



Consolidated Financial Statements

Japan Transcity Corporation

For the Years ended March 31,
2022 and 2021
Together with Independent
Auditors' Report

KPMG AZSA LLC
July 2022



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, 2022 and 2021, the consolidated statements of income and 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, 2022 and 2021, 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 the accounting period in which operating revenue from Integrated Logistics Services was recognized

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") provide various services to customers, including storage of goods, cargo handling and logistics processing, as well as	The primary procedures we performed to assess the appropriateness of the accounting period in which operating revenue from the Integrated Logistics Services was recognized included the following: (1) Internal control testing

stevedoring, domestic transportation and international multimodal transportation. These services are provided to customers as a package and are called the “Integrated Logistics Services.” Operating revenue from the Integrated Logistics Services amounted to ¥115,525 million for the year ended March 31, 2022, representing approximately 99% of total operating revenue.

As described in Notes to Consolidated Financial Statements Note 2(I), “Summary of Significant Accounting Policies - Accounting policy for recognition of revenues and expenses,” revenue from the Integrated Logistics Services is recognized primarily over a period of time based on the progress towards complete satisfaction of the related performance obligations.

As operating revenue from the Integrated Logistics Services arises mainly from transactions in which the Group stores and transports goods deposited by customers, processing those transactions is routine in nature and fees are calculated by multiplying the unit selling prices agreed with customers by the transaction volume. Further, as journal entries are basically generated once sales data is automatically transferred from each warehouse/transportation system through the sales management system to the accounting system, there is little room for discretion when journal entries related to operating revenue are generated. Therefore, the risk of incorrect revenue recognition is deemed to be relatively low.

However, the Company also has a process of manually recognizing operating revenue for certain transactions in which services have been rendered but not yet billed to customers as of the end of an accounting period.

We, therefore, determined that our assessment of the appropriateness of the accounting period for operating revenue from the Integrated Logistics Services recognized manually was of most significance in our audit of the consolidated financial statements

We tested the design and operating effectiveness of certain of the Company's internal controls relevant to the process of recognizing operating revenue from the Integrated Logistics Services. In this assessment, we focused our testing on the following controls:

- Controls where manual journal entries for recognizing operating revenue are approved by the superior in each branch or business unit that has recognized the operating revenue and then checked by the administrative division at the headquarters independent of the branch and business unit through comparison with supporting documents.

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

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

- ① compared sales data in the accounting system with those in the sales management system and evaluated the consistency of the variance between these two sets of data with the data of manually prepared journal entries; and
- ② made inquiries about the details of the manually prepared journal entries related to operating revenue and assessed whether operating revenue was recognized accurately in the proper accounting period by comparing, for a selection of journal entries that satisfied certain conditions, with internal documents and external evidence we individually obtained.

for the current fiscal year and, accordingly, a key audit matter.	
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Other Information

The other information comprises the information included in the Consolidated Financial Statements, but does not include the consolidated financial statements, the financial statements, and our auditor's reports thereon.

We do not perform any work on the other information as we determine such information does not exist.

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, 2022 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.

Masaki Yamada
Masaki Yamada

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Nagoya Office, Japan

July 29, 2022

Japan Transcity Corporation and Consolidated Subsidiaries
Consolidated Balance Sheets
March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Current assets:			
Cash and cash equivalents (Note 3)	¥ 13,737	¥ 12,314	\$ 112,598
Short-term investments (Notes 3 and 4)	830	1,038	6,803
Trade receivables (Note 3)	-	15,720	-
Notes and accounts receivable trade and contract assets (Notes 3 and 13)	18,126	-	148,574
Allowance for doubtful accounts	(82)	(59)	(672)
	18,044	15,661	147,902
Inventories	183	159	1,500
Other current assets	3,200	1,964	26,230
Total current assets	35,994	31,136	295,033
Property and equipment:			
Land	32,269	32,299	264,500
Buildings and structures (Note 5)	78,162	76,694	640,672
Machinery and equipment	8,947	8,936	73,336
Vehicles and vessels	8,546	8,316	70,049
Construction in progress	365	687	2,992
Other	8,120	7,995	66,557
Total property and equipment	136,409	134,927	1,118,106
Less accumulated depreciation	(65,909)	(63,201)	(540,238)
Net property and equipment	70,500	71,726	577,868
Investments and other assets:			
Investment securities (Notes 3 and 4)	8,910	8,598	73,033
Investments in unconsolidated subsidiaries and affiliates (Note 3)	7,643	7,208	62,648
Employee retirement benefit asset (Note 6)	3,961	3,722	32,467
Deferred tax assets (Note 10)	863	815	7,074
Other assets	2,030	2,336	16,639
Allowance for doubtful accounts	(15)	(15)	(123)
Total investments and other assets	23,392	22,664	191,738
Total assets	¥ 129,886	¥ 125,526	\$ 1,064,639

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Current liabilities:			
Short-term borrowings (Notes 3 and 5)	¥ 2,370	¥ 2,370	\$ 19,426
Current maturities of long-term debt (Notes 3 and 5)	7,894	3,372	64,705
Trade payables (Note 3)	10,045	9,685	82,336
Accrued expenses	1,845	1,880	15,123
Income taxes payable	985	883	8,074
Other current liabilities (Notes 5 and 13)	3,343	3,137	27,402
Total current liabilities	<u>26,482</u>	<u>21,327</u>	<u>217,066</u>
Long-term liabilities:			
Long-term debt (Notes 3 and 5)	19,417	26,411	159,155
Employee retirement benefit liability (Note 6)	2,128	2,107	17,443
Guarantee deposits received (Note 3)	2,168	2,245	17,770
Deferred tax liabilities for revaluation	3,695	3,706	30,287
Deferred tax liabilities (Note 10)	2,008	1,456	16,459
Other long-term liabilities (Note 5)	1,209	1,292	9,910
Total long-term liabilities	<u>30,625</u>	<u>37,217</u>	<u>251,024</u>
Total liabilities	<u>57,107</u>	<u>58,544</u>	<u>468,090</u>
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	69,082
Capital surplus	6,822	6,788	55,918
Retained earnings	53,884	48,915	441,672
Less treasury stock, at cost: 2,838,228 shares in 2022 and 3,008,216 shares in 2021	<u>(1,119)</u>	<u>(1,186)</u>	<u>(9,172)</u>
Total shareholders' equity	68,015	62,945	557,500
Accumulated other comprehensive income:			
Net unrealized gains on available-for-sale securities	2,710	2,509	22,213
Land revaluation decrement	(1,364)	(1,339)	(11,180)
Foreign currency translation adjustments	297	44	2,434
Retirement benefit adjustment (Note 6)	551	534	4,516
Total accumulated other comprehensive income	2,194	1,748	17,983
Noncontrolling interests	2,570	2,289	21,066
Total net assets	<u>72,779</u>	<u>66,982</u>	<u>596,549</u>
Total liabilities and net assets	<u>¥ 129,886</u>	<u>¥ 125,526</u>	<u>\$ 1,064,639</u>

See accompanying Notes to Consolidated Financial Statements.

