Consolidated Financial Statements

Japan Transcity Corporation

For the Years ended March 31,
2023 and 2022
Together with Independent
Auditors' Report

KPMG AZSA LLC
July 2023

KPMG

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, 2023 and 2022, 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, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Key Audit Matters

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

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 stevedoring, domestic transportation and	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:

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 ¥132,134 million for the year ended March 31, 2023, representing approximately 98.6% of total operating revenue. As described in Notes to Consolidated Financial Statements Note 2(l), "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 for the current fiscal year and, accordingly, a key audit matter.	**(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 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.

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 exsit.

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, 2023 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 of the Notes to Consolidated Financial Statements.

Interest Required to be Disclosed by the Certified Public Accountants Act of Japan

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

Kuniyoshi Iwata

Designated Engagement Partner

Certified Public Accountant

Masaki Yamada

Masaki Yamada

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Nagoya Office, Japan

July 31, 2023

Japan Transcity Corporation and Consolidated Subsidiaries
Consolidated Balance Sheets
March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Current assets:			
Cash and cash equivalents (Note 3)	¥ 19,515	¥ 13,737	$ 146,729
Short-term investments (Notes 3 and 4)	299	830	2,248
Notes and accounts receivable trade and contract assets (Note 3 and 13)	18,718	18,126	140,737
Allowance for doubtful accounts	(67)	(82)	(504)
	18,651	18,044	140,233
Inventories	206	183	1,549
Other current assets	2,906	3,200	21,850
Total current assets	41,577	35,994	312,609
Property and equipment:			
Land	32,292	32,269	242,797
Buildings and structures (Note 5)	79,064	78,162	594,466
Machinery and equipment	9,212	8,947	69,263
Vehicles and vessels	8,757	8,546	65,842
Construction in progress	983	365	7,391
Other	9,229	8,120	69,391
Total property and equipment	139,537	136,409	1,049,150
Less accumulated depreciation	(68,901)	(65,909)	(518,052)
Net property and equipment	70,636	70,500	531,098
Investments and other assets:			
Investment securities (Notes 3 and 4)	9,619	8,910	72,323
Investments in unconsolidated subsidiaries and affiliates (Note 3)	8,101	7,643	60,910
Employee retirement benefit asset (Note 6)	4,125	3,961	31,015
Deferred tax assets (Note 10)	913	863	6,865
Other assets	2,206	2,030	16,586
Allowance for doubtful accounts	(12)	(15)	(90)
Total investments and other assets	24,952	23,392	187,609
Total assets	¥ 137,165	¥ 129,886	$ 1,031,316

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Current liabilities:			
Short-term borrowings (Notes 3 and 5)	¥ 2,458	¥ 2,370	$ 18,481
Current maturities of long-term debt (Notes 3 and 5)	5,174	7,894	38,903
Trade payables (Note 3)	10,472	10,045	78,737
Accrued expenses	1,947	1,845	14,639
Income taxes payable	1,417	985	10,654
Other current liabilities (Note 5 and 13)	3,660	3,343	27,519
Total current liabilities	25,128	26,482	188,933
Long-term liabilities:			
Long-term debt (Notes 3 and 5)	20,043	19,417	150,699
Employee retirement benefit liability (Note 6)	2,134	2,128	16,045
Guarantee deposits received (Note 3)	2,075	2,168	15,602
Deferred tax liabilities for revaluation	3,695	3,695	27,782
Deferred tax liabilities (Note 10)	2,155	2,008	16,203
Other long-term liabilities (Note 5)	2,194	1,209	16,496
Total long-term liabilities	32,296	30,625	242,827
Total liabilities	57,424	57,107	431,760
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	63,368
Capital surplus	6,823	6,822	51,301
Retained earnings	59,332	53,884	446,105
Less treasury stock, at cost: 2,897,602 shares in 2023 and 2,838,228 shares in 2022	(1,155)	(1,119)	(8,684)
Total shareholders' equity	73,428	68,015	552,090
Accumulated other comprehensive income:			
Net unrealized gains on available-for-sale securities	3,143	2,710	23,632
Land revaluation decrement	(1,364)	(1,364)	(10,256)
Foreign currency translation adjustments	822	297	6,180
Retirement benefit adjustment (Note 6)	580	551	4,361
Total accumulated other comprehensive income	3,181	2,194	23,917
Noncontrolling interests	3,132	2,570	23,549
Total net assets	79,741	72,779	599,556
Total liabilities and net assets	¥ 137,165	¥ 129,886	$ 1,031,316

See accompanying Notes to Consolidated Financial Statements.

