed	Ordinary shares of the Company: 121,250 shares
(3) Disposal value	¥1,382 per share
(4) Total disposal value	¥167,567,500
(5) Method of offer or disposal	Allotment of specified restricted shares
(6) Method of contribution	In-kind contribution of monetary compensation receivables or monetary receivables
(7) Acquirers of disposed shares, number of such acquirers and number of shares to be disposed	Seino Holdings' Member of the Board (including Outside Board Members): 9 persons 111,500 shares Seino Holdings' subsidiary Member of the Board: 2 persons 9,750 shares
(8) Other	Disposal of Treasury Stocks is conditioned on the taking effect of the securities registration statement filed in accordance with the Financial Instruments and Exchange Act.

2. Purpose of and Reasons for the Disposal

The Company resolved at a meeting of its Board of Directors held on May 12, 2017, to introduce a restricted share-based remuneration plan (the "Remuneration Plan") in order to provide an incentive for Members of the Board including Outside Board Members ("Eligible Board Members"), of the Company and its subsidiary to sustainably increase corporate value and in order to further promote shared values with shareholders.

Moreover at the 96th Ordinary General Meeting of Shareholders held on June 28, 2017, monetary compensation not exceeding 600 million yen per year, including 100 million yen per year for Outside Board Members and excluding the amount of employee's salary paid to a Member of the Board who concurrently holds an employee post was approved. The amount shall be paid to Eligible Board Members as monetary compensation to serve as the property to be contributed for the acquisition of shares with transfer and other restrictions ("restricted shares") pursuant to the Remuneration Plan. The transfer restriction period for restricted shares is to be the period specified by the Board of Directors of the Company and its subsidiary and is to be a period between three to six years from the day on which the shares are allotted.

Acquisition of equity interest in subsidiary

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

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

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

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

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

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

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

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

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

   (2) Amount of decrease in capital surplus due to transaction with noncontrolling shareholders
   The amount of decrease in capital surplus due to transactions with noncontrolling shareholders is under evaluation at the time of the consolidated financial statements.

20. Segment Information

(a) General information about reportable segments

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

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

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

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

Information about reportable segment for the years ended March 31, 2020, 2019 and 2018 is summarized as follows:

	Transportation services	Vehicle sales	Merchandise sales	Real estate leasing services	Other *(*4)*	Total	Adjustments *(*1)*	Consolidated
	Millions of yen							
For the year 2020:								
Operating revenue:								
External customers	**¥ 466,473**	**¥ 104,664**	**¥ 32,868**	**¥ 1,732**	**¥ 21,389**	**¥ 627,126**	**¥ —**	**¥ 627,126**
Intersegment sales and transfers	**2,458**	**10,488**	**18,790**	**—**	**16,251**	**47,987**	**(47,987)**	**—**
Total operating revenue	**468,931**	**115,152**	**51,658**	**1,732**	**37,640**	**675,113**	**(47,987)**	**627,126**
Segment income *(*2)*	**¥ 23,339**	**¥ 4,353**	**¥ 871**	**¥ 1,383**	**¥ 688**	**¥ 30,634**	**¥ (1,195)**	**¥ 29,439**
Segment assets *(*3)*	**¥ 509,749**	**¥ 119,744**	**¥ 15,498**	**¥ 17,305**	**¥ 49,270**	**¥ 711,566**	**¥ (54,323)**	**¥ 657,243**
Depreciation	**17,890**	**1,873**	**60**	**83**	**698**	**20,604**	**(406)**	**20,198**
Amortization of goodwill	**1,407**	**1**	**—**	**—**	**228**	**1,636**	**—**	**1,636**
Investments in affiliates accounted for using the equity method	**14,521**	**43**	**—**	**—**	**—**	**14,564**	**(2)**	**14,562**
Increase in tangible and intangible fixed assets	**26,602**	**4,581**	**130**	**3,496**	**1,281**	**36,090**	**(573)**	**35,517**
For the year 2019:								
Operating revenue:								
External customers	¥ 462,459	¥ 102,234	¥ 33,518	¥ 1,651	¥ 18,574	¥ 618,436	¥ —	¥ 618,436
Intersegment sales and transfers	2,301	11,247	21,491	—	15,871	50,910	(50,910)	—
Total operating revenue	464,760	113,481	55,009	1,651	34,445	669,346	(50,910)	618,436
Segment income *(*2)*	¥ 24,475	¥ 4,851	¥ 829	¥ 1,334	¥ 902	¥ 32,391	¥ (1,182)	¥ 31,209
Segment assets *(*3)*	¥ 504,189	¥ 119,982	¥ 15,672	¥ 13,752	¥ 49,637	¥ 703,232	¥ (45,249)	¥ 657,983
Depreciation	16,950	1,761	50	84	529	19,374	(373)	19,001
Amortization of goodwill	1,273	1	—	—	163	1,437	—	1,437
Investments in affiliates accounted for using the equity method	15,064	42	—	—	—	15,106	(2)	15,104
Increase in tangible and intangible fixed assets	33,398	4,652	118	20	1,779	39,967	(526)	39,441
For the year 2018:								
Operating revenue:								
External customers	¥ 443,168	¥ 103,342	¥ 31,575	¥ 1,599	¥ 16,446	¥ 596,130	¥ —	¥ 596,130
Intersegment sales and transfers	2,046	9,606	20,629	—	12,717	44,998	(44,998)	—
Total operating revenue	445,214	112,948	52,204	1,599	29,163	641,128	(44,998)	596,130
Segment income *(*2)*	¥ 20,965	¥ 4,922	¥ 810	¥ 1,239	¥ 921	¥ 28,857	¥ (978)	¥ 27,879
Segment assets *(*3)*	¥ 467,226	¥ 117,088	¥ 15,590	¥ 13,484	¥ 43,952	¥ 657,340	¥ (28,612)	¥ 628,728
Depreciation	15,654	1,918	38	62	446	18,118	(343)	17,775
Amortization of goodwill	1,150	1	—	—	14	1,165	—	1,165
Investments in affiliates accounted for using the equity method	3,052	46	—	—	—	3,098	(3)	3,095
Increase in tangible and intangible fixed assets	20,152	2,930	92	458	1,444	25,076	(373)	24,703