Japan Transcity Corporation and Consolidated Subsidiaries
Consolidated Statements of Income
For the Years Ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Operating revenue (Notes 13 and 14)	¥ 116,750	¥ 101,174	\$ 956,967
Operating costs and expenses (Notes 6 and 9)	110,081	96,732	902,303
Operating income	6,669	4,442	54,664
Other income (expenses):			
Interest and dividend income	517	360	4,238
Interest expense	(115)	(141)	(943)
Equity in net earnings of unconsolidated subsidiaries and affiliates	873	542	7,156
Loss on sale or disposal of property and equipment, net	(245)	(59)	(2,008)
Impairment loss on fixed assets	(53)	(111)	(435)
Loss on liquidation of subsidiaries and associates	-	(159)	-
Others, net	426	86	3,492
Income before income taxes	1,403	518	11,500
	8,072	4,960	66,164
Income taxes (Note 10):			
Current	1,806	1,364	14,803
Deferred	401	(1,170)	3,287
Total income taxes	2,207	194	18,090
Net income	5,865	4,766	48,074
Net income attributable to noncontrolling interests	267	129	2,189
Net income attributable to owners of the Company	¥ 5,598	¥ 4,637	\$ 45,885
	Yen		U.S. dollars
Per share:			
Net income	¥ 87.14	¥ 72.29	\$ 0.71
Cash dividends (Note 7)	10.50	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, 2022 and 2021

	Millions of yen		Thousands of
	2022	2021	U.S. dollars
Net income	¥ 5,865	¥ 4,766	\$ 48,074
Other comprehensive income (Note 11):			
Net unrealized gains on available-for-sale securities	202	1,189	1,656
Foreign currency translation adjustments	256	(246)	2,099
Retirement benefit adjustment	17	918	139
Share of other comprehensive income of unconsolidated subsidiaries and affiliates accounted for using equity method	17	-	139
Total other comprehensive income	492	1,861	4,033
Comprehensive income	¥ 6,357	¥ 6,627	\$ 52,107
Comprehensive income attributable to:			
Owners of the Company	¥ 6,070	¥ 6,562	\$ 49,754
Noncontrolling interests	287	65	2,353

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, 2022 and 2021

	Shareholders' equity						Accumulated other comprehensive income							
	Number of shares of common stock issued	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains on available-for-sale securities	Land revaluation decrement	Foreign currency translation adjustments	Retirement benefit adjustment	Total accumulated other comprehensive income	Minority interests	Total net assets	
							Millions of yen							
Balance at April 1, 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	
Cumulative effects of changes in accounting policies	-	-	-	(13)	-	(13)	-	-	-	-	-	-	(13)	
Restated balance	-	8,428	6,788	48,902	(1,186)	62,932	2,509	(1,339)	44	534	1,748	2,289	66,969	
Net income attributable to owners of the Company	-	-	-	5,598	-	5,598	-	-	-	-	-	-	5,598	
Cash dividends	-	-	-	(642)	-	(642)	-	-	-	-	-	-	(642)	
Disposal of treasury stock and fractional shares, net of purchase	-	-	32	-	67	99	-	-	-	-	-	-	99	
Purchase of additional shares of consolidated subsidiaries	-	-	2	-	-	2	-	-	-	-	-	-	2	
Reversal of land revaluation decrement	-	-	-	26	-	26	-	-	-	-	-	-	26	
Net changes other than changes in shareholders' equity	-	-	-	-	-	-	201	(25)	253	17	446	281	727	
Balance at March 31, 2022	67,142,417	¥ 8,428	¥ 6,822	¥ 53,884	¥ (1,119)	¥ 68,015	¥ 2,710	¥ (1,364)	¥ 297	¥ 551	¥ 2,194	¥ 2,570	¥ 72,779	
							Thousands of U.S. dollars							
Balance at March 31, 2021		\$ 69,082	\$ 55,639	\$ 400,942	\$ (9,721)	\$ 515,942	\$ 20,565	\$ (10,975)	\$ 361	\$ 4,377	\$ 14,328	\$ 18,763	\$ 549,033	
Cumulative effects of changes in accounting policies		-	-	(107)	-	(107)	-	-	-	-	-	-	(107)	
Restated balance		69,082	55,639	400,836	(9,721)	515,836	20,565	(10,975)	361	4,377	14,328	18,763	548,927	
Net income attributable to owners of the Company		-	-	45,885	-	45,885	-	-	-	-	-	-	45,885	
Cash dividends		-	-	(5,262)	-	(5,262)	-	-	-	-	-	-	(5,262)	
Disposal of treasury stock and fractional shares, net of purchase		-	262	-	549	811	-	-	-	-	-	-	811	
Purchase of additional shares of consolidated subsidiaries		-	17	-	-	17	-	-	-	-	-	-	17	
Reversal of land revaluation decrement		-	-	213	-	213	-	-	-	-	-	-	213	
Net changes other than changes in shareholders' equity		-	-	-	-	-	1,648	(205)	2,073	139	3,655	2,303	5,958	
Balance at March 31, 2022		\$ 69,082	\$ 55,918	\$ 441,672	\$ (9,172)	\$ 557,500	\$ 22,213	\$ (11,180)	\$ 2,434	\$ 4,516	\$ 17,983	\$ 21,066	\$ 596,549	

See accompanying Notes to Consolidated Financial Statements.