Japan Transcity Corporation and Consolidated Subsidiaries
Consolidated Statements of Income
For the Years Ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Operating revenue (Note 13 and 14)	¥ 134,064	¥ 116,750	$ 1,008,000
Operating costs and expenses			
(Notes 6 and 9)	126,814	110,081	953,489
Operating income	7,250	6,669	54,511
Other income (expenses):			
Interest and dividend income	485	517	3,647
Interest expense	(109)	(115)	(820)
Equity in net earnings of unconsolidated subsidiaries and affiliates	950	873	7,143
Loss on sale or disposal of property and equipment, net	(56)	(245)	(421)
Impairment loss on fixed assets	-	(53)	-
Others, net	430	426	3,233
	1,700	1,403	12,782
Income before income taxes	8,950	8,072	67,293
Income taxes (Note 10):			
Current	2,518	1,806	18,932
Deferred	(99)	401	(744)
Total income taxes	2,419	2,207	18,188
Net income	6,531	5,865	49,105
Net income attributable to noncontrolling interests	374	267	2,812
Net income attributable to owners of the Company	¥ 6,157	¥ 5,598	$ 46,293

	Yen		U.S. dollars
Per share:			
Net income	¥ 95.76	¥ 87.14	$ 0.72
Cash dividends (Note 7)	11.5	10.50	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, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Net income	¥ 6,531	¥ 5,865	$ 49,105
Other comprehensive income (Note 11):			
Net unrealized gains on available-for-sale securities	434	202	3,263
Foreign currency translation adjustments	688	256	5,173
Retirement benefit adjustment	29	17	218
Share of other comprehensive income of unconsolidated subsidiaries and affiliates accounted for using equity method	28	17	211
Total other comprehensive income	1,179	492	8,865
Comprehensive income	¥ 7,710	¥ 6,357	$ 57,970
Comprehensive income attributable to:			
Owners of the Company	¥ 7,144	¥ 6,070	$ 53,714
Noncontrolling interests	566	287	4,256

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, 2023 and 2022

		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, 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
Cumulative effects of changes in accounting policies	-	-	-	(2)	-	(2)	-	-	-	-	-	-	(2)
Restated balance	-	8,428	6,822	53,882	(1,119)	68,013	2,710	(1,364)	297	551	2,194	2,570	72,777
Net income attributable to owners of the Company	-	-	-	6,157	-	6,157	-	-	-	-	-	-	6,157
Cash dividends	-	-	-	(707)	-	(707)	-	-	-	-	-	-	(707)
Disposal of treasury stock and fractional shares, net of purchase	-	-	-	-	(36)	(36)	-	-	-	-	-	-	(36)
Purchase of additional shares of consolidated subsidiaries	-	-	1	-	-	1	-	-	-	-	-	-	1
Net changes other than changes in shareholders' equity	-	-	-	-	-	-	433	-	525	29	987	562	1,549
Balance at March 31, 2023	67,142,417	¥ 8,428	¥ 6,823	¥ 59,332	¥ (1,155)	¥ 73,428	¥ 3,143	¥ (1,364)	¥ 822	¥ 580	¥ 3,181	¥ 3,132	¥ 79,741

	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
	Thousands of U.S. dollars											
Balance at March 31, 2022	$ 63,368	$ 51,293	$ 405,143	$ (8,413)	$ 511,391	$ 20,376	$ (10,256)	$ 2,233	$ 4,143	$ 16,496	$ 19,323	$ 547,210
Cumulative effects of changes in accounting policies	-	-	(15)	-	(15)	-	-	-	-	-	-	(15)
Restated balance	63,368	51,293	405,128	(8,413)	511,376	20,376	(10,256)	2,233	4,143	16,496	19,323	547,195
Net income attributable to owners of the Company	-	-	46,293	-	46,293	-	-	-	-	-	-	46,293
Cash dividends	-	-	(5,316)	-	(5,316)	-	-	-	-	-	-	(5,316)
Disposal of treasury stock and fractional shares, net of purchase	-	-	-	(271)	(271)	-	-	-	-	-	-	(271)
Purchase of additional shares of consolidated subsidiaries	-	8	-	-	8	-	-	-	-	-	-	8
Net changes other than changes in shareholders' equity	-	-	-	-	-	3,256	-	3,947	218	7,421	4,226	11,647
Balance at March 31, 2023	$ 63,368	$ 51,301	$ 446,105	$ (8,684)	$ 552,090	$ 23,632	$ (10,256)	$ 6,180	$ 4,361	$ 23,917	$ 23,549	$ 599,556

