KPMG

Consolidated Financial Statements

Japan Transcity Corporation

For the Years ended March 31,
2021 and 2020
Together with Independent
Auditors' Report

KPMG AZSA LLC
July 2021

Independent auditor's report

To the Board of Directors of Japan Transcity Corporation:

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

Appropriateness of the Company's Determination of an Accounting Period in which Operating Revenue was recognized from Storage Services and Transportation Services

The key audit matter	How the matter was addressed in our audit
Japan Transcity Corporation (hereinafter, the "Company") and its consolidated subsidiaries (collectively referred to as "the Group") store goods deposited by customers in warehouses and receive storage fees in compensation for the storage services while also providing transportation services such as shipment by	The primary procedures we performed to assess the appropriateness of an accounting period in which operating revenue from the Storage Services was recognized included the following:

sea and land. These services are provided to customers as a package and called integrated logistics services. Operating revenue from the integrated logistics services was ¥100,204 million for the year ended March 31, 2021, representing approximately 99% of total operating revenue.

While operating revenue from the storage services and transportation services (hereinafter, the "Storage Services") is recognized in accordance with the realization principle, there is a risk that revenue is recognized in an inappropriate accounting period for the following reasons.

Operating revenue from the Storage Services is comprised of the operating revenue generated by warehousing, coastal shipping, trucking and, international multimodal transportation services in which the Group stores and transports goods deposited by customers and performs routine operations. In addition, calculating operating revenue is not complex because fees are calculated by multiplying the selling unit price agreed with customers by the transaction volume. Further, as journal slips are basically designed to be created when sales data is automatically transferred through the sales management system from each of the warehousing/transportation systems to the accounting system, there is little chance of arbitrary interference when journal slips related to operating revenue are prepared. Therefore, the risk of incorrect revenue recognition is determined to be relatively low.

However, in some processes, the Company manually recognizes revenue for the transactions in which services have been rendered but not charged to customers as of the end of the fiscal year.

We, therefore, determined that our assessment of the appropriateness of the Company's judgment of an accounting period in which operating revenue from the Storage Services was manually recognized, in

(1) Internal control testing

We tested the design and operating effectiveness of certain of the Company's internal controls relevant to the process of recognizing operating revenue related to the Storage Services.

・Controls where manual journal entries for recognizing operating revenue are approved by the superior in the branch at which the operating revenue was recognized and checked by the administrative division at headquarters independent from the aforementioned branch through comparison with supporting documents

(2) Assessment of the appropriateness of an accounting period for manually prepared journal slips related to certain operating revenue

The primary procedures to assess the appropriateness of an accounting period for manually prepared journal slips related to certain operating revenue included the following:

① compared sales data on the accounting system with sales data on the sales management system and evaluated the consistency of the variance of these two sets of data with the data related to the manually prepared journal slips; and

② made queries about the details of the manually prepared journal slips related to certain operating revenue and assessed whether the operating revenue was recognized in an accurate and timely manner by comparing those journal slips that satisfied some conditions with supporting documents.

particular, was one of the most significant in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.

If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Convenience Translation

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

Hideki Okano

Hideki Okano

Designated Engagement Partner

Certified Public Accountant

Masaki Yamada

Masaki Yamada

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Nagoya Office, Japan

July 30, 2021

Japan Transcity Corporation and Consolidated Subsidiaries
Consolidated Balance Sheets
March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Current assets:			
Cash and cash equivalents (Note 3)	¥ 12,314	¥ 10,641	$ 111,945
Short-term investments (Notes 3 and 4)	1,038	986	9,436
Trade receivables (Note 3)	15,720	14,304	142,909
Allowance for doubtful accounts	(59)	(35)	(536)
	15,661	14,269	142,373
Inventories	159	159	1,445
Other current assets	1,964	2,161	17,855
Total current assets	31,136	28,216	283,054
Property and equipment:			
Land	32,299	32,240	293,627
Buildings and structures (Note 5)	76,694	77,837	697,218
Machinery and equipment	8,936	8,687	81,236
Vehicles and vessels	8,316	8,085	75,600
Construction in progress	687	160	6,246
Other	7,995	8,271	72,682
Total property and equipment	134,927	135,280	1,226,609
Less accumulated depreciation	(63,201)	(62,058)	(574,554)
Net property and equipment	71,726	73,222	652,055
Investments and other assets:			
Investment securities (Notes 3 and 4)	8,598	6,753	78,164
Investments in unconsolidated subsidiaries and affiliates (Note 3)	7,208	7,024	65,527
Employee retirement benefit asset (Note 6)	3,722	2,377	33,836
Deferred tax assets (Note 10)	815	850	7,409
Other assets	2,336	2,750	21,236
Allowance for doubtful accounts	(15)	(16)	(136)
Total investments and other assets	22,664	19,738	206,036
Total assets	¥ 125,526	¥ 121,176	$ 1,141,145

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Current liabilities:			
Short-term borrowings (Notes 3 and 5)	¥ 2,370	¥ 2,270	$ 21,546
Current maturities of long-term debt (Notes 3 and 5)	3,372	6,021	30,655
Trade payables (Note 3)	9,685	9,122	88,045
Accrued expenses	1,880	1,764	17,091
Income taxes payable	883	397	8,027
Other current liabilities (Note 5)	3,137	2,879	28,518
Total current liabilities	21,327	22,453	193,882
Long-term liabilities:			
Long-term debt (Notes 3 and 5)	26,411	26,133	240,100
Employee retirement benefit liability (Note 6)	2,107	2,051	19,154
Guarantee deposits received (Note 3)	2,245	2,386	20,409
Deferred tax liabilities for revaluation	3,706	3,706	33,691
Deferred tax liabilities (Note 10)	1,456	1,740	13,236
Other long-term liabilities (Note 5)	1,292	1,708	11,746
Total long-term liabilities	37,217	37,724	338,336
Total liabilities	58,544	60,177	532,218
Commitments and contingent liabilities (Notes 8 and 9)			
Net assets (Note 7):			
Shareholders' equity:			
Common stock: 240,000,000 shares authorized and 67,142,417 shares issued	8,428	8,428	76,618
Capital surplus	6,788	6,786	61,709
Retained earnings	48,915	44,919	444,682
Less treasury stock, at cost: 3,008,216 shares in 2021 and 3,007,366 shares in 2020	(1,186)	(1,186)	(10,782)
Total shareholders' equity	62,945	58,947	572,227
Accumulated other comprehensive income:			
Net unrealized gains on available-for-sale securities	2,509	1,330	22,809
Land revaluation decrement	(1,339)	(1,339)	(12,173)
Foreign currency translation adjustments	44	215	400
Retirement benefit adjustment (Note 6)	534	(384)	4,855
Total accumulated other comprehensive income	1,748	(178)	15,891
Noncontrolling interests	2,289	2,230	20,809
Total net assets	66,982	60,999	608,927
Total liabilities and net assets	¥ 125,526	¥ 121,176	$ 1,141,145

See accompanying Notes to Consolidated Financial Statements.

Japan Transcity Corporation and Consolidated Subsidiaries
Consolidated Statements of Income
For the Years Ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Operating revenue (Note 13)	¥ 101,174	¥ 101,621	$ 919,764
Operating costs and expenses (Notes 6 and 9)	96,732	98,284	879,382
Operating income	4,442	3,337	40,382
Other income (expenses):			
Interest and dividend income	360	567	3,272
Interest expense	(141)	(160)	(1,282)
Equity in net earnings of unconsolidated subsidiaries and affiliates	542	543	4,927
Loss on sale or disposal of property and equipment, net	(59)	(100)	(536)
Impairment loss on fixed assets	(111)	-	(1,009)
Loss on liquidation of subsidiaries and associates	(159)	-	(1,445)
Others, net	86	136	782
	518	986	4,709
Income before income taxes	4,960	4,323	45,091
Income taxes (Note 10):			
Current	1,364	1,051	12,400
Deferred	(1,170)	101	(10,636)
Total income taxes	194	1,152	1,764
Net income	4,766	3,171	43,327
Net income attributable to noncontrolling interests	129	137	1,172
Net income attributable to owners of the Company	¥ 4,637	¥ 3,034	$ 42,155

	Yen		U.S. dollars
Per share:			
Net income	¥ 72.29	¥ 47.32	$ 0.66
Cash dividends (Note 7)	10.00	10.00	0.09

See accompanying Notes to Consolidated Financial Statements.