Japan Transcity Corporation and Consolidated Subsidiaries
Consolidated Statements of Cash Flows
For the Years Ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Cash flows from operating activities:			
Income before income taxes	¥ 8,072	¥ 4,960	\$ 66,164
Adjustments for:			
Depreciation	4,517	4,467	37,025
Net change in employee retirement benefit asset/liability	(196)	29	(1,606)
Loss on sale or disposal of property and equipment, net	245	59	2,008
Equity(income) of unconsolidated subsidiaries and affiliates	(873)	(542)	(7,156)
Increase in trade receivables	(2,166)	(1,497)	(17,754)
Increase in inventories	(25)	-	(205)
Increase in trade payables	209	611	1,713
Others, net	(1,708)	786	(14,000)
Subtotal	8,075	8,873	66,189
Interest and dividends received	972	730	7,967
Interest paid	(117)	(142)	(959)
Income taxes paid	(1,669)	(838)	(13,680)
Net cash provided by operating activities	7,261	8,623	59,517
Cash flows from investing activities:			
Increase in property and equipment and intangible assets	(2,585)	(3,340)	(21,189)
Decrease in property and equipment and intangible assets	46	35	377
Decrease (Increase) in short-term investments	206	(103)	1,689
Others, net	(186)	(70)	(1,525)
Net cash used in investing activities	(2,519)	(3,478)	(20,648)
Cash flows from financing activities:			
Increase in long-term debt	900	3,650	7,377
Repayment of long-term debt	(3,372)	(6,021)	(27,639)
Increase in short-term borrowings	-	100	-
Dividends paid	(642)	(641)	(5,262)
Others, net	(480)	(500)	(3,935)
Net cash used in financing activities	(3,594)	(3,412)	(29,459)
Effect of exchange rate changes on cash and cash equivalents	275	(60)	2,254
Net increase in cash and cash equivalents	1,423	1,673	11,664
Cash and cash equivalents at beginning of year	12,314	10,641	100,934
Cash and cash equivalents at end of year	¥ 13,737	¥ 12,314	\$ 112,598

See accompanying Notes to Consolidated Financial Statements.

Japan Transcity Corporation and Consolidated Subsidiaries 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, 2022, which was approximately ¥122 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, 2022 and 2021 were as follows.

	2022	2021
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	8	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 2022 and 2021, 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 investments in securities other than equity securities without market prices are computed using the moving average method. Investments in equity securities without market prices and 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, 2022 and 2021 were as follows.

	Millions of yen		Thousands of
	2022	2021	U.S. dollars
Building	¥ 100	¥ 100	\$ 820
Land	100	100	820

(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.

At March 31, 2022 and 2021, the Japan Transcity Group recognized impairment loss for fixed assets mainly as follows:

	Millions of yen		Thousands of
	2022	2021	U.S. dollars
Land	¥ 37	¥ -	\$ 304
Buildings and structures	15	52	123
Other	1	55	8
	¥ 53	¥ 107	\$ 435

(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, 2022 and 2021, 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 ¥8,463 million (\$69,369 thousand) and ¥8,476 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) Accounting policy for recognition of revenue and expenses

The Japan Transcity Group recognizes revenue in the amount it expects to receive in exchange for promised goods or services when the control of those goods or services is transferred to customers. The main performance obligations of integrated logistics services, which is our group's main business, are storage and transportation services. Revenue from contracts with customers is recognized primarily over a period of time and according to the progress of the services provided.

(m) 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.

(n) 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.

(o) 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.

(p) 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.

(q) 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, 2022 or 2021 due to the lack of any dilutive shares.

(r) Change in accounting policy

From the beginning of the current fiscal year, the Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and the “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 26, 2021) (hereinafter referred to as "Accounting Standard for Revenue Recognition, etc.") to recognize revenue in the amount that it expects to receive in exchange for promised goods or services when control of those goods or services is transferred to customers. As a result, revenue from contracts with customers is recognized primarily according to the progress of services provided over a period of time.

The application of such changes in accounting policies follows the transitional treatment prescribed in Paragraph 84 of the Accounting Standard for Revenue Recognition. Accordingly, the new accounting policy was applied from the beginning balance of retained earnings of the current consolidated fiscal year to add to or deduct from the amount of the beginning balance of retained earnings of the current consolidated fiscal year the cumulative effects of applying retrospectively the new accounting policy from the beginning of the current consolidated fiscal year. The method prescribed in Paragraph 86 of the Accounting Standard for Revenue Recognition Standard applied, however, with no retrospective application to the contracts in which almost all revenue had been recognized in accordance with the applicable treatment before the beginning of the current consolidated fiscal year. In addition, applying the method prescribed in Paragraph 86(1) of Accounting Standard for Revenue Recognition, for the contracts which had been modified before the beginning of the current consolidated fiscal year, the cumulative effect is added to or deducted from the beginning balance of the retained earnings of the current consolidated fiscal year, based on the terms of the contracts in which all modifications had been reflected in the contracts.

The impact on retained earnings, operating income, ordinary income and income before income taxes and minority interests at the beginning of the current consolidated fiscal year was immaterial.

In addition, since the Accounting Standards for Revenue Recognition, etc. have been applied, "Trade receivables" presented in "current assets" in the consolidated balance sheet of the previous fiscal year has been included in "Notes and accounts receivable trade and contract assets" in the current fiscal year. In accordance with the transitional treatment set forth in “Accounting Standard for Revenue Recognition, Paragraph 89(2)”, no reclassifications were made for the previous fiscal year using the new presentation method. In addition, in accordance with the transitional treatment set forth in “Accounting Standard for Revenue Recognition, Paragraph 89(3)”, notes on “revenue recognition” for the previous fiscal year are not included.

(s) Changes in presentation

(Consolidated Statements of Cash Flows)

"Equity income of unconsolidated subsidiaries and affiliates" was included in "Other" of "Cash flows from operating activities" in the previous consolidated fiscal year. However, since its importance has increased, it will be addressed in a note separately from the current consolidated fiscal year. For this change in presentation, to accurately reflect this, the consolidated financial statements for the previous consolidated fiscal year have been reclassified.

As a result, "Equity income of unconsolidated subsidiaries and affiliates" in “Cash flow from operating activities” of ¥(542) million has been recorded in the consolidated cash flow statement for the previous fiscal year.

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 the 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 at March 31, 2022

Carrying amounts, fair values and differences between carrying amounts and fair values of relevant items are as follows:

	Carrying value	Fair value	Difference
	Millions of yen		
At March 31, 2022:			
(1) Investment securities:			
Marketable securities			
(*2)	¥ 8,415	¥ 8,415	¥ -
Total assets	¥ 8,415	¥ 8,415	¥ -
(1) Long-term debt (*3)	¥ 27,311	¥ 27,300	¥ (11)
(2) Guarantee deposits received:			
Deposits for golf courses	2,065	1,779	(286)
Total liabilities	¥ 29,376	¥ 29,079	¥ (297)

	Carrying value	Fair value	Difference
	Thousands of U.S. dollars		
At March 31, 2022:			
(1) Investment securities:			
Marketable securities			
(*2)	\$ 68,975	\$ 68,975	\$ -
Total assets	\$ 68,975	\$ 68,975	\$ -
(1) Long-term debt (*3)	\$ 223,860	\$ 223,770	\$ (90)
(2) Guarantee deposits received:			
Deposits for golf courses	16,927	14,582	(2,345)
Total liabilities	\$ 240,787	\$ 238,352	\$ (2,435)

(*1) Deposits and short-term receivables and payables are omitted because their fair values approximate their book values.