See accompanying Notes to Consolidated Financial Statement

Japan Transcity Corporation and Consolidated Subsidiaries
Consolidated Statements of Cash Flows
For the Years Ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Cash flows from operating activities:			
Income before income taxes	¥ 8,950	¥ 8,072	$ 67,293
Adjustments for:			
Depreciation	5,309	4,517	39,918
Net change in employee retirement benefit asset/liability	(119)	(196)	(895)
Loss on sale or disposal of property and equipment, net	56	245	421
Equity(income) of unconsolidated subsidiaries and affiliates	(950)	(873)	(7,143)
Decrease (Increase) in trade receivables	8	(2,166)	60
Increase in inventories	(23)	(25)	(173)
Increase in trade payables	21	209	158
Others, net	(426)	(1,708)	(3,203)
Subtotal	12,826	8,075	96,436
Interest and dividends received	1,008	972	7,579
Interest paid	(111)	(117)	(835)
Income taxes paid	(2,127)	(1,669)	(15,992)
Net cash provided by operating activities	11,596	7,261	87,188
Cash flows from investing activities:			
Increase in property and equipment and intangible assets	(3,526)	(2,585)	(26,511)
Decrease in property and equipment and intangible assets	35	46	263
Decrease in short-term investments	610	206	4,586
Others, net	(85)	(186)	(639)
Net cash used in investing activities	(2,966)	(2,519)	(22,301)
Cash flows from financing activities:			
Increase in long-term debt	5,800	900	43,609
Repayment of long-term debt	(7,894)	(3,372)	(59,353)
Increase in short-term borrowings	88	-	662
Dividends paid	(707)	(642)	(5,316)
Others, net	(545)	(480)	(4,098)
Net cash used in financing activities	(3,258)	(3,594)	(24,496)
Effect of exchange rate changes on cash and cash equivalents	406	275	3,053
Net increase in cash and cash equivalents	5,778	1,423	43,444
Cash and cash equivalents at beginning of year	13,737	12,314	103,285
Cash and cash equivalents at end of year	¥ 19,515	¥ 13,737	$ 146,729

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, 2023, which was approximately ¥133 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, 2023 and 2022 were as follows.

	2023	2022
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	10	8
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 2023 and 2022, 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, 2023 and 2022 were as follows.

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Building	¥ 100	¥ 100	$ 752
Land	100	100	752

(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 the 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 31, 2023, the Japan Transcity Group recognized impairment loss for certain idle properties, as set forth in the table below, for the year ended March 31, 2022. The loss was included in other expenses in the accompanying consolidated statements of income.

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Land	¥ -	¥ 37	$ -
Buildings and structures	-	15	-
Other	-	1	-
	¥ -	¥ 53	$ -

(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, 2023 and 2022, 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 ¥8,455 million ($63,571 thousand) and ¥8,463 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, 2023 or 2022 due to the lack of any dilutive shares.

(r) Change in accounting policy

ASC 842 Leases
At foreign subsidiaries that apply US GAAP, ASC 842 Leases has been adopted from the current fiscal year. In accordance with the transitional treatment, the cumulative effect of adoption of the standards was recognized on the date of adoption and was added to or subtracted from retained earnings at the beginning of the current fiscal year. As a result, in the consolidated balance sheet of the current consolidated fiscal year, "Property and Equipment" increased by ¥126 million. In addition, "Others" classified as current and noncurrent liabilities increased by ¥101 million and ¥27 million, respectively. The effects on the consolidated statement of income and earnings per share information for the current consolidated fiscal year were inconsequential. Having reflected the cumulative effects on the opening balance of net assets for the current consolidated fiscal year, the opening balance of retained earnings in the consolidated statement of changes in net assets decreased by ¥1 million.

(s) Accounting standards and guidance not yet adopted

The following accounting standards and guidance are those issued but not yet adopted.

- Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, October 28, 2022, ASBJ)
- Accounting Standard for Presentation of Comprehensive Income (ASBJ Statement No. 25, October 28, 2022, ASBJ)
- Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022, ASBJ)

① Overview

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

- Categories in which income tax expense should be recorded (taxes on other comprehensive income)
- Tax effects associated with sales of shares of subsidiaries, etc. (i.e., shares of subsidiaries or affiliates) when the group taxation regime is applied

② Effective date

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

③ Effects of application of the standards and guidance

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

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, 2023 and 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, 2023:						
(1) Investment securities:						
Marketable securities *(*2)*	¥	9,052	¥	9,052	¥	-
Total assets	¥	9,052	¥	9,052	¥	-
(1) Long-term debt *(*3)*	¥	25,217	¥	25,110	¥	(107)
(2) Guarantee deposits received:						
Deposits for golf courses		1,971		1,580		(391)
Total liabilities	¥	27,188	¥	26,690	¥	(498)

	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, 2023:						
(1) Investment securities:						
Marketable securities *(*2)*	$	68,060	$	68,060	$	-
Total assets	$	68,060	$	68,060	$	-
(1) Long-term debt *(*3)*	$	189,602	$	188,797	$	(805)
(2) Guarantee deposits received:						
Deposits for golf courses		14,819		11,880		(2,939)
Total liabilities	$	204,421	$	200,677	$	(3,744)

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

*(*2) At March 31,2023 and 2022, nonmarketable securities (consolidated balance sheet amount: ¥567million ($4,263 thousand)) and ¥495 million, respectively, stocks of nonconsolidated subsidiaries and affiliates (consolidated balance sheet amount: ¥8,101million ($60,910 thousand)and ¥7,643 million, respectively) are not included in "(1) Investment securities: Marketable securities".*

*(*3) The fair value of interest-rate swaps under exceptional accounting treatment is included in the fair value of the corresponding long-term debt hedged by the derivative transactions.*

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	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	
	2023		2022		2023	
Cash and cash equivalents	¥ 19,515	¥ -	¥ 13,737	¥ -	$ 146,729	$ -
Short-term investments	299	-	830	-	2,248	-
Notes receivable	388	-	399	-	2,917	-
Trade receivables	17,083	-	16,511	-	128,444	-
Total	¥ 37,285	¥ -	¥ 31,477	¥ -	$ 280,338	$ -

(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, 2023:				
(1) Investment securities:				
Marketable securities				
Equity securities	¥ 9,042	¥ -	¥ -	¥ 9,042
Total assets	¥ 9,042	¥ -	¥ -	¥ 9,042
(1) Long-term debt	¥ -	¥ 25,110	¥ -	¥ 25,110
(2) Guarantee deposits received: Deposits for golf courses	-	1,580	-	1,580
Total liabilities	¥ -	¥ 26,690	¥ -	¥ 26,690

	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	¥ 8,405	¥ -	¥ -	¥ 8,405
(1) Long-term debt	¥ -	¥ 27,300	¥ -	¥ 27,300
(2) Guarantee deposits received: Deposits for golf courses	-	1,779	-	1,779
Total liabilities	¥ -	¥ 29,079	¥ -	¥ 29,079

	Fair value			
	Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total
At March 31, 2023:				
(1) Investment securities:				
Marketable securities				
Equity securities	$ 67,985	$ -	$ -	$ 67,985
Total assets	$ 67,985	$ -	$ -	$ 67,985
(1) Long-term debt	$ -	$ 188,797	$ -	$ 188,797
(2) Guarantee deposits received: Deposits for golf courses	-	11,880	-	11,880
Total liabilities	$ -	$ 200,677	$ -	$ 200,677

(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.

Derivatives

① At March 31, 2023 and 2022, derivative transactions to which hedge accounting was not applied comprised a derivative contract related to earthquakes with an outstanding contract amount of ¥400 million ($3,008 thousand) and ¥400 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
	2023	2022	2023
Contract amount *(*1)*	¥ 2,000	¥ 2,000	$ 15,038
Contract amount due after one year included in *(*1)*	2,000	2,000	15,038
Fair value	*(*2)*	*(*2)*	*(*2)*

*(*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

*(*2) The fair value of interest rate swaps accounted for under exceptional accounting treatment is included in the fair value of the hedged items because the interest rate swaps are accounted for as an integral part of the hedged items.*

4. Investments

At March 31, 2023 and 2022, short-term investments consisted of time deposits with an original maturity of more than three months.