For the year 2020	Transportation services	Vehicle sales	Merchandise sales	Real estate leasing services	Other *(*4)*	Total	Adjustments *(*1)*	Consolidated
	Thousands of U.S. dollars							
Operating revenue:								
External customers	**$ 4,279,569**	**$ 960,220**	**$ 301,542**	**$ 15,890**	**$ 196,229**	**$ 5,753,450**	**$ —**	**$ 5,753,450**
Intersegment sales and transfers	**22,550**	**96,220**	**172,385**	**—**	**149,092**	**440,247**	**(440,247)**	**—**
Total operating revenue	**4,302,119**	**1,056,440**	**473,927**	**15,890**	**345,321**	**6,193,697**	**(440,247)**	**5,753,450**
Segment income *(*2)*	**$ 214,119**	**$ 39,936**	**$ 7,991**	**$ 12,688**	**$ 6,312**	**$ 281,046**	**$ (10,963)**	**$ 270,083**
Segment assets *(*3)*	**$ 4,676,596**	**$ 1,098,569**	**$ 142,184**	**$ 158,761**	**$ 452,018**	**$ 6,528,128**	**$ (498,376)**	**$ 6,029,752**
Depreciation	**164,128**	**17,184**	**550**	**762**	**6,404**	**189,028**	**(3,725)**	**185,303**
Amortization of goodwill	**12,908**	**9**	**—**	**—**	**2,092**	**15,009**	**—**	**15,009**
Investments in affiliates accounted for using the equity method	**133,220**	**395**	**—**	**—**	**—**	**133,615**	**(19)**	**133,596**
Increase in tangible and intangible fixed assets	**244,055**	**42,028**	**1,193**	**32,073**	**11,752**	**331,101**	**(5,257)**	**325,844**

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.*

(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 2020	¥ 129	¥ 80	¥ —	¥ 66	¥ 267	¥ 542
For the year 2019	869	302	—	28	37	1,236
For the year 2018	100	22	—	69	—	191
	Thousands of U.S. dollars					
Impairment loss:						
For the year 2020	$ 1,183	$ 734	$ —	$ 606	$ 2,450	$ 4,973

(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 2020						
Amortization of goodwill	¥ 1,407	¥ 1	¥ —	¥ —	¥ 228	¥ 1,636
As of March 31, 2020						
Balance of goodwill	12,355	2	—	—	737	13,094
For the year 2019						
Amortization of goodwill	¥ 1,273	¥ 1	¥ —	¥ —	¥ 163	¥ 1,437
As of March 31, 2019						
Balance of goodwill	13,762	3	—	—	865	14,630
For the year 2018						
Amortization of goodwill	¥ 1,150	¥ 1	¥ —	¥ —	¥ 14	¥ 1,165
As of March 31, 2018						
Balance of goodwill	13,953	3	—	—	125	14,081

	Transportation services	Vehicle sales	Merchandise sales	Real estate leasing services	Other	Total
	Thousands of U.S. dollars					
For the year 2020						
Amortization of goodwill	$ 12,908	$ 9	$ —	$ —	$ 2,092	$ 15,009
As of March 31, 2020						
Balance of goodwill	113,349	18	—	—	6,761	120,128

(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 2020	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
For the year 2019	—	—	—	—	88	88
For the year 2018	—	—	—	—	63	63

	Transportation services	Vehicle sales	Merchandise sales	Real estate leasing services	Other	Total
	Thousands of U.S. dollars					
Gain on negative goodwill:						
For the year 2020	$ —	$ —	$ —	$ —	$ —	$ —

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 SEION 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, 2020 and 2019, 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, 2020, and notes, comprising a summary of significant accounting policies, 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, 2020 and 2019, and its consolidated financial performance and 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.