(*2) Nonmarketable securities (consolidated balance sheet amount: ¥495million (\$4,058 thousand)), stocks of nonconsolidated subsidiaries and affiliates (consolidated balance sheet amount: ¥7,643million (\$62,648 thousand)) are not included in "(1) Investment securities: Marketable securities".

(*3) Derivatives are used for certain long-term debt, and hedge accounting is applied. For derivative transactions, the contract amount or principal equivalent amount determined in the contract at the consolidated closing date for each method of hedge accounting is as follows. The market value is calculated based on the prices presented by the financial institutions.

	Millions of yen	Thousands of U.S. dollars
	2022	2022
Contract amount	¥ 2,000	\$ 16,393
Contract amount due after one year included in	2,000	16,393
Fair value	6	49

Note 1. 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	
	Millions of yen		Thousands of U.S. dollars	
	2022		2022	
Cash and cash equivalents	¥ 13,737	¥ -	\$ 112,598	\$ -
Short-term investments	830	-	6,803	-
Notes receivable	399	-	3,271	-
Trade receivables	16,511	-	135,336	-
Total	¥ 31,477	¥ -	\$ 258,008	\$ -

(c) Fair value information for financial instruments by level of inputs

Based on the observability and the significance of the inputs used to determine fair values, fair value information for financial instruments is presented by categorizing measurements into the following three levels:

Level 1 fair value: fair value measured by quoted prices of identical assets or liabilities in active markets.

Level 2 fair value: fair value measured using observable inputs other than Level 1.

Level 3 fair value: fair value measured using unobservable inputs.

When multiple inputs from different levels are used in measuring fair value, the Company and its subsidiaries classify the fair values at the lowest level from which inputs are used.

		Fair value			
		Millions of yen			
		Level 1	Level 2	Level 3	Total
At March 31, 2022:					
(1) Investment securities:					
Marketable securities					
Equity securities	¥	8,405	¥ -	¥ -	¥ 8,405
Total assets	¥	<u>8,405</u>	¥ <u>-</u>	¥ <u>-</u>	¥ <u>8,405</u>
(1) Long-term debt	¥	-	¥ 27,300	¥ -	¥ 27,300
(2) Guarantee deposits received: Deposits for golf courses					
Total liabilities	¥	-	<u>1,779</u>	-	<u>1,779</u>
	¥	-	¥ <u>29,079</u>	¥ -	¥ <u>29,079</u>

		Fair value			
		Thousands of U.S. dollars			
		Level 1	Level 2	Level 3	Total
At March 31, 2022:					
(1) Investment securities:					
Marketable securities					
Equity securities	\$	68,893	\$ -	\$ -	\$ 68,893
Total assets	\$	<u>68,893</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>68,893</u>
(1) Long-term debt	\$	-	\$ 223,700	\$ -	\$ 223,700
(2) Guarantee deposits received: Deposits for golf courses					
Total liabilities	\$	-	<u>14,582</u>	-	<u>14,582</u>
	\$	-	\$ <u>238,352</u>	\$ -	\$ <u>238,352</u>

(Note) Valuation techniques and inputs used in measuring fair values

Long-term debt

The total amount of principal and interest is calculated by the discounted present value method based on the interest rate, with credit risk added, in accordance with the remaining period of the debt, and is classified as Level 2 fair value. Long-term loans payable with floating interest rates are subject to the special treatment of interest rate swaps and are calculated using the total amount of principal and interest processed together with the interest rate swaps.

Deposits for golf courses

Deposits for golf courses are calculated using the discounted present value method based on future cash flows calculated based on an assumed repayment period and interest rates that take credit risk into account and are classified as Level 2 fair value.

(d) Fair values of financial instruments at March 31, 2021

The carrying values of financial instruments included in the consolidated balance sheets and their fair values at March 31, 2021 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

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, derivative transactions to which hedge accounting was not applied comprised a derivative contract related to earthquakes with an outstanding contract amount of ¥400 million. 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	
	<u>2021</u>	
Contract amount (*1)	¥	2,000
Contract amount due after one year included in (*1)		2,000
Fair value		(5)

(*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	
	<u>2021</u>	
Nonmarketable securities (*1)	¥	495
Stocks of nonconsolidated subsidiaries and affiliates (*1)		7,208
Guarantee deposits received (*2)		2,245
Derivative related to earthquakes (*3)		22

(*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, the Company entered into a derivative contract related to earthquakes for hedging purposes. At March 31, 2021, the outstanding contract amount was ¥400 million. 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	
	Millions of yen			
	<u>2021</u>			
Cash and cash equivalents	¥	12,314	¥	-
Short-term investments		1,038		-
Trade receivables		15,720		-
Total	¥	<u>29,072</u>	¥	<u>-</u>

4. Investments

At March 31, 2022 and 2021, short-term investments consisted of time deposits with an original maturity of more than three months.

At March 31, 2022 and 2021, investment securities consisted of the following.

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Marketable securities:			
Equity securities	¥ 8,405	¥ 8,093	\$ 68,893
Other	10	10	82
	<u>8,415</u>	<u>8,103</u>	<u>68,975</u>
Other nonmarketable securities	495	495	4,058
	<u>¥ 8,910</u>	<u>¥ 8,598</u>	<u>\$ 73,033</u>

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, 2022 and 2021, 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, 2022:				
Equity securities	¥ 4,423	¥ 4,103	¥ (121)	¥ 8,405
Other	8	2	-	10
	<u>¥ 4,431</u>	<u>¥ 4,105</u>	<u>¥ (121)</u>	<u>¥ 8,415</u>
Available-for-sale securities at March 31, 2021:				
Equity securities	¥ 4,399	¥ 3,803	¥ (109)	¥ 8,093
Other	8	2	-	10
	<u>¥ 4,407</u>	<u>¥ 3,805</u>	<u>¥ (109)</u>	<u>¥ 8,103</u>
	Cost	Gross unrealized gains	Gross unrealized losses	Fair and carrying value
	Thousands of U.S. dollars			
Available-for-sale securities at March 31, 2022:				
Equity securities	\$ 36,254	\$ 33,631	\$ (992)	\$ 68,893
Other	66	16	-	82
	<u>\$ 36,320</u>	<u>\$ 33,647</u>	<u>\$ (992)</u>	<u>\$ 68,975</u>

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

At March 31, 2022 and 2021, short-term borrowings consisted of the following.