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

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Marketable securities:			
Equity securities	¥ 9,042	¥ 8,405	$ 67,985
Other	10	10	75
	9,052	8,415	68,060
Other nonmarketable securities	567	495	4,263
	¥ 9,619	¥ 8,910	$ 72,323

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, 2023 and 2022, 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, 2023:				
Equity securities	¥ 4,435	¥ 4,712	¥ (105)	¥ 9,042
Other	9	1	-	10
	¥ 4,444	¥ 4,713	¥ (105)	¥ 9,052
Available-for-sale securities at March 31, 2022:				
Equity securities	¥ 4,423	¥ 4,103	¥ (121)	¥ 8,405
Other	8	2	-	10
	¥ 4,431	¥ 4,105	¥ (121)	¥ 8,415

	Cost	Gross unrealized gains	Gross unrealized losses	Fair and carrying value
	Thousands of U.S. dollars			
Available-for-sale securities at March 31, 2023:				
Equity securities	$ 33,346	$ 35,429	$ (790)	$ 67,985
Other	68	7	-	75
	$ 33,414	$ 35,436	$ (790)	$ 68,060

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

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

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Unsecured short-term bank loans and bank overdrafts with interest rates ranging from 0.07% to 0.313% per annum at March 31, 2023	¥ 2,458	¥ 2,370	$ 18,481

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

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Unsecured long-term loans from banks and other financial institutions due through 2029 with interest rates ranging from 0.18% to 2.375% per annum at March 31, 2023	25,217	27,311	189,602
Less portions with current maturities	(5,174)	(7,894)	(38,903)
	¥ 20,043	¥ 19,417	$ 150,699

The aggregate amounts of long-term debt due annually at March 31, 2023 were as follows.

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2024	¥ 5,174	$ 38,902
2025	2,051	15,421
2026	1,739	13,075
2027	8,754	65,820
2028	6,222	46,782
2029 and thereafter	1,277	9,602
	¥ 25,217	$ 189,602

At March 31, 2023, 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
2024	¥ 420	$ 3,158
2025	265	1,992
2026	60	451
2027	15	113
2028	1	8
2029 and thereafter	-	-
	¥ 761	$ 5,722

At March 31, 2023 and 2022, the following assets were pledged as collateral for current and noncurrent payables.

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Buildings	¥ 4,452	¥ 4,709	$ 33,474

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, 2023 and 2022.

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

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Movement in retirement benefit obligations:			
Balance at beginning of year	¥ 8,259	¥ 8,293	$ 62,097
Service cost	417	419	3,136
Interest cost	19	11	143
Actuarial differences	(188)	(69)	(1,414)
Benefits paid	(410)	(398)	(3,083)
Other	2	3	15
Balance at end of year	¥ 8,099	¥ 8,259	$ 60,894

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Movement in plan assets:			
Balance at beginning of year	¥ 11,092	¥ 10,901	$ 83,398
Expected return on plan assets	223	219	1,677
Actuarial differences	(4)	57	(30)
Contributions paid by the employer	158	274	1,188
Benefits paid	(356)	(361)	(2,677)
Other	-	2	-
Balance at end of year	¥ 11,113	¥ 11,092	$ 83,556

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Reconciliation from retirement benefit obligations and plan assets to liability (asset) for retirement benefits:			
Funded retirement benefit obligations	¥ 7,006	¥ 7,164	$ 52,676
Plan assets	(11,113)	(11,092)	(83,556)
	¥ (4,107)	¥ (3,928)	$ (30,880)
Adjustment of asset ceiling	7	-	53
Unfunded retirement benefit obligations	1,093	1,095	8,218
Total net liability (asset) for employee retirement benefits at end of year	¥ (3,007)	¥ (2,833)	$ (22,609)
Employee retirement benefit liability	1,094	1,103	8,226
Employee retirement benefit asset	(4,101)	(3,936)	(30,835)
Total net liability (asset) for retirement benefits at end of year	¥ (3,007)	¥ (2,833)	$ (22,609)