Japan Transcity Corporation and Consolidated Subsidiaries
Consolidated Statements of Comprehensive Income
For the Years Ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Net income	¥ 4,766	¥ 3,171	$ 43,327
Other comprehensive income (Note 11):			
Net unrealized gains on available-for-sale securities	1,189	(794)	10,809
Foreign currency translation adjustments	(246)	132	(2,237)
Retirement benefit adjustment	918	(524)	8,346
Share of other comprehensive income of unconsolidated subsidiaries and affiliates accounted for using equity method	-	(3)	-
Total other comprehensive income	1,861	(1,189)	16,918
Comprehensive income	¥ 6,627	¥ 1,982	$ 60,245
Comprehensive income attributable to:			
Owners of the Company	¥ 6,562	¥ 1,779	$ 59,654
Noncontrolling interests	65	203	591

See accompanying Notes to Consolidated Financial Statements.

Japan Transcity Corporation and Consolidated Subsidiaries
Consolidated Statements of Changes in Net Assets
For the Years Ended March 31, 2021 and 2020

		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	Foreign currency translation adjustments	Retirement benefit adjustment	Total accumulated other comprehensive income	Minority interests	Total net assets
		Millions of yen											
Balance at April 1, 2019	67,142,417	¥ 8,428	¥ 6,765	42,512	(1,190)	56,515	2,122	(1,339)	155	140	1,078	2,032	59,625
Cumulative effects of changes in accounting policies	-	-	-	14	-	14	-	-	-	-	-	-	14
Restated balance	-	8,428	6,765	42,526	(1,190)	56,529	2,122	(1,339)	155	140	1,078	2,032	59,639
Net income attributable to owners of the Company	-	-	-	3,034	-	3,034	-	-	-	-	-	-	3,034
Cash dividends	-	-	-	(641)	-	(641)	-	-	-	-	-	-	(641)
Disposal of treasury stock and fractional shares, net of purchase	-	-	21	-	4	25	-	-	-	-	-	-	25
Net changes other than changes in shareholders' equity	-	-	-	-	-	-	(792)	-	60	(524)	(1,256)	198	(1,058)
Balance at March 31, 2020	67,142,417	¥ 8,428	¥ 6,786	¥ 44,919	¥ (1,186)	¥ 58,947	¥ 1,330	¥ (1,339)	¥ 215	¥ (384)	¥ (178)	¥ 2,230	¥ 60,999
Retrospective restatement	-	-	-	0	-	0	-	-	-	-	-	-	0
Restated balance	-	8,428	6,786	44,919	(1,186)	58,947	1,330	(1,339)	215	(384)	(178)	2,230	60,999
Net income attributable to owners of the Company	-	-	-	4,637	-	4,637	-	-	-	-	-	-	4,637
Cash dividends	-	-	-	(641)	-	(641)	-	-	-	-	-	-	(641)
Disposal of treasury stock and fractional shares, net of purchase	-	-	(0)	-	(0)	(0)	-	-	-	-	-	-	(0)
Purchase of additional shares of consolidated subsidiaries	-	-	2	-	-	2	-	-	-	-	-	-	2
Net changes other than changes in shareholders' equity	-	-	-	-	-	-	1,179	-	(171)	918	1,926	59	1,985
Balance at March 31, 2021	67,142,417	¥ 8,428	¥ 6,788	¥ 48,915	¥ (1,186)	¥ 62,945	¥ 2,509	¥ (1,339)	¥ 44	¥ 534	¥ 1,748	¥ 2,289	¥ 66,982
		Thousands of U.S. dollars											
Balance at March 31, 2020		$ 76,618	$ 61,691	$ 408,354	$ (10,782)	$ 535,881	$ 12,091	$ (12,173)	$ 1,955	$ (3,491)	$ (1,618)	$ 20,273	$ 554,536
Retrospective restatement		-	-	0	-	0	-	-	-	-	-	-	0
Restated balance		76,618	61,691	408,354	(10,782)	535,881	12,091	(12,173)	1,955	(3,491)	(1,618)	20,273	554,536
Net income attributable to owners of the Company		-	-	42,155	-	42,155	-	-	-	-	-	-	42,155
Cash dividends		-	-	(5,827)	-	(5,827)	-	-	-	-	-	-	(5,827)
Disposal of treasury stock and fractional shares, net of purchase		-	(0)	-	(0)	(0)	-	-	-	-	-	-	(0)
Purchase of additional shares of consolidated subsidiaries		-	18	-	-	18	-	-	-	-	-	-	18
Net changes other than changes in shareholders' equity		-	-	-	-	-	10,718	-	(1,555)	8,346	17,509	536	18,045
Balance at March 31, 2021		$ 76,618	$ 61,709	$ 444,682	$ (10,782)	$ 572,227	$ 22,809	$ (12,173)	$ 400	$ 4,855	$ 15,891	$ 20,809	$ 608,927

See accompanying Notes to Consolidated Financial Statements.

Japan Transcity Corporation and Consolidated Subsidiaries
Consolidated Statements of Cash Flows
For the Years Ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Cash flows from operating activities:			
Income before income taxes	¥ 4,960	¥ 4,323	$ 45,091
Adjustments for:			
Depreciation	4,467	4,129	40,609
Net change in employee retirement benefit asset/liability	29	(212)	264
Loss on sale or disposal of property and equipment, net	59	100	536
(Increase) Decrease in trade receivables	(1,497)	1,383	(13,609)
Decrease in inventories	-	27	-
Increase in trade payables	611	67	5,555
Others, net	244	(1,876)	2,218
Subtotal	8,873	7,941	80,664
Interest and dividends received	730	871	6,636
Interest paid	(142)	(162)	(1,291)
Income taxes paid	(838)	(1,551)	(7,618)
Net cash provided by operating activities	8,623	7,099	78,391
Cash flows from investing activities:			
Increase in property and equipment and intangible assets	(3,340)	(7,290)	(30,364)
Decrease in property and equipment and intangible assets	35	36	318
Increase in short-term investments	(103)	(104)	(936)
Others, net	(70)	(111)	(636)
Net cash used in investing activities	(3,478)	(7,469)	(31,618)
Cash flows from financing activities:			
Increase in long-term debt	3,650	8,200	33,182
Repayment of long-term debt	(6,021)	(7,849)	(54,736)
Increase (Decrease) in short-term borrowings	100	(5)	909
Dividends paid	(641)	(641)	(5,827)
Others, net	(500)	(729)	(4,546)
Net cash used in financing activities	(3,412)	(1,024)	(31,018)
Effect of exchange rate changes on cash and cash equivalents	(60)	25	(546)
Net increase (decrease) in cash and cash equivalents	1,673	(1,369)	15,209
Cash and cash equivalents at beginning of year	10,641	12,010	96,736
Cash and cash equivalents at end of year	¥ 12,314	¥ 10,641	$ 111,945

See accompanying Notes to Consolidated Financial Statements.