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Unsecured short-term bank loans and bank overdrafts with interest rates ranging from 0.05% to 0.335% per annum at March 31, 2022	¥ 2,370	¥ 2,370	\$ 19,426

At March 31, 2022 and 2021, long-term debt consisted of the following.

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Unsecured long-term loans from banks and other financial institutions due through 2028 with interest rates ranging from 0.128% to 2.375% per annum at March 31, 2022	27,311	29,783	223,860
Less portions with current maturities	(7,894)	(3,372)	(64,705)
	<u>¥ 19,417</u>	<u>¥ 26,411</u>	<u>\$ 159,155</u>

The aggregate amounts of long-term debt due annually at March 31, 2022 were as follows.

<u>Year ending March 31,</u>	Millions of yen	Thousands of U.S. dollars
2023	¥ 7,894	\$ 64,705
2024	4,319	35,401
2025	1,119	9,172
2026	807	6,615
2027	7,822	64,115
2028 and thereafter	5,350	43,852
	<u>¥ 27,311</u>	<u>\$ 223,860</u>

At March 31, 2022, aggregate amounts of long-term lease obligations included in other current liabilities and other long-term liabilities due annually were as follows.

<u>Year ending March 31,</u>	Millions of yen	Thousands of U.S. dollars
2023	¥ 302	\$ 2,475
2024	218	1,787
2025	86	705
2026	26	213
2027	8	66
2028 and thereafter	2	16
	<u>¥ 642</u>	<u>\$ 5,262</u>

At March 31, 2022 and 2021, the following assets were pledged as collateral for current and noncurrent payables.

	Millions of yen		Thousands of
	2022	2021	U.S. dollars
Buildings	¥ 4,709	¥ 4,967	\$ 38,598

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, 2022 and 2021.

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

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Movement in retirement benefit obligations:			
Balance at beginning of year	¥ 8,293	¥ 8,361	\$ 67,975
Service cost	419	429	3,434
Interest cost	11	11	90
Actuarial differences	(69)	(196)	(565)
Benefits paid	(398)	(310)	(3,262)
Other	3	(2)	25
Balance at end of year	<u>¥ 8,259</u>	<u>¥ 8,293</u>	<u>\$ 67,697</u>

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Movement in plan assets:			
Balance at beginning of year	¥ 10,901	¥ 9,652	\$ 89,353
Expected return on plan assets	219	194	1,795
Actuarial differences	57	1,069	467
Contributions paid by the employer	274	272	2,246
Benefits paid	(361)	(285)	(2,959)
Other	2	(1)	16
Balance at end of year	<u>¥ 11,092</u>	<u>¥ 10,901</u>	<u>\$ 90,918</u>

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Reconciliation from retirement benefit obligations and plan assets to liability (asset) for retirement benefits:			
Funded retirement benefit obligations	¥ 7,164	¥ 7,218	\$ 58,721
Plan assets	(11,092)	(10,901)	(90,918)
	<u>¥ (3,928)</u>	<u>¥ (3,683)</u>	<u>\$ (32,197)</u>
Unfunded retirement benefit obligations	1,095	1,075	8,976
Total net liability (asset) for employee retirement benefits at end of year	<u>¥ (2,833)</u>	<u>¥ (2,608)</u>	<u>\$ (23,221)</u>
Employee retirement benefit liability	1,103	1,089	9,041
Employee retirement benefit asset	(3,936)	(3,697)	(32,262)
Total net liability (asset) for retirement benefits at end of year	<u>¥ (2,833)</u>	<u>¥ (2,608)</u>	<u>\$ (23,221)</u>

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Retirement benefit costs:			
Service cost	¥ 419	¥ 429	\$ 3,434
Interest cost	11	11	90
Expected return on plan assets	(219)	(194)	(1,795)
Actuarial differences amortization	(102)	50	(836)
Total retirement benefit costs for the year	¥ 109	¥ 296	\$ 893

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Retirement benefit adjustment, before taxes, included in other comprehensive income:			
Actuarial differences	¥ (24)	¥ (1,315)	\$ (196)
Total balance at end of year	¥ (24)	¥ (1,315)	\$ (196)

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Retirement benefit adjustment, before taxes, included in accumulated other comprehensive income:			
Actuarial differences that are yet to be recognized	¥ (789)	¥ (765)	\$ (6,467)
Total balance at end of year	¥ (789)	¥ (765)	\$ (6,467)

Plan assets:

	2022	2021
(1) Plan assets:		
Bonds	24%	21%
Equity securities	34%	28%
General account	3%	3%
Commingled funds	23%	25%
Other	16%	23%
Total	100%	100%

At March 31, 2022 and 2021, assets under the retirement benefit trust set up for corporate pension plans accounted for 29% and 27% of the total plan assets, respectively.

Commingled funds consisted of bonds (60%) and equity securities (40%) at March 31, 2022 and consisted of bonds (60%) and equity securities (40%) at March 31, 2021.

(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, 2022 and 2021 expressed as weighted averages.

	2022	2021
Discount rate	0.2%	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
	2022	2021	2022
Movement in liability for retirement benefits:			
Balance at beginning of year	¥ 993	¥ 965	\$ 8,139
Retirement benefit costs	194	182	1,590
Benefits paid	(84)	(51)	(688)
Contributions paid by the employer	(103)	(102)	(844)
Other	-	(1)	-
Balance at end of year	¥ 1,000	¥ 993	\$ 8,197

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Reconciliation from retirement benefit obligations and plan assets to liability (asset) for retirement benefits:			
Funded retirement benefit obligations	¥ 2,364	¥ 2,308	\$ 19,377
Plan assets	(1,597)	(1,545)	(13,090)
	¥ 767	¥ 763	\$ 6,287
Unfunded retirement benefit obligations	233	230	1,910
Total net liability (asset) for employee retirement benefits at end of year	¥ 1,000	¥ 993	\$ 8,197
Employee retirement benefit liability	1,025	1,018	8,402
Employee retirement benefit asset	(25)	(25)	(205)
Total net liability (asset) for retirement benefit at end of year	¥ 1,000	¥ 993	\$ 8,197

Total retirement benefit costs for the fiscal years ended March 31, 2022 and 2021 based on the simplified method were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
	¥ 194	¥ 182	\$ 1,590

Defined contribution plan:

For the years ended March 31, 2022 and 2021, the required contribution of the consolidated subsidiaries to the defined contribution plan amounted to ¥37 million (\$303 thousand) and ¥35 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, 2022 and 2021, 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 (\$9,836 thousand) at both March 31, 2022 and 2021.