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Retirement benefit costs:			
Service cost	¥ 417	¥ 419	$ 3,136
Interest cost	19	11	143
Expected return on plan assets	(223)	(219)	(1,677)
Actuarial differences amortization	(134)	(102)	(1,008)
Past service costs amortization	(1)	-	(8)
Total retirement benefit costs for the year	¥ 78	¥ 109	$ 586

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Retirement benefit adjustment, before taxes, included in other comprehensive income:			
Actuarial differences	¥ 43	¥ 24	$ 323
Total balance at end of year	¥ 43	¥ 24	$ 323

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Retirement benefit adjustment, before taxes, included in accumulated other comprehensive income:			
Actuarial differences that are yet to be recognized	¥ (831)	¥ (789)	$ (6,248)
Total balance at end of year	¥ (831)	¥ (789)	$ (6,248)

Plan assets:

	2023	2022
(1) Plan assets:		
Bonds	23%	24%
Equity securities	37%	34%
General account	3%	3%
Commingled funds	21%	23%
Other	16%	16%
Total	100%	100%

At March 31, 2023 and 2022, assets under the retirement benefit trust set up for corporate pension plans accounted for 31% and 29% of the total plan assets, respectively.

Commingled funds consisted of bonds (62%) and equity securities (38%) at March 31, 2023 and consisted of bonds (60%) and equity securities (40%) at March 31, 2022.

(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, 2023 and 2022 expressed as weighted averages.

	2023	2022
Discount rate	0.5%	0.2%
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
	2023	2022	2023
Movement in liability for retirement benefits:			
Balance at beginning of year	¥ 1,000	¥ 993	$ 7,519
Retirement benefit costs	225	194	1,692
Benefits paid	(108)	(84)	(812)
Contributions paid by the employer	(103)	(103)	(775)
Other	2	-	15
Balance at end of year	¥ 1,016	¥ 1,000	$ 7,639

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Reconciliation from retirement benefit obligations and plan assets to liability (asset) for retirement benefits:			
Funded retirement benefit obligations	¥ 2,409	¥ 2,364	$ 18,113
Plan assets	(1,644)	(1,597)	(12,361)
	¥ 765	¥ 767	$ 5,752
Unfunded retirement benefit obligations	251	233	1,887
Total net liability (asset) for employee retirement benefits at end of year	¥ 1,016	¥ 1,000	$ 7,639
Employee retirement benefit liability	1,040	1,025	7,819
Employee retirement benefit asset	(24)	(25)	(180)
Total net liability (asset) for retirement benefit at end of year	¥ 1,016	¥ 1,000	$ 7,639

Total retirement benefit costs for the fiscal years ended March 31, 2023 and 2022 based on the simplified method were as follows:

Millions of yen		Thousands of U.S. dollars
2023	2022	2023
¥ 225	¥ 194	$ 1,692

Defined contribution plan:
For the years ended March 31, 2023 and 2022, the required contribution of the consolidated subsidiaries to the defined contribution plan amounted to ¥44 million ($331 thousand) and ¥37 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, 2023 and 2022, 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 ($9,023 thousand) at both March 31, 2023 and 2022.

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, 2023, the Company paid interim dividends of ¥5.5 per share amounting to ¥354 million ($2,662 thousand). In addition, at the annual shareholders' meeting held on June 29, 2023, the shareholders approved cash dividends of ¥6.0 per share amounting to ¥385 million ($2,895 thousand). These appropriations had not been accrued in the consolidated financial statements as of March 31, 2023 as such appropriations are recognized in the period in which they are approved by the shareholders.

8. Contingent Liabilities

At March 31, 2023 and 2022, the Japan Transcity Group was contingently liable for reserved guarantees of indebtedness of a certain unconsolidated subsidiary in the amount of ¥38 million ($286 thousand) and ¥655 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, 2023 and 2022 were as follows.

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Operating leases:			
Due within one year	¥ 1,617	¥ 1,657	$ 12,158
Due after one year	2,010	1,737	15,113
	¥ 3,627	¥ 3,394	$ 27,271

The company has applied “Leases” (IFRS 16 and ASC 842). Assets and liabilities recorded on the balance sheet for which "Leases" has been applied are not included.

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, 2023 and 2022 were as follows.