1. Basis of Consolidated Financial Statements

The accompanying consolidated financial statements of Japan Transcity Corporation (the "Company") and its consolidated subsidiaries (together with the Company, the "Japan Transcity 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, has not been presented in the accompanying consolidated financial statements.

Comparative figures have been reclassified to conform to the current year's presentation.

The translation of the Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2021, which was approximately ¥110 to US$1.00. Such 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 its significant subsidiaries. Investments in certain unconsolidated subsidiaries and significant affiliates are accounted for using the equity method. Investments in unconsolidated subsidiaries and affiliates not accounted for using 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 acquisition, are principally deferred as goodwill and amortized over five years or recognized as gain on negative goodwill.

The numbers of consolidated subsidiaries, unconsolidated subsidiaries and affiliates for the years ended March 31, 2021 and 2020 were as follows.

	2021	2020
Consolidated subsidiaries:		
Domestic	25	25
Overseas	9	9
Unconsolidated subsidiaries and affiliates accounted for using the equity method	9	9
Unconsolidated subsidiaries stated at cost	9	9
Affiliates stated at cost	6	6

All intercompany accounts and transactions have been eliminated on consolidation.

The accompanying consolidated financial statements include the accounts of the overseas consolidated subsidiaries (nine subsidiaries in 2021 and 2020, respectively). These overseas consolidated subsidiaries close their books at December 31, which is three months earlier than the closing of the books of the Company and its domestic consolidated subsidiaries. The Company consolidated its overseas subsidiaries' financial statements as of their year-end date. Significant transactions for the period between the subsidiaries' year-end date and the Company's year-end date have been adjusted on consolidation.

Unification of accounting policies applied to foreign subsidiaries for consolidated financial statements
The "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" issued by the Accounting Standards Board of Japan ("ASBJ") (Practical Issues Task Force ("PITF") No. 18) generally requires that accounting policies and procedures applied by a parent company and its subsidiaries to similar transactions and events under similar circumstances be unified for the preparation of the consolidated financial statements. As a tentative measure, however, PITF No. 18 allows a parent company to prepare consolidated financial statements using foreign subsidiaries' financial statements prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles (GAAP). In this case, adjustments for the following five items are required in the consolidation process so that their impact on net income is accounted for in accordance with Japanese GAAP, unless such impact is immaterial.

(a) Goodwill not subject to amortization
(b) Actuarial gains and losses of defined benefit retirement plans recognized outside profit or loss
(c) Capitalized expenditures for research and development activities
(d) Fair value measurement of investment properties and revaluation of property and equipment and intangible assets
(e) Financial Instruments to reclassify amounts equivalent to gains or losses on disposal or losses on impairment of the equity instruments to profit or loss for the period as a reclassification adjustment on consolidation.

For the consolidation purposes of the Company, the accounts of the Company's overseas consolidated subsidiaries have been prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles, with adjustments having been made for the five items specified above as needed.

(b) Cash equivalents

The Japan Transcity 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 Japan Transcity Group classifies certain investments in debt and equity securities as "held-to-maturity," "trading" or "available-for-sale" securities for the purpose of determining the applicable accounting method as stipulated by the accounting standard for financial instruments. Marketable available-for-sale securities with available market quotations are stated at fair value, and net unrealized gains and losses on these securities, net of applicable income taxes, are reported as accumulated other comprehensive income. Gains and losses on the disposition of available-for-sale securities are computed using the moving average method. Nonmarketable available-for-sale securities without available market quotations are carried at cost determined by the moving average method. Adjustments in the carrying values of individual securities are charged to income through write-downs when a decline in value is deemed other than temporary.

(d) Accounting for derivatives

Derivatives are valued at fair value if hedge accounting is not appropriate or when there is no hedging designation, and gains and losses on the derivatives are recognized in current earnings. Under the special treatment permitted by the accounting standard for financial instruments, hedging interest rate swaps are accounted for on an accrual basis and recorded net of interest expenses generated from the hedged borrowings if certain conditions are met.

(e) Inventories

Inventories consist of supplies and others. Inventories are stated at the lower of cost, determined by the moving average method, or net realizable value.

(f) Allowance for doubtful accounts

An allowance for doubtful accounts is provided for certain doubtful or troubled receivables at the aggregate amount of estimated credit losses based on individual financial reviews. For other receivables, a general reserve calculated based on historical loss experience for a certain past period is provided.

(g) Property and equipment, and depreciation, except for leases

Property and equipment, including significant renewals and additions, are stated at cost and depreciated using straight-line method over the estimated useful life of the asset. Expenditures on maintenance and repairs are charged to operating income as incurred. The capital gains directly offset against the acquisition costs of tangible fixed assets to obtain tax benefits at March 31, 2021 and 2020 were as follows.

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Building	¥ 100	¥ 100	$ 909
Land	100	100	909

(h) Accounting for leases

Assets of finance leases that transfer ownership of the leased property to the lessee are depreciated using the same method used for nonlease property. Assets of finance leases that do not transfer ownership of the leased property to the lessee are capitalized and depreciated over the lease term using the straight-line method with the assumption that the residual value, or guaranteed residual value when set by agreement, is zero.

(i) Accounting standard for impairment of fixed assets

The Company and its domestic consolidated subsidiaries have adopted the "Accounting Standard for Impairment of Fixed Assets" issued by the Business Accounting Council of Japan and related practical guidance issued by ASBJ. The standard requires that a fixed asset be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. 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, measured at the higher of 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 separate from those of other groups of assets. For the purpose of recognition and measurement of impairment loss, fixed assets other than idle or unused property are grouped principally into cash generating units, such as regional business divisions.

While no impairment loss was recorded for the year ended March 2020, the Japan Transcity Group recognized impairment loss for mainly the following properties for the year ended March 31, 2021.

	Millions of yen	Thousands of U.S. dollars
Buildings and structures	¥ 52	$ 473
Other	55	500
	¥ 107	$ 973

(j) Revaluation of land

In accordance with the Law Concerning Revaluation of Land (the "Revaluation Law"), the Company elected a one-time revaluation to restate the cost of land used for the Company's business at values rationally reassessed effective March 31, 2002, reflecting adjustments for land shape and other factors and based on municipal property tax bases. In accordance with the Revaluation Law, an amount equivalent to the tax effect on the difference between the original book value and the reassessed value was recorded as deferred tax liability under the revaluation account. The remaining difference, net of the tax effects, was recorded as a land revaluation decrement account included in accumulated other comprehensive income in the accompanying consolidated balance sheets. At March 31, 2021 and 2020, the differences in the carrying value of land used for the Company's business after reassessment over the current market value at the fiscal year-end amounted to ¥8,476 million ($77,055 thousand) and ¥8,858 million, respectively.

(k) Employee retirement benefits

Employees who terminate their service with the Japan Transcity Group are entitled to retirement benefits generally determined by current basic rates of pay, length of service and conditions under which the termination has occurred.

In accordance with the accounting standard for employee retirement benefits, the Japan Transcity Group recognizes retirement benefits for employees, including pension costs and related liabilities, based on the actuarial present value of retirement benefit obligation using the actuarial appraisal approach and the value of pension plan assets available for benefits at the fiscal year-end. In calculating retirement benefit obligations, the Company has adopted the benefit formula basis as the method for attributing the expected retirement benefits to accounting periods. Some consolidated subsidiaries provide accrued retirement benefits for their employees mainly at the amounts of the projected benefit obligations calculated using the simplified method as permitted by the accounting standard for retirement benefits.