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, 2022, the Company paid interim dividends of ¥5.0 per share amounting to ¥322 million (\$2,639 thousand). In addition, at the annual shareholders' meeting held on June 29, 2022, the shareholders approved cash dividends of ¥5.5 per share amounting to ¥354 million (\$2,902 thousand). These appropriations had not been accrued in the consolidated financial statements as of March 31, 2022 as such appropriations are recognized in the period in which they are approved by the shareholders.

8. Contingent Liabilities

At March 31, 2022 and 2021, the Japan Transcity Group was contingently liable for reserved guarantees of indebtedness of a certain unconsolidated subsidiary in the amount of ¥655 million (\$5,369 thousand) and ¥532 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, 2022 and 2021 were as follows.

	Millions of yen		Thousands of
	2022	2021	U.S. dollars
Operating leases:			2022
Due within one year	¥ 1,657	¥ 1,790	\$ 13,582
Due after one year	1,737	2,517	14,238
	<u>¥ 3,394</u>	<u>¥ 4,307</u>	<u>\$ 27,820</u>

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, 2022 and 2021 were as follows.

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Deferred tax assets:			
Enterprise tax accruals	¥ 64	¥ 68	\$ 525
Accrued bonuses to employees	366	358	3,000
Employee retirement benefit liability	337	334	2,762
Intercompany capital gains	245	243	2,008
Tax loss carryforwards (Note 1)	71	486	582
Impairment loss on fixed assets	19	16	156
Others	576	535	4,721
Subtotal	1,678	2,040	13,754
Valuation allowance for tax loss carryforwards (Note 1)	(71)	(88)	(582)
Valuation allowance for deductible temporary differences	(109)	(135)	(893)
Less valuation allowance	(180)	(223)	(1,475)
Deferred tax assets	1,498	1,817	12,279
Deferred tax liabilities:			
Employee retirement benefit asset	(128)	(78)	(1,049)
Deferred capital gain	(524)	(524)	(4,295)
Unrealized gains on available-for-sale securities	(1,217)	(1,131)	(9,976)
Others	(774)	(725)	(6,344)
Deferred tax liabilities	(2,643)	(2,458)	(21,664)
Net deferred tax liabilities	¥ (1,145)	¥ (641)	\$ (9,385)

(Note 1) Details of deferred tax assets for tax loss carryforwards by respective expiration periods at March 31, 2022 and 2021 were as follows:

	2023	2024	2025	2026	2027	2028 and thereafter	Total
For the year ended March 31, 2022:							
	Millions of yen						
Tax loss carryforwards (*1)	¥ 2	-	¥ 4	¥ 7	¥ 9	¥ 49	¥ 71
Valuation allowance	(2)	-	(4)	(7)	(9)	(49)	(71)
Net deferred tax assets	-	-	-	-	-	-	-
	Thousands of U.S. dollars						
Tax loss carryforwards (*1)	\$ 16	-	\$ 33	\$ 57	\$ 74	\$ 402	\$ 582
Valuation allowance	(16)	-	(33)	(57)	(74)	(402)	(582)
Net deferred tax assets	-	-	-	-	-	-	-

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

	2022	2023	2024	2025	2026	2027 and thereafter	Total
For the year ended March 31, 2021:							
	Millions of yen						
Tax loss carryforwards (*2)	¥ 4	¥ 1	-	¥ 14	¥ 12	¥ 455	¥ 486
Valuation allowance	(4)	(1)	-	(14)	(12)	(57)	(88)
Net deferred tax assets	-	-	-	-	-	¥ 398	(*3)¥ 398

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

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

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, 2022 and 2021, 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, 2022 and 2021 were as follows.

Percentage of pre-tax income:	2022	2021
Japanese statutory tax rate	30.2%	30.2%
Increase (decrease) due to:		
Permanently nondeductible expenses	0.3	0.5
Tax exempt income	(1.5)	(2.3)
Local minimum taxes per capita levy	0.5	0.8
Effect of elimination of dividend income from subsidiaries for consolidation purpose	1.8	2.8
Equity in net earnings of unconsolidated subsidiaries and affiliates	(3.3)	(3.5)
Valuation allowance	(0.2)	(24.4)
Others	(0.5)	(0.2)
Effective income tax rate	27.3%	3.9%

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, 2022 and 2021 were as follows.

	Millions of yen		Thousands of
	2022	2021	U.S. dollars
Net unrealized gains on available-for-sale securities:			2022
Increase during the year	¥ 290	¥ 1,713	\$ 2,377
Reclassification adjustments to profit or loss	(2)	-	(16)
Subtotal, before tax	288	1,713	2,361
Tax expense	(86)	(524)	(705)
Subtotal, net of tax	202	1,189	1,656
Foreign currency translation adjustments:			
Increase (Decrease) during the year	256	(246)	2,099
Retirement benefit adjustment:			
Increase during the year	126	1,265	1,032
Reclassification adjustments to profit or loss	(102)	50	(836)
Subtotal, before tax	24	1,315	196
Tax expense	(7)	(397)	(57)
Subtotal, net of tax	17	918	139
Share of other comprehensive income of unconsolidated subsidiaries and affiliates accounted for using equity method:			
Increase during the year	17	-	139
Total other comprehensive income	¥ 492	¥ 1,861	\$ 4,033

12. Related Party Transactions

There were related party transactions in connection with TAIYU KENSETSU CO., LTD. The transaction prices were determined by negotiation based on estimated amounts of transactions with other companies. At March 31, 2022, related party transactions were as follows.

	Millions of yen		Thousands of U.S. dollars	
	2022		2022	
Officers of the Company and their relatives (Equipment renovation work)				
Transaction amounts	¥	187	\$	1,533
Balance at end of period	¥	12	\$	98

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, 2022 and 2021 as follows:

	Millions of yen		Thousands of U.S. dollars	
	2022	2021	2022	
Total current assets	¥ 2,545	¥ 1,799	\$	20,861
Total fixed assets	8,475	8,561		69,467
Total current liabilities	¥ 846	¥ 790	\$	6,934
Total fixed liabilities	86	20		705
Total net assets	10,088	9,550		82,689
Operating revenue	¥ 3,425	¥ 3,281	\$	28,074
Income before income taxes	1,381	1,209		11,320
Net income	963	843		7,893