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Deferred tax assets:			
Enterprise tax accruals	¥ 78	¥ 64	$ 587
Accrued bonuses to employees	379	366	2,850
Employee retirement benefit liability	340	337	2,556
Intercompany capital gains	251	245	1,887
Tax loss carryforwads (Note 1)	58	71	436
Impairment loss on fixed assets	-	19	-
Asset retirement obligations	251	32	1,887
Others	534	544	4,015
Subtotal	1,891	1,678	14,218
Valuation allowance for tax loss carryforwards (Note 1)	(58)	(71)	(436)
Valuation allowance for deductible temporary differences	(92)	(109)	(692)
Less valuation allowance	(150)	(180)	(1,128)
Deferred tax assets	1,741	1,498	13,090
Deferred tax liabilities:			
Employee retirement benefit asset	(185)	(128)	(1,391)
Deferred capital gain	(524)	(524)	(3,940)
Unrealized gains on available-for-sale securities	(1,407)	(1,217)	(10,579)
Others	(867)	(774)	(6,518)
Deferred tax liabilities	(2,983)	(2,643)	(22,428)
Net deferred tax liabilities	¥ (1,242)	¥ (1,145)	$ (9,338)

(Note 1) Details of deferred tax assets for tax loss carryforwards by respective expiration periods at March 31, 2023 and 2022 were as follows:

	2024	2025	2026	2027	2028	2029 and thereafter	Total
For the year ended March 31, 2023:							
	Millions of yen						
Tax loss carryforwards *(*1)*	-	-	¥1	¥3	¥17	¥37	¥58
Valuation allowance	-	-	(1)	(3)	(17)	(37)	(58)
Net deferred tax assets	-	-	-	-	-	-	-
	Thousands of U.S. dollars						
Tax loss carryforwards *(*1)*	-	-	$7	$23	$128	$278	$436
Valuation allowance	-	-	(7)	(23)	(128)	(278)	(436)
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.*

	2023	2024	2025	2026	2027	2028 and thereafter	Total
For the year ended March 31, 2022:							
	Millions of yen						
Tax loss carryforwards *(*2)*	¥ 2	-	¥ 4	¥ 7	¥ 9	¥ 49	¥ 71
Valuation allowance	(2)	-	(4)	(7)	(9)	(49)	(71)
Net deferred tax assets	-	-	-	-	-	-	-

*(*2) 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, 2023 and 2022, 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, 2023 and 2022 were as follows.

	2023	2022
Japanese statutory tax rate	30.2%	30.2%
Increase (decrease) due to:		
Permanently nondeductible expenses	1.0	0.9
Tax exempt income	(2.1)	(1.5)
Local minimum taxes per capita levy	0.4	0.5
Effect of elimination of dividend income from subsidiaries for consolidation purpose	1.8	1.8
Equity in net earnings of unconsolidated subsidiaries and affiliates	(3.2)	(3.3)
Valuation allowance	(0.2)	(0.2)
Retained earnings of subsidiaries	1.0	0.6
Tax rate differences with foreign subsidiaries	(1.7)	(1.3)
Others	(0.2)	(0.4)
Effective income tax rate	27.0%	27.3%

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, 2023 and 2022 were as follows.

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Net unrealized gains on available-for-sale securities:			
Increase during the year	¥ 633	¥ 290	$ 4,759
Reclassification adjustments to profit or loss	(9)	(2)	(68)
Subtotal, before tax	624	288	4,691
Tax expense	(190)	(86)	(1,428)
Subtotal, net of tax	434	202	3,263
Foreign currency translation adjustments:			
Increase during the year	688	256	5,173
Retirement benefit adjustment:			
Increase during the year	177	126	1,331
Reclassification adjustments to profit or loss	(134)	(102)	(1,008)
Subtotal, before tax	43	24	323
Tax expense	(14)	(7)	(105)
Subtotal, net of tax	29	17	218
Share of other comprehensive income of unconsolidated subsidiaries and affiliates accounted for using equity method:			
Increase during the year	28	17	211
Total other comprehensive income	¥ 1,179	¥ 492	$ 8,865

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, 2023 and 2022, related party transactions were as follows.

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Officers of the Company and their relatives			
(Equipment renovation work)			
Transaction amounts	¥ 35	¥ 187	$ 263
Balance at end of period	¥ -	¥ 12	$ -

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 year ended March 31, 2022 as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Total current assets	¥ -	¥ 2,545	$ -
Total fixed assets	-	8,475	-
Total current liabilities	¥ -	¥ 846	$ -
Total fixed liabilities	-	86	-
Total net assets	-	10,088	-
Operating revenue	¥ -	¥ 3,425	$ -
Income before income taxes	-	1,381	-
Net income	-	963	-

There were no material affiliates for the year ended March 31, 2023.