Actuarial differences arising from changes in the retirement benefit obligation or pension plan assets not anticipated under previous assumptions or from changes in the assumptions themselves that are yet to be recognized are amortized on a straight-line basis over ten years, a period not exceeding the average remaining service period of employees, from the year following the year in which they arise. Past service costs that are yet to be recognized are amortized on a straight-line basis over ten years, a period not exceeding the average remaining service period of the employees, from the year in which such costs arise. Actuarial differences and past service costs that are yet to be recognized in profit or loss have been recognized as retirement benefit adjustment under a component of accumulated other comprehensive income within the net assets section, after adjusting for tax effects, and the difference between retirement benefit obligations and plan assets has been recognized as employee retirement benefit liability or asset, without any adjustments, in the accompanying consolidated balance sheets.

(l) Translation of foreign currency accounts

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

For financial statement items of overseas consolidated subsidiaries, all asset and liability accounts are translated into Japanese yen by applying the exchange rates in effect at the fiscal year-end. All income and expense accounts are translated at the average rates of exchange prevailing during the fiscal year. Translation differences have been reported as foreign currency translation adjustments under a component of accumulated other comprehensive income and noncontrolling interests in the accompanying consolidated balance sheets.

(m) Income taxes

Income taxes are accounted for by the asset-liability method. Deferred tax assets and liabilities are recognized as 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. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date.

(n) Enterprise taxes

The Japan Transcity Group records enterprise taxes based on the "added value" and "capital" amounts when levied as size based corporate taxes for local government enterprise taxes and includes such taxes in operating costs and expenses.

(o) Appropriation of retained earnings

Cash dividends are recorded in the fiscal year when a proposed appropriation of retained earnings is approved by the board of directors and/or shareholders.

(p) Per share data

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 fiscal year. Cash dividends per share for each fiscal year in the accompanying consolidated statements of income represent dividends declared by the Company as applicable to the respective years. Diluted net income per share was not presented as of March 31, 2021 or 2020 due to the lack of any dilutive shares.

(q) Accounting standards and guidance not yet adopted

The following standard and guidance have been issued but not yet adopted:

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

(a) Overview:
The International Accounting Standards Board (IASB) and US Financial Accounting Standards Board (FASB) co-developed a new comprehensive revenue recognition standard and issued "Revenue from Contracts with Customers" in May 2014 (IFRS No. 15 by IASB, Topic 606 by FASB). Considering the application of IFRS No. 15 from the fiscal years beginning January 1, 2018 and Topic 606 from the fiscal years beginning December 15, 2017, ASBJ developed and published comprehensive standards on revenue recognition in order to converge with IFRS 15.. Under the standard, to provide for matters that may arise in actual practice in Japan that require alternative handling, special treatments have been added within a range that ensures financial statement comparability.

(b) Effective date:
The Company and its domestic consolidated subsidiaries will apply the standards effective from the beginning of the fiscal year ending March 31, 2022.

(c) Impact of application:
The impact of applying the new standard and implementation guidance on the consolidated financial statements is expected to be minor.

"Implementation Guidance on Disclosures about Faire Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020)

(a) 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 "Fair Value Accounting Standards") were developed and guidance on methods measuring fair value was issued. Fair Value Accounting Standards are applicable to the fair value measurement of the following items:

- Financial instruments in "Accounting Standard for Financial Instruments"; and
- Inventories held for trading purposes in "Accounting Standard for Measurement of Inventories."

(b) Effective date

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

(c) Impact of application:

The Company and its domestic consolidated subsidiaries are currently in the process of determining the impact the new Fair Value Accounting Standards will have on the consolidated financial statements.

3. Fair Values of Financial Instruments

(a) Qualitative information on financial instruments:

① Policies for using financial instruments

The Company limits the use of excess funds to short-term deposits and raises funds through bank loans and bond issuances. Derivative instruments are used mainly to hedge against variable interest rate risk and to compensate loss when an earthquake occurs and are not used for speculative purposes.

② Details of financial instruments, risks and risk management system

Trade notes and accounts receivable carry credit risk of the Company's trading partners. To manage such risk and pursuant to internal regulations of the Company, the due dates and balances of the receivables are managed for each counterparty, and the credit risks of the Company's main trading partners are identified every half year.

Although investments in securities are exposed to market price fluctuation risk, the Company monitors the fair values of the shares of companies with which the Company has business relationships.

Trade notes and accounts payable are due within one year.

Loans payable and short-term borrowings are used mainly to fund operating activities, and long-term debt is used to fund capital investment.

Loans with variable interest rates involve the risk of interest rate fluctuation. For hedging purposes, the Japan Transcity Group is a party to derivative instruments such as interest rate swap contracts in the normal course of business to reduce its exposure to fluctuations in interest rates. Evaluating hedge effectiveness has not been required because of the exceptional treatment of interest rate swaps. The Company enters into derivative contracts with financial institutions of high creditworthiness to reduce credit risk.

Guarantee deposits received consist mainly of deposit money for golf club memberships.

The Japan Transcity Group controls liquidity risk associated with operating payables and loans by its cash management systems, which control the funds of the Japan Transcity Group as a whole.

③ Supplemental information on fair values:

The contract amounts of derivative instruments under Note 3, "Fair Values of Financial Instruments," do not necessarily represent the market risk of the derivatives themselves.

(b) Fair values of financial instruments:

The carrying values of financial instruments included in the consolidated balance sheets and their fair values at March 31, 2021 and 2020 are set forth in the table below. Some financial instruments were excluded because it was extremely difficult to identify their fair values.

	Carrying value		Fair value		Difference	
	Millions of yen					
At March 31, 2021:						
(1) Cash and cash equivalents	¥	12,314	¥	12,314	¥	-
(2) Short-term investments		1,038		1,038		-
(3) Trade receivables		15,720		15,720		-
(4) Investment securities:						
Marketable securities		8,103		8,103		-
Total assets	¥	37,175	¥	37,175	¥	-
(1) Trade payables	¥	9,685	¥	9,685	¥	-
(2) Short-term borrowings		2,370		2,370		-
(3) Long-term debt		29,783		29,792		9
Total liabilities	¥	41,838	¥	41,847	¥	9
At March 31, 2020:						
(1) Cash and cash equivalents	¥	10,641	¥	10,641	¥	-
(2) Short-term investments		986		986		-
(3) Trade receivables		14,304		14,304		-
(4) Investment securities:						
Marketable securities		6,258		6,258		-
Total assets	¥	32,189	¥	32,189	¥	-
(1) Trade payables	¥	9,122	¥	9,122	¥	-
(2) Short-term borrowings		2,270		2,270		-
(3) Long-term debt		32,154		32,178		24
Total liabilities	¥	43,546	¥	43,570	¥	24

	Carrying value		Fair value		Difference	
	Thousands of U.S. dollars					
At March 31, 2021:						
(1) Cash and cash equivalents	$	111,945	$	111,945	$	-
(2) Short-term investments		9,436		9,436		-
(3) Trade receivables		142,909		142,909		-
(4) Investment securities:						
Marketable securities		73,664		73,664		-
Total assets	$	337,954	$	337,954	$	-
(1) Trade payables	$	88,045	$	88,045	$	-
(2) Short-term borrowings		21,546		21,546		-
(3) Long-term debt		270,755		270,836		81
Total liabilities	$	380,346	$	380,427	$	81

Note 1. Methods used to calculate the fair values of financial instruments and other matters concerning securities and derivatives

Assets:

(1) Cash and cash equivalents, (2) Short-term investments and (3) Trade receivables:
The carrying values of cash and cash equivalents, short-term investments and trade receivables approximate their fair values because of their short maturities.

(4) Investment securities:
The fair values of listed equity shares in investment securities are based on quoted market prices. For matters concerning securities classified by the purpose for which they are held, see Note 4, Investments.

Liabilities:

(1) Trade payables and (2) Short-term borrowings:

The carrying values of trade payables and short-term borrowings approximate their fair values because of their short maturities.

(3) Long-term debt:

The fair value of long-term debt is computed based on the total amount of principal and interest discounted at an interest rate applicable to new loans under the same conditions.