13. Revenue Recognition

(a) Revenue from contracts with customers

	Warehousing	Stevedoring	Domestic transportation	International multimodal transportation	Sub total	Others	Total
	Millions of yen						
At March 31, 2022:							
Revenue from contracts with customers	¥ 42,229	¥ 22,794	¥ 18,962	¥ 30,982	¥ 114,967	¥ 923	¥ 115,890
Other revenue	-	-	-	558	558	302	860
Revenue to external customers	¥ 42,229	¥ 22,794	¥ 18,962	¥ 31,540	¥ 115,525	¥ 1,225	¥ 116,750
	Warehousing	Stevedoring	Domestic transportation	International multimodal transportation	Sub total	Others	Total
	Thousands of U.S. dollars						
At March 31, 2022:							
Revenue from contracts with customers	\$ 346,139	\$ 186,836	\$ 155,426	\$ 253,951	\$ 942,352	\$ 7,566	\$ 949,918
Other revenue	-	-	-	4,574	4,574	2,475	7,049
Revenue to external customers	\$ 346,139	\$ 186,836	\$ 155,426	\$ 258,525	\$ 946,926	\$ 10,041	\$ 956,967

(b) Basic information for understanding revenue from contracts with customers

The Japan Transcity Group provides mainly integrated logistics services, including warehousing, stevedoring, domestic transportation and international multimodal transportation. The details of these main performance obligations and the timing of revenue recognition are as follows.

① Warehousing

In the warehousing business, goods deposited by customers are stored in warehouses and storage fees are received as compensation. In addition, the Japan Transcity Group carries out warehousing, delivery and value-added services of deposited goods in connection with its storage operations and receives cargo handling charges, delivery charges and value-added service charges as compensation.

With respect to storage operations, revenue is recognized over the period of time from when the contract is concluded to the satisfaction of the performance obligations and transfer of services to the customer.

With respect to performance obligations related to operations other than storage operations, if the contract provides for the provision of services over a certain period of time, revenue is recognized in accordance with the period over which the service is provided. If the contract provides for service compensation in accordance with the amount of goods, revenue is recognized in accordance with the amount of goods in accordance with the progress of the provision of services.

② Stevedoring

The stevedoring business connects marine transportation and land transportation at ports and harbors. In the Japan Transcity Group, we conduct cargo loading and unloading operations and cargo handling operations that require licenses from the Ministry of Land, Infrastructure, Transport and Tourism, as well as related businesses.

These operations represent performance obligations related to work involving the movement of customers' goods into and out of Japan, and revenue is recognized in proportion to the volume of work handled under contracts to transfer services to customers as work progresses.

③ Domestic transportation and international multimodal transportation

In the domestic transportation business, vehicles and railways are used to transport goods in Japan. In addition, in the international multimodal transport business, import and export cargo is transported from the designated place of the consignor to the designated place of the consignee using the most appropriate means of transportation with the responsibility maintained throughout the transportation.

Revenue is recognized over a period of time as under contracts to transfer services to a customer as the performance obligations are satisfied, and the method of estimating the rate of progress in satisfying the performance obligations is based mainly on the estimated number of days of transportation. Revenue is recognized at a certain point in time for shipments for which the period from the start of service provision to the fulfillment of the performance obligations is significantly short.

The transaction price is measured in terms of the amount expected to be received in exchange for the promised goods or services when control of those goods or services is transferred to the customer. Consideration for the transaction is received within one year of the fulfillment of the performance obligations and does not include significant financial factors. The Japan Transcity Group does not have contracts that require the allocation of transaction prices because it determines prices by providing customers with estimates corresponding to each performance obligation.

(c) Balance of contract assets and contract liabilities

	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
At April 1, 2021:		
Trade receivables from contracts with customers	¥ 15,286	\$ 125,295
Contract assets	434	3,557
Contract liabilities	<u>297</u>	<u>2,434</u>
At March 31, 2022:		
Trade receivables from contracts with customers	¥ 16,910	\$ 138,607
Contract assets	1,216	9,967
Contract liabilities	627	5,139

In the Japan Transcity Group, there were no significant transactions with an initial contract period of more than one year.

14. 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, stevedoring, domestic transportation 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, 2022 and 2021 is as follows.

	Integrated Logistics Services	Others	Total	Adjustment	Consolidated
	Millions of yen				
For the year ended March 31, 2022:					
Operating revenue:					
External customers	¥ 115,525	¥ 1,225	¥ 116,750	¥ -	¥ 116,750
Intersegment sales	46	1,443	1,489	(1,489)	-
Total operating revenue	115,571	2,668	118,239	(1,489)	116,750
Operating income	¥ 6,330	¥ 366	¥ 6,696	¥ (27)	¥ 6,669
Identifiable assets	¥ 127,124	¥ 6,845	¥ 133,969	¥ (4,083)	¥ 129,886
Depreciation	4,470	47	4,517	-	4,517
Investments in unconsolidated subsidiaries and affiliates accounted for using the equity method	7,381	-	7,381	-	7,381
Impairment loss on fixed assets	53	-	53	-	53
Capital expenditures	2,948	335	3,283	-	3,283
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

	Integrated Logistics Services	Others	Total	Adjustment	Consolidated
Thousands of U.S. dollars					
For the year ended March 31, 2022:					
Operating revenue:					
External customers	\$ 946,926	\$ 10,041	\$ 956,967	\$ -	\$ 956,967
Intersegment sales	377	11,828	12,205	(12,205)	-
Total operating revenue	947,303	21,869	969,172	(12,205)	956,967
Operating income	\$ 51,885	\$ 3,000	\$ 54,885	\$ (221)	\$ 54,664
Identifiable assets	\$ 1,042,000	\$ 56,106	\$ 1,098,106	\$ (33,467)	\$ 1,064,639
Depreciation	36,640	385	37,025	-	37,025
Investments in unconsolidated subsidiaries and affiliates accounted for using the equity method	60,500	-	60,500	-	60,500
Impairment loss on fixed assets	435	-	435	-	435
Capital expenditures	24,164	2,746	26,910	-	26,910

(Related information)

1. Information about products and services of “Integrated Logistic Services”

	Warehousing	Stevedoring	Domestic transportation	International multimodal transportation	Total
Millions of yen					
Operating revenue to external customers:					
For the year ended March 31, 2022	¥ 42,229	¥ 22,794	¥ 18,962	¥ 31,540	¥ 115,525
For the year ended March 31, 2021	42,234	21,234	18,168	18,544	100,180

	Thousands of U.S. dollars				
Operating revenue to external customers:					
For the year ended March 31, 2022	\$ 346,139	\$ 186,836	\$ 155,426	\$ 258,525	\$ 946,926

2. Information about geographic areas

(1) Operating revenue

For the year ended March 31, 2021, the Company has 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.

For the year ended March 31, 2022, operating revenue by geographic area is as follows.