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 including 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 judgement 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 our 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.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 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.

Kuniyoshi Iwata
Designated Engagement Partner
Certified Public Accountant

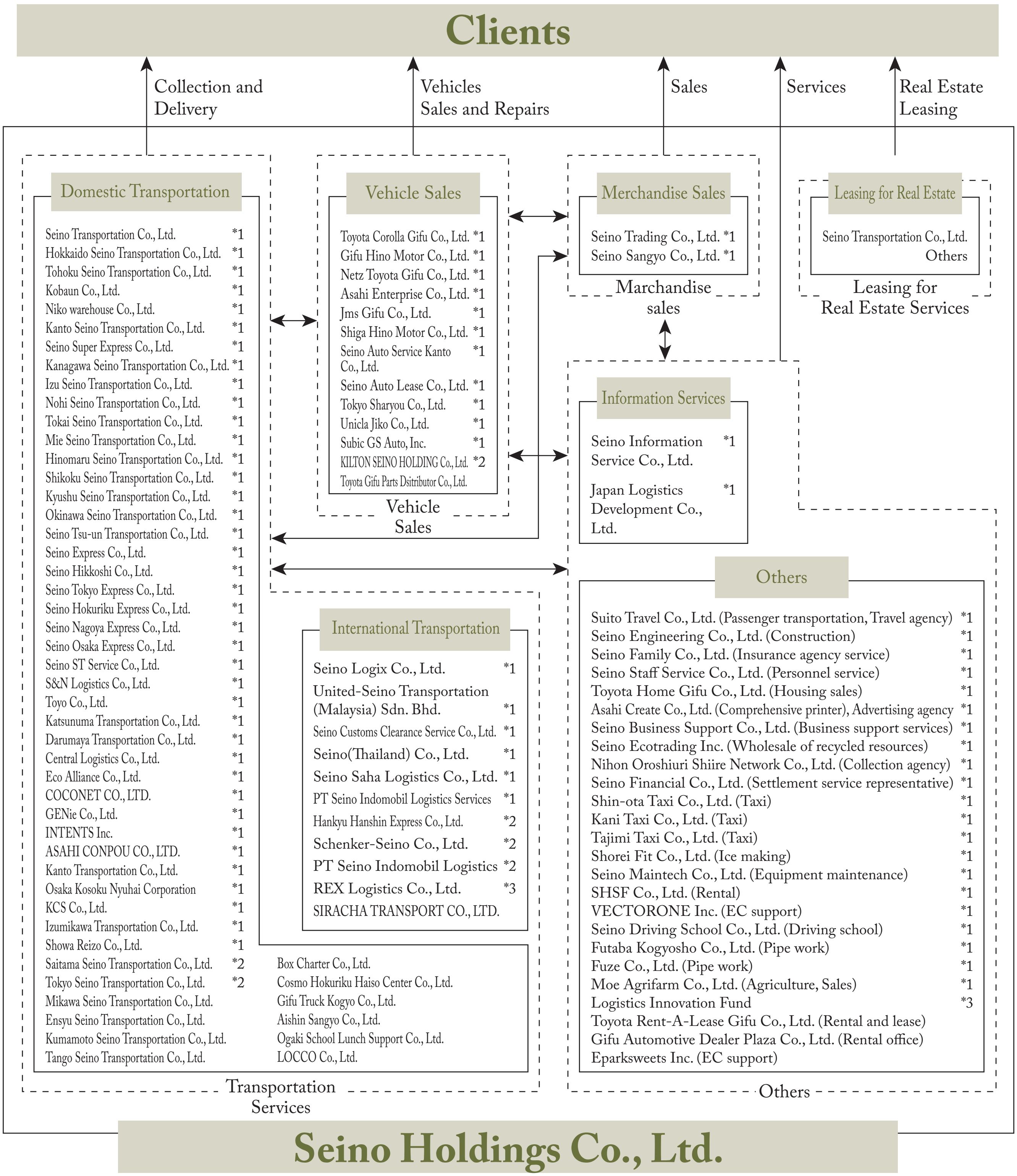
Hiroyuki Kato
Designated Engagement Partner
Certified Public Accountant

Akihisa Jijiwa
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Nagoya Office, Japan
September 30, 2020

Seino Group

The Seino Group consists of Seino Holdings Co., Ltd. and 81 consolidated subsidiaries, 2 nonconsolidated subsidiaries, and 21 affiliates. The Seino Group operates in five business segments: transportation services, vehicle sales, merchandise sales, leasing for real estate services and other services. The business relationship in the Seino Group is as follows.



Note *1: Consolidated subsidiaries 81
*2: Affiliates (under the equity method) 6
*3: Nonconsolidated subsidiaries 2
Companies except those mentioned above are affiliates under the cost method. 15

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