Derivatives:

① At March 31, 2021 and 2020, derivative transactions to which hedge accounting was not applied: a derivative related to earthquakes with an outstanding contract amount of ¥400 million ($3,636 thousand) and ¥300 million, respectively. As the fair value for the contract was not considered determinable, the contract was not accounted for at fair value.

② Derivative transactions to which hedge accounting was applied and for which the contract amounts or amounts equivalent to the principal set forth in the contracts as of the fiscal year-end date were as follows.

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Contract amount *(*1)*	¥ 2,000	¥ 2,000	$ 18,182
Contract amount due after one year included in *(*1)*	2,000	-	18,182
Fair value	(5)	(5)	(45)

*(*1) Method of hedge accounting applied: exceptional treatment for interest rate swaps*
Type of derivative transaction: interest rate swap (fixed rate payment, floating rate receipt)
Hedged item: long-term debt
The fair value is measured in reference to the price obtained from the applicable financial institution.

Note 2. Financial instruments whose fair values could not be reliably determined:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Nonmarketable securities *(*1)*	¥ 495	¥ 495	$ 4,500
Stocks of nonconsolidated subsidiaries and affiliates *(*1)*	7,208	7,024	65,527
Guarantee deposits received *(*2)*	2,245	2,386	20,409
Derivative related to earthquakes *(*3)*	22	17	200

*(*1) It is extremely difficult to determine the fair values of nonmarketable securities because they do not have quoted market prices and their future cash flows cannot be estimated. Therefore, they were excluded from item (4), "Investment securities," in the table above.*

*(*2) It is extremely difficult to determine the fair values of guarantee deposits received because their scheduled redemption amounts cannot be estimated.*

*(*3) During the years ended March 31, 2021 and 2020, the Company entered into a derivative contract related to earthquakes for hedging purposes. At March 31, 2021 and 2020, the outstanding contract amount was ¥400 million ($3,636 thousand) and ¥300 million, respectively. As the fair value for the contract was not considered determinable, the contract was not accounted for at fair value.*

Note 3. Scheduled redemption amounts after the fiscal year-end date for monetary claims and securities with maturity periods:

	Due in one year or less	Due after one year	Due in one year or less	Due after one year	Due in one year or less	Due after one year
	Millions of yen				Thousands of U.S. dollars	
	2021		2020		2021	
Cash and cash equivalents	¥ 12,314	¥ -	¥ 10,641	¥ -	$ 111,945	$ -
Short-term investments	1,038	-	986	-	9,436	-
Trade receivables	15,720	-	14,304	-	142,909	-
Total	¥ 29,072	¥ -	¥ 25,931	¥ -	$ 264,290	$ -

4. Investments

At March 31, 2021 and 2020, short-term investments consisted of time deposits with an original maturity of more than three months.

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

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Marketable securities:			
Equity securities	¥ 8,093	¥ 6,249	$ 73,573
Other	10	9	91
	8,103	6,258	73,664
Other nonmarketable securities	495	495	4,500
	¥ 8,598	¥ 6,753	$ 78,164

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

	Cost	Gross unrealized gains	Gross unrealized losses	Fair and carrying value
	Millions of yen			
Available-for-sale securities at March 31, 2021:				
Equity securities	¥ 4,399	¥ 3,803	¥ (109)	¥ 8,093
Other	8	2	-	10
	¥ 4,407	¥ 3,805	¥ (109)	¥ 8,103
Available-for-sale securities at March 31, 2020:				
Equity securities	¥ 4,267	¥ 2,245	¥ (263)	¥ 6,249
Other	9	-	-	9
	¥ 4,276	¥ 2,245	¥ (263)	¥ 6,258

	Cost	Gross unrealized gains	Gross unrealized losses	Fair and carrying value
	Thousands of U.S. dollars			
Available-for-sale securities at March 31, 2021:				
Equity securities	$ 39,991	$ 34,573	$ (991)	$ 73,573
Other	73	18	-	91
	$ 40,064	$ 34,591	$ (991)	$ 73,664

No impairment loss on marketable investment securities was recorded for the year ended March 31, 2021. While impairment loss on marketable investment securities in the amount of ¥24 million was recorded for the years ended March 31, 2020.

Finding an impairment loss with respect to a marketable investment security depends on decline in value. If the fair value of an individual marketable investment security declines by more than 50% of the acquisition cost, impairment loss will be recognized and if the fair value declines to between 30% and 50% of the acquisition cost, the recoverability of the security will be determined in order to recognize impairment loss.

5. Short-term Borrowings, Long-term Debt and Collateral

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

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Unsecured short-term bank loans and bank overdrafts with interest rates ranging from 0.04% to 0.327% per annum at March 31, 2021	¥ 2,370	¥ 2,270	$ 21,546

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

	Millions of yen				Thousands of U.S. dollars	
	2021		2020		2021	
Unsecured long-term loans from banks and other financial institutions due through 2028 with interest rates ranging from 0.09% to 2.5% per annum at March 31, 2021		29,783		32,154		270,755
Less portions with current maturities		(3,372)		(6,021)		(30,655)
	¥	26,411	¥	26,133	$	240,100

The aggregate amounts of long-term debt due annually at March 31, 2021 were as follows.

Year ending March 31,	Millions of yen		Thousands of U.S. dollars	
2022	¥	3,372	$	30,654
2023		7,894		71,764
2024		4,319		39,264
2025		1,019		9,264
2026		807		7,336
2027 and thereafter		12,372		112,473
	¥	29,783	$	270,755

At March 31, 2021, aggregate amounts of long-term lease obligations included in other current liabilities and other long-term liabilities due annually were as follows.

Year ending March 31,	Millions of yen		Thousands of U.S. dollars	
2022	¥	358	$	3,254
2023		183		1,664
2024		107		973
2025		44		400
2026		25		227
2027 and thereafter		9		82
	¥	726	$	6,600

At March 31, 2021 and 2020, the following assets were pledged as collateral for current and noncurrent payables.

	Millions of yen				Thousands of U.S. dollars	
	2021		2020		2021	
Buildings	¥	4,967	¥	5,221	$	45,155

As is customary in Japan, substantially all loans from banks, including short-term loans, are made under general agreements which provide that at the request of the relevant bank the Japan Transcity Group is required to provide collateral or guarantees or additional collateral or guarantees as appropriate with respect to loans and that all assets pledged as collateral under such agreements will be used as collateral for all present and future indebtedness to the bank concerned. The Japan Transcity Group has not received any such request. The general agreements further provide that the banks have the right, as indebtedness matures or becomes due prematurely by reason of default, to offset any deposits at the banks against any indebtedness due.

6. Employee Retirement Benefits

The Company has defined benefit retirement plans. Some of the consolidated subsidiaries have defined benefit plans to which the simplified method is applied. In addition, some consolidated subsidiaries have defined contribution pension plans under certain pension funds organized by third parties.

The following tables reconcile the retirement benefit liability (asset) and retirement benefit costs as at and for the years ended March 31, 2021 and 2020.