	Japan	America	Other	Total
Millions of yen				
For the year ended March 31, 2022:				
Operating revenue	¥ 97,912	¥ 11,985	¥ 6,853	¥ 116,750
Thousands of U.S. dollars				
For the year ended March 31, 2022:				
Operating revenue	\$ 802,557	\$ 98,238	\$ 56,172	\$ 956,967

(2) Property and equipment

Both at March 31, 2022 and 2021, 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, 2022 and 2021, 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
	2022	2021	2022
Current assets:			
Cash and cash equivalents	¥ 10,202	¥ 9,530	\$ 83,623
Short-term investments	6	6	49
Trade receivables, net of allowance for doubtful accounts	15,349	14,304	125,812
Inventories	82	71	672
Other current assets	3,228	1,710	26,459
Total current assets	<u>28,867</u>	<u>25,621</u>	<u>236,615</u>
Property and equipment, at cost	103,848	103,180	851,213
Less accumulated depreciation	<u>(47,357)</u>	<u>(45,558)</u>	<u>(388,172)</u>
Net property and equipment	<u>56,491</u>	<u>57,622</u>	<u>463,041</u>
Investments and other assets:			
Investment securities	8,115	7,791	66,516
Investments in and long-term loans to subsidiaries and affiliates	4,532	4,555	37,147
Prepaid pension cost	3,132	2,875	25,672
Other assets	1,859	2,129	15,238
Allowance for doubtful accounts	(6)	(6)	(49)
Total investments and other assets	<u>17,632</u>	<u>17,344</u>	<u>144,524</u>
Total assets	<u>¥ 102,990</u>	<u>¥ 100,587</u>	<u>\$ 844,180</u>

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Current liabilities:			
Short-term borrowings	¥ 12,312	¥ 12,629	\$ 100,918
Current maturities of long-term debt	7,619	1,947	62,451
Trade payables	7,598	7,716	62,278
Accrued expenses	903	889	7,402
Income taxes payable	791	653	6,484
Other current liabilities	2,228	1,958	18,262
Total current liabilities	31,451	25,792	257,795
Long-term liabilities:			
Long-term debt	15,254	22,773	125,033
Employee retirement benefit liability	1,072	1,016	8,787
Deferred tax liabilities for revaluation	3,695	828	30,287
Deferred tax liabilities	1,323	3,706	10,844
Other long-term liabilities	268	272	2,197
Total long-term liabilities	21,612	28,595	177,148
Total liabilities	53,063	54,387	434,943
Net assets:			
Shareholders' equity:			
Common stock	8,428	8,428	69,082
Capital surplus	6,794	6,762	55,688
Retained earnings	34,643	31,208	283,959
Less treasury stock, at cost	(1,119)	(1,186)	(9,172)
Total shareholders' equity	48,746	45,212	399,557
Accumulated gains (losses) from valuation adjustment:			
Net unrealized gains on available-for-sale securities	2,545	2,327	20,860
Land revaluation decrement	(1,364)	(1,339)	(11,180)
Total accumulated gains from valuation adjustment	1,181	988	9,680
Total net assets	49,927	46,200	409,237
Total liabilities and net assets	¥ 102,990	¥ 100,587	\$ 844,180

Nonconsolidated Statements of Income
Japan Transcity Corporation (Parent)
For the Years Ended March 31, 2022 and 2021

	Millions of yen		Thousands of
	2022	2021	U.S. dollars
Operating revenue	¥ 98,051	¥ 89,195	\$ 803,696
Operating costs and expenses	93,335	86,113	765,041
Operating income	4,716	3,082	38,655
Other income (expenses):			
Interest and dividend income	982	719	8,049
Interest expense	(99)	(109)	(811)
(Loss) gain on sale or disposal of property and equipment, net	(255)	(73)	(2,090)
Loss on liquidation of subsidiaries and associates	-	(1,279)	-
Miscellaneous, net	378	115	3,098
	1,006	(627)	8,246
Income before income taxes	5,722	2,455	46,901
Income taxes:			
Current	1,268	969	10,393
Deferred	390	(1,155)	3,197
Total income taxes	1,658	(186)	13,590
Net income	¥ 4,064	¥ 2,641	\$ 33,311
Per share:			
Net income	¥ 63.27	¥ 41.19	\$ 0.52
Cash dividends	10.50	10.00	0.09

Nonconsolidated Statements of Changes in Net Assets
Japan Transcity Corporation (Parent)
For the Years Ended March 31, 2022 and 2021

	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 from valuation adjustment	Total net assets	
	Millions of yen									
Balance at April 1, 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)	
Reversal of land revaluation decrement	-	-	-	-	-	-	-	-	-	
Net changes other than 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	
Cumulative effects of changes in accounting policies	-	-	(13)	-	(13)	-	-	-	(13)	
Restated balance	8,428	6,762	31,195	(1,186)	45,199	2,327	(1,339)	988	46,187	
Net income for the year	-	-	4,064	-	4,064	-	-	-	4,064	
Cash dividends	-	-	(642)	-	(642)	-	-	-	(642)	
Disposal of treasury stock and fractional shares, net of purchase	-	32	-	67	99	-	-	-	99	
Reversal of land revaluation decrement	-	-	26	-	26	-	-	-	26	
Net changes other than changes in shareholders' equity	-	-	-	-	-	218	(25)	193	193	
Balance at March 31, 2022	¥ 8,428	¥ 6,794	¥ 34,643	¥ (1,119)	¥ 48,746	¥ 2,545	¥ (1,364)	¥ 1,181	¥ 49,927	
	Thousands of U.S. dollars									
Balance at March 31, 2021	\$ 69,082	\$ 55,426	\$ 255,803	\$ (9,721)	\$ 370,590	\$ 19,073	\$ (10,975)	\$ 8,098	\$ 378,688	
Cumulative effects of changes in accounting policies	-	-	(107)	-	(107)	-	-	-	(107)	
Restated balance	69,082	55,426	255,697	(9,721)	370,484	19,073	(10,975)	8,098	378,582	
Net income for the year	-	-	33,311	-	33,311	-	-	-	33,311	
Cash dividends	-	-	(5,262)	-	(5,262)	-	-	-	(5,262)	
Disposal of treasury stock and fractional shares, net of purchase	-	262	-	549	811	-	-	-	811	
Reversal of land revaluation decrement	-	-	213	-	213	-	-	-	213	
Net changes other than changes in shareholders' equity	-	-	-	-	-	1,787	(205)	1,582	1,582	
Balance at March 31, 2022	\$ 69,082	\$ 55,688	\$ 283,959	\$ (9,172)	\$ 399,557	\$ 20,860	\$ (11,180)	\$ 9,680	\$ 409,237	