Defined benefit plans except those to which the simplified method has been applied:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Movement in retirement benefit obligations:			
Balance at beginning of year	¥ 8,361	¥ 8,381	$ 76,009
Service cost	429	423	3,900
Interest cost	11	2	100
Actuarial differences	(196)	21	(1,782)
Benefits paid	(310)	(467)	(2,818)
Other	(2)	1	(18)
Balance at end of year	¥ 8,293	¥ 8,361	$ 75,391

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Movement in plan assets:			
Balance at beginning of year	¥ 9,652	¥ 10,219	$ 87,745
Expected return on plan assets	194	205	1,764
Actuarial differences	1,069	(613)	9,718
Contributions paid by the employer	272	266	2,473
Benefits paid	(285)	(426)	(2,591)
Other	(1)	1	(9)
Balance at end of year	¥ 10,901	¥ 9,652	$ 99,100

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Reconciliation from retirement benefit obligations and plan assets to liability (asset) for retirement benefits:			
Funded retirement benefit obligations	¥ 7,218	¥ 7,317	$ 65,618
Plan assets	(10,901)	(9,652)	(99,100)
	¥ (3,683)	¥ (2,335)	$ (33,482)
Unfunded retirement benefit obligations	1,075	1,044	9,773
Total net liability (asset) for employee retirement benefits at end of year	¥ (2,608)	¥ (1,291)	$ (23,709)
Employee retirement benefit liability	1,089	1,060	9,900
Employee retirement benefit asset	(3,697)	(2,351)	(33,609)
Total net liability (asset) for retirement benefits at end of year	¥ (2,608)	¥ (1,291)	$ (23,709)

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Retirement benefit costs:			
Service cost	¥ 429	¥ 423	$ 3,900
Interest cost	11	2	100
Expected return on plan assets	(194)	(205)	(1,764)
Actuarial differences amortization	50	(116)	455
Total retirement benefit costs for the year	¥ 296	¥ 104	$ 2,691

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Retirement benefit adjustment, before taxes, included in other comprehensive income:			
Actuarial differences	¥ (1,315)	¥ 750	$ (11,955)
Total balance at end of year	¥ (1,315)	¥ 750	$ (11,955)

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Retirement benefit adjustment, before taxes, included in accumulated other comprehensive income:			
Actuarial differences that are yet to be recognized	¥ (765)	¥ 550	$ (6,955)
Total balance at end of year	¥ (765)	¥ 550	$ (6,955)

Plan assets:

	2021	2020
(1) Plan assets:		
Bonds	21%	23%
Equity securities	28%	23%
General account	3%	4%
Commingled funds	25%	30%
Other	23%	20%
Total	100%	100%

At March 31, 2021 and 2020, assets under the retirement benefit trust set up for corporate pension plans accounted for 27% and 23% of the total plan assets, respectively.

Commingled funds consisted of bonds (60%) and equity securities (40%) at March 31, 2021 and consisted of bonds (67%) and equity securities (33%) at March 31, 2020.

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

Principal actuarial assumptions at March 31, 2021 and 2020 expressed as weighted averages.

	2021	2020
Discount rate	0.1%	0.1%
Long-term expected rate of return	2.0%	2.0%

Defined benefit plans to which the simplified method has been applied:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Movement in liability for retirement benefits:			
Balance at beginning of year	¥ 965	¥ 972	$ 8,773
Retirement benefit costs	182	174	1,654
Benefits paid	(51)	(84)	(464)
Contributions paid by the employer	(102)	(98)	(927)
Other	(1)	1	(9)
Balance at end of year	¥ 993	¥ 965	$ 9,027

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Reconciliation from retirement benefit obligations and plan assets to liability (asset) for retirement benefits:			
Funded retirement benefit obligations	¥ 2,308	¥ 2,180	$ 20,982
Plan assets	(1,545)	(1,438)	(14,046)
	¥ 763	¥ 742	$ 6,936
Unfunded retirement benefit obligations	230	223	2,091
Total net liability (asset) for employee retirement benefits at end of year	¥ 993	¥ 965	$ 9,027
Employee retirement benefit liability	1,018	991	9,254
Employee retirement benefit asset	(25)	(26)	(227)
Total net liability (asset) for retirement benefit at end of year	¥ 993	¥ 965	$ 9,027

Total retirement benefit costs for the fiscal years ended March 31, 2021 and 2020 based on the simplified method were as follows:

Millions of yen		Thousands of U.S. dollars
2021	2020	2021
¥ 182	¥ 174	$ 1,654

Defined contribution plan:
For the years ended March 31, 2021 and 2020, the required contribution of the consolidated subsidiaries to the defined contribution plan amounted to ¥35 million ($318 thousand) and ¥38 million, respectively.

7. Net Assets

Under Japanese laws 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 Corporate Law, in cases in which a dividend distribution of surplus is made, the smaller of the 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. The legal earnings reserve has been included in retained earnings in the accompanying consolidated balance sheets.

Under the Corporate Law, the legal earnings reserve and additional paid-in capital can be used to eliminate or reduce a deficit by a resolution at the shareholders' meeting. The additional paid-in capital or legal earnings reserve may not be distributed as dividends. All additional paid-in-capital and legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which may become available for distribution as dividends.

At both March 31, 2021 and 2020, capital surplus principally consisted of additional paid-in capital. In addition, retained earnings included the legal earnings reserve of the Company in the amount of ¥1,200 million ($10,909 thousand) at both March 31, 2021 and 2020.

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

During the year ended March 31, 2021, the Company paid interim dividends of ¥5.0 per share amounting to ¥321 million ($2,918 thousand). In addition, at the annual shareholders' meeting held on June 29, 2021, the shareholders approved cash dividends of ¥5.0 per share amounting to ¥321 million ($2,918 thousand). These appropriations had not been accrued in the consolidated financial statements as of March 31, 2021 as such appropriations are recognized in the period in which they are approved by the shareholders.

8. Contingent Liabilities

At March 31, 2021 and 2020, the Japan Transcity Group was contingently liable for reserved guarantees of indebtedness of a certain unconsolidated subsidiary in the amount of ¥532 million ($4,836 thousand) and ¥559 million, respectively.

9. Lease Commitments

As lessee the Japan Transcity Group leases land and buildings to be used for office spaces and warehouses principally under long-term cancelable and noncancelable operating lease agreements. The Japan Transcity Group also leases computer equipment, other equipment and vehicles under leases which are generally noncancelable.

The aggregate future minimum payments for noncancelable operating leases at March 31, 2021 and 2020 were as follows.

	Millions of yen				Thousands of U.S. dollars	
	2021		2020		2021	
Operating leases:						
Due within one year	¥	1,790	¥	1,715	$	16,273
Due after one year		2,517		2,504		22,882
	¥	4,307	¥	4,219	$	39,155

10. Income Taxes

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

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Deferred tax assets:			
Enterprise tax accruals	¥ 68	¥ 39	$ 618
Accrued bonuses to employees	358	351	3,255
Employee retirement benefit liability	334	630	3,036
Intercompany capital gains	243	248	2,209
Tax loss carryforwads (Note 2)	486	259	4,418
Impairment loss on fixed assets	16	1,175	145
Others	535	527	4,864
Subtotal	2,040	3,229	18,545
Valuation allowance for tax loss carryforwards (Note 2)	(88)	(259)	(800)
Valuation allowance for deductible temporary differences	(135)	(1,307)	(1,227)
Less valuation allowance (Note 1)	(223)	(1,566)	(2,027)
Deferred tax assets	1,817	1,663	16,518
Deferred tax liabilities:			
Employee retirement benefit asset	(78)	-	(709)
Deferred capital gain	(524)	(1,234)	(4,763)
Unrealized gains on available-for-sale securities	(1,131)	(607)	(10,282)
Others	(725)	(712)	(6,591)
Deferred tax liabilities	(2,458)	(2,553)	(22,345)
Net deferred tax liabilities	¥ (641)	¥ (890)	$ (5,827)

(Note 1) The main change in the valuation allowance was due to the Japan Transcity corporaton taking over the tax loss carryforwards of a consolidated subsidiary due to its liquidation.

(Note 2) Details of deferred tax assets for tax loss carryforwards by respective expiration periods at March 31, 2021 and 2020 were as follows:

	2022	2023	2024	2025	2026	2027 and thereafter	Total
For the year ended March 31, 2021:							
	(Millions of yen)						
Tax loss carryforwards *(*1)*	¥ 4	¥ 1	-	¥ 14	¥ 12	¥ 455	¥ 486
Valuation allowance	(4)	(1)	-	(14)	(12)	(57)	(88)
Net deferred tax assets	-	-	-	-	-	¥ 398	¥ 398
	Thousands of U.S. dollars						
Tax loss carryforwards *(*1)*	$ 37	$ 9	-	$ 127	$ 109	$ 4,136	$4,418
Valuation allowance	(37)	(9)	-	(127)	(109)	(518)	(800)
Net deferred tax assets	-	-	-	-	-	$ 3,618	*(*2)*$3,618

*(*1) Tax loss carryforwards shown in the table above represent the amount of deferred tax assets after multiplying the statutory tax rate.*

*(*2) Based on the prospect of future taxable income, we have determined that the tax loss carryforwards ¥398 million ($3,618 thousand) can be collected.*

	2021	2022	2023	2024	2025	2026 and thereafter	Total
For the year ended March 31, 2020:							
	(Millions of yen)						
Tax loss carryforwards *(*3)*	¥ 28	¥ 35	¥ 24	¥ 15	¥ 22	¥ 135	¥ 259
Valuation allowance	(28)	(35)	(24)	(15)	(22)	(135)	(259)
Net deferred tax assets	-	-	-	-	-	-	-

*(*3) Tax loss carryforwards shown in the table above represent the amount of deferred tax assets after multiplying the statutory tax rate.*

In assessing the realizability of deferred tax assets, management of the Japan Transcity Group considers whether part or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. At March 31, 2021 and 2020, a valuation reserve was provided to reduce the deferred tax assets to amounts management believed would be realizable.

Reconciliation of the difference between the Japanese statutory tax rate and the effective income tax rate on pretax income reflected in the accompanying consolidated statements of income for the year ended March 31, 2021 and 2020 were as follows.

Percentage of pre-tax income:

	2021	2020
Japanese statutory tax rate	30.2%	30.2%
Increase (decrease) due to:		
Permanently nondeductible expenses	0.5	0.9
Tax exempt income	(2.3)	(3.0)
Local minimum taxes per capita levy	0.8	0.9
Effect of elimination of dividend income from subsidiaries for consolidation purpose	2.8	2.4
Equity in net earnings of unconsolidated subsidiaries and affiliates	(3.5)	(3.8)
Valuation allowance	(24.4)	(1.3)
Others	(0.2)	0.4
Effective income tax rate	3.9%	26.7%

11. Comprehensive Income

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

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Net unrealized gains on available-for-sale securities:			
Increase (Decrease) during the year	¥ 1,713	¥ (1,165)	$ 15,573
Reclassification adjustments to profit or loss	-	24	-
Subtotal, before tax	1,713	(1,141)	15,573
Tax (expense) or benefit	(524)	347	(4,764)
Subtotal, net of tax	1,189	(794)	10,809
Foreign currency translation adjustments:			
(Decrease) Increase during the year	(246)	132	(2,237)
Retirement benefit adjustment:			
Increase (Decrease) during the year	1,265	(634)	11,500
Reclassification adjustments to profit or loss	50	(116)	455
Subtotal, before tax	1,315	(750)	11,955
Tax (expense) or benefit	(397)	226	(3,609)
Subtotal, net of tax	918	(524)	8,346
Share of other comprehensive income of unconsolidated subsidiaries and affiliates accounted for using equity method:			
(Decrease) during the year	-	(3)	-
Total other comprehensive income	¥ 1,861	¥ (1,189)	$ 16,918

12. Related Party Transactions

ASBJ Statement No. 11, "Accounting Standard for Related Party Disclosures," and ASBJ Guidance No. 13, "Guidance on Accounting Standard for Related Party Disclosures," both issued by ASBJ on October 17, 2006, require certain additional related party disclosures. Pursuant to the statement and guidance, information on a material affiliate, Chubu Coal Center Co., Ltd., has been disclosed for the years ended March 31, 2021 and 2020.

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Total current assets	¥ 1,799	¥ 1,423	$ 16,355
Total fixed assets	8,561	8,637	77,827
Total current liabilities	¥ 790	¥ 871	$ 7,182
Total fixed liabilities	20	32	182
Total net assets	9,550	9,157	86,818
Operating revenue	¥ 3,281	¥ 3,501	$ 29,827
Income before income taxes	1,209	1,330	10,991
Net income	843	927	7,664

13. Segment Information

1. General information about reportable segments
   The reportable segments are constituent business units of the Japan Transcity Group for which separate financial information is obtained and examined regularly by the Board of Directors to evaluate business performance. The Japan Transcity Group provides mainly integrated logistics services that consist of warehousing, coastal shipping, trucking and international multimodal transportation. Therefore, the Japan Transcity Group's reported segment is "Integrated Logistics Services."

2. Basis of measurement about reported segment profit, segment assets and other material items
   The accounting for the segment is presented on an operating income basis. Intersegment operating revenues or transfer amounts are based on market price.

3. Information about reportable segment profit, segment assets and other material items
   Information by segment as at or for the years ended March 31, 2021 and 2020 is as follows.

	Integrated Logistics Services	Others	Total	Adjustment	Consolidated
			Millions of yen		
For the year ended March 31, 2021:					
Operating revenue:					
External customers	¥ 100,180	¥ 994	¥ 101,174	¥ -	¥ 101,174
Intersegment sales	24	1,281	1,305	(1,305)	-
Total operating revenue	100,204	2,275	102,479	(1,305)	101,174
Operating income	¥ 4,401	¥ 37	¥ 4,438	¥ 4	¥ 4,442
Identifiable assets	¥ 125,335	¥ 4,664	¥ 129,999	¥ (4,473)	¥ 125,526
Depreciation	4,416	51	4,467	-	4,467
Investments in unconsolidated subsidiaries and affiliates accounted for using the equity method	6,946	-	6,946	-	6,946
Impairment loss on fixed assets	111	-	111	-	111
Capital expenditures	3,342	32	3,374	-	3,374
For the year ended March 31, 2020:					
Operating revenue:					
External customers	¥ 100,534	¥ 1,087	¥ 101,621	¥ -	¥ 101,621
Intersegment sales	26	2,021	2,047	(2,047)	-
Total operating revenue	100,560	3,108	103,668	(2,047)	101,621
Operating income	¥ 3,207	¥ 166	¥ 3,373	¥ (36)	¥ 3,337
Identifiable assets	¥ 121,581	¥ 2,568	¥ 124,149	¥ (2,973)	¥ 121,176
Depreciation	4,072	57	4,129	-	4,129
Investments in unconsolidated subsidiaries and affiliates accounted for using the equity method	6,762	-	6,762	-	6,762
Capital expenditures	7,205	80	7,285	-	7,285

	Integrated Logistics Services	Others	Total	Adjustment	Consolidated
			Thousands of U.S. dollars		
For the year ended March 31, 2021:					
Operating revenue:					
External customers	$ 910,727	$ 9,037	$ 919,764	$ -	$ 919,764
Intersegment sales	218	11,645	11,863	(11,863)	-
Total operating revenue	910,945	20,682	931,627	(11,863)	919,764
Operating income	$ 40,009	$ 336	$ 40,345	$ 37	$ 40,382
Identifiable assets	$ 1,139,409	$ 42,400	$ 1,181,809	$ (40,664)	$ 1,141,145
Depreciation	40,145	464	40,609	-	40,609
Investments in unconsolidated subsidiaries and affiliates accounted for using the equity method	63,145	-	63,145	-	63,145
Impairment loss on fixed assets	1,009	-	1,009	-	1,009
Capital expenditures	30,382	291	30,673	-	30,673

(Related information)

1. Information about products and services of "Integrated Logistic Services"

	Warehousing	Coastal shipping	Trucking	International multimodal transportation	Total
			Millions of yen		
Operating revenue to external customers:					
For the year ended March 31, 2021	¥ 42,234	¥ 21,234	¥ 18,168	¥ 18,544	¥ 100,180
For the year ended March 31, 2020	41,902	21,527	18,997	18,108	100,534
			Thousands of U.S. dollars		
Operating revenue to external customers:					
For the year ended March 31, 2021	$ 383,945	$ 193,036	$ 165,164	$ 168,582	$ 910,727

2. Information about geographic areas

(1) Operating revenue

Both at March 31, 2021 and 2020, the Company omitted the disclosure of operating revenue because operating revenue from external customers in Japan accounted for more than 90% of the amounts of operating revenue reported in the consolidated statements of income.

(2) Property and equipment

Both at March 31, 2021 and 2020, the Company omitted the disclosure of property and equipment because property and equipment in Japan accounted for more than 90% of the amounts of property and equipment reported in the consolidated balance sheets.

3. Information about major customers

Both at March 31, 2021 and 2020, the Company omitted the disclosure of information about major customers because no customer had contributed 10% or more to operating revenue in the consolidated statements of income.

14. Condensed Financial Statements of Japan Transcity Corporation (Parent)

Presented below are the condensed Nonconsolidated Balance Sheets, Nonconsolidated Statements of income and Changes in Net Assets of Japan Transcity Corporation, the parent company.

Nonconsolidated Balance Sheets (Unaudited)
Japan Transcity Corporation (Parent)

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Current assets:			
Cash and cash equivalents	¥ 9,530	¥ 7,738	$ 86,636
Short-term investments	6	6	55
Trade receivables, net of allowance for doubtful accounts	14,304	13,263	130,036
Inventories	71	42	645
Other current assets	1,710	1,910	15,546
Total current assets	25,621	22,959	232,918
Property and equipment, at cost	103,180	101,751	938,000
Less accumulated depreciation	(45,558)	(43,616)	(414,164)
Net property and equipment	57,622	58,135	523,836
Investments and other assets:			
Investment securities	7,791	6,138	70,827
Investments in and long-term loans to subsidiaries and affiliates	4,555	6,448	41,409
Prepaid pension cost	2,875	2,800	26,136
Other assets	2,129	2,520	19,355
Allowance for doubtful accounts	(6)	(1,756)	(54)
Total investments and other assets	17,344	16,150	157,673
Total assets	¥ 100,587	¥ 97,244	$ 914,427

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Current liabilities:			
Short-term borrowings	¥ 12,629	¥ 9,892	$ 114,809
Current maturities of long-term debt	1,947	5,609	17,700
Trade payables	7,716	7,282	70,146
Accrued expenses	889	866	8,082
Income taxes payable	653	233	5,936
Other current liabilities	1,958	1,549	17,800
Total current liabilities	25,792	25,431	234,473
Long-term liabilities:			
Long-term debt	22,773	21,169	207,027
Employee retirement benefit liability	1,016	942	9,236
Deferred tax liabilities for revaluation	828	3,706	7,527
Provision for loss on business of subsidiaries	-	1,047	-
Deferred tax liabilities	3,706	1,521	33,691
Other long-term liabilities	272	296	2,473
Total long-term liabilities	28,595	28,681	259,954
Total liabilities	54,387	54,112	494,427
Net assets:			
Shareholders' equity:			
Common stock	8,428	8,428	76,618
Capital surplus	6,762	6,762	61,473
Retained earnings	31,208	29,208	283,709
Less treasury stock, at cost	(1,186)	(1,186)	(10,782)
Total shareholders' equity	45,212	43,212	411,018
Accumulated gains (losses) from valuation adjustment:			
Net unrealized gains on available-for-sale securities	2,327	1,259	21,155
Land revaluation decrement	(1,339)	(1,339)	(12,173)
Total accumulated gains (losses) from valuation adjustment	988	(80)	8,982
Total net assets	46,200	43,132	420,000
Total liabilities and net assets	¥ 100,587	¥ 97,244	$ 914,427

Nonconsolidated Statements of Income
Japan Transcity Corporation (Parent)
For the Years Ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Operating revenue	¥ 89,195	¥ 88,855	$ 810,863
Operating costs and expenses	86,113	86,631	782,845
Operating income	3,082	2,224	28,018
Other income (expenses):			
Interest and dividend income	719	872	6,537
Interest expense	(109)	(130)	(991)
(Loss) gain on sale or disposal of property and equipment, net	(73)	(109)	(664)
Loss on liquidation of subsidiaries and associates	(1,279)	-	(11,627)
Miscellaneous, net	115	150	1,045
	(627)	783	(5,700)
Income before income taxes	2,455	3,007	22,318
Income taxes:			
Current	969	774	8,809
Deferred	(1,155)	39	(10,500)
Total income taxes	(186)	813	(1,691)
Net income	¥ 2,641	¥ 2,194	$ 24,009

	Yen		U.S. dollars
Per share:			
Net income	¥ 41.19	¥ 34.21	$ 0.37
Cash dividends	10.00	10.00	0.09

Nonconsolidated Statements of Changes in Net Assets
Japan Transcity Corporation (Parent)
For the Years Ended March 31, 2021 and 2020

	Shareholders' equity					Accumulated gains (losses) from valuation adjustment			
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains on available-for-sale securities	Land revaluation decrement	Total accumulated gains (losses) from valuation adjustment	Total net assets
	Millions of yen								
Balance at April 1, 2019	¥ 8,428	¥ 6,742	¥ 27,655	¥ (1,190)	¥ 41,635	¥ 2,007	¥ (1,339)	¥ 668	¥ 42,303
Net income for the year	-	-	2,194	-	2,194	-	-	-	2,194
Cash dividends	-	-	(641)	-	(641)	-	-	-	(641)
Disposal of treasury stock and fractional shares, net of purchase	-	20	-	4	24	-	-	-	24
Net changes other than shareholders' equity	-	-	-	-	-	(748)	-	(748)	(748)
Balance at March 31, 2020	¥ 8,428	¥ 6,762	¥ 29,208	¥ (1,186)	¥ 43,212	¥ 1,259	¥ (1,339)	¥ (80)	¥ 43,132
Net income for the year	-	-	2,641	-	2,641	-	-	-	2,641
Cash dividends	-	-	(641)	-	(641)	-	-	-	(641)
Disposal of treasury stock and fractional shares, net of purchase	-	-	-	(0)	(0)	-	-	-	(0)
Net changes other than changes in shareholders' equity	-	-	-	-	-	1,068	-	1,068	1,068
Balance at March 31, 2021	¥ 8,428	¥ 6,762	¥ 31,208	¥ (1,186)	¥ 45,212	¥ 2,327	¥ (1,339)	¥ 988	¥ 46,200
	Thousands of U.S. dollars								
Balance at March 31, 2020	$ 76,618	$ 61,473	$ 265,527	$ (10,782)	$ 392,836	$ 11,446	$ (12,173)	$ (727)	$ 392,109
Net income for the year	-	-	24,009	-	24,009	-	-	-	24,009
Cash dividends	-	-	(5,827)	-	(5,827)	-	-	-	(5,827)
Disposal of treasury stock and fractional shares, net of purchase	-	-	-	(0)	(0)	-	-	-	(0)
Net changes other than changes in shareholders' equity	-	-	-	-	-	9,709	-	9,709	9,709
Balance at March 31, 2021	$ 76,618	$ 61,473	$ 283,709	$ (10,782)	$ 411,018	$ 21,155	$ (12,173)	$ 8,982	$ 420,000