13. Revenue Recognition

(a) Revenue from contracts with customers

	Integrated Logistics Services							
	Warehousing	Stevedoring	Domestic transportation	International multimodal transportation	Others	Sub total	Other services	Total
	Millions of yen							
At March 31, 2023:								
Revenue from contracts with customers	¥ 43,670	¥ 22,688	¥ 18,245	¥ 45,781	¥ 1,750	¥ 132,134	¥ 1,055	¥ 133,189
Other revenue	-	-	-	-	-	-	875	875
Revenue to external customers	¥ 43,670	¥ 22,688	¥ 18,245	¥ 45,781	¥ 1,750	¥ 132,134	¥ 1,930	¥ 134,064

	Integrated Logistics Services							
	Warehousing	Stevedoring	Domestic transportation	International multimodal transportation	Others	Sub total	Other services	Total
	Millions of yen							
At March 31, 2022:								
Revenue from contracts with customers	¥ 42,229	¥ 22,794	¥ 18,962	¥ 29,237	¥ 1,745	¥ 114,967	¥ 923	¥ 115,890
Other revenue	-	-	-	-	558	558	302	860
Revenue to external customers	¥ 42,229	¥ 22,794	¥ 18,962	¥ 29,237	¥ 2,303	¥ 115,525	¥ 1,225	¥ 116,750

	Integrated Logistics Services							
	Warehousing	Stevedoring	Domestic transportation	International multimodal transportation	Others	Sub total	Other services	Total
	Thousands of U.S. dollars							
At March 31, 2023:								
Revenue from contracts with customers	$ 328,346	$ 170,587	$ 137,180	$ 344,218	$ 13,158	$ 993,489	$ 7,932	$ 1,001,421
Other revenue	-	-	-	-	-	-	6,579	6,579
Revenue to external customers	$ 328,346	$ 170,587	$ 137,180	$ 344,218	$ 13,158	$ 993,489	$ 14,511	$ 1,008,000

(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

		Millions of yen
At April 1, 2021:		
Trade receivables from contracts with customers	¥	15,286
Contract assets		434
Contract liabilities		297
At March 31, 2022:		
Trade receivables from contracts with customers	¥	16,910
Contract assets		1,216
Contract liabilities		627

		Millions of yen		Thousands of U.S. dollars
At April 1, 2022:				
Trade receivables from contracts with customers	¥	16,910	$	138,607
Contract assets		1,216		9,967
Contract liabilities		627		5,139
At March 31, 2023:				
Trade receivables from contracts with customers	¥	17,471	$	131,361
Contract assets		1,247		9,376
Contract liabilities		639		4,805

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, 2023 and 2022 is as follows.

	Integrated Logistics Services	Other Services	Total	Adjustment	Consolidated
	Millions of yen				
For the year ended March 31, 2023:					
Operating revenue:					
External customers	¥ 132,134	¥ 1,930	¥ 134,064	¥ -	¥ 134,064
Intersegment sales	-	1,383	1,383	(1,383)	-
Total operating revenue	132,134	3,313	135,447	(1,383)	134,064
Operating income	¥ 6,698	¥ 591	¥ 7,289	¥ (39)	¥ 7,250
Identifiable assets	¥ 133,439	¥ 8,660	¥ 142,099	¥ (4,934)	¥ 137,165
Depreciation	5,227	82	5,309	-	5,309
Investments in unconsolidated subsidiaries and affiliates accounted for using the equity method	7,839	-	7,839	-	7,839
Capital expenditures	5,073	416	5,489	-	5,489
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

	Integrated Logistics Services	Other Services	Total	Adjustment	Consolidated
	Thousands of U.S. dollars				
For the year ended March 31, 2023:					
Operating revenue:					
External customers	$ 993,489	$ 14,511	$ 1,008,000	$ -	$ 1,008,000
Intersegment sales	-	10,398	10,398	(10,398)	-
Total operating revenue	993,489	24,909	1,018,398	(10,398)	1,008,000
Operating income	$ 50,361	$ 4,443	$ 54,804	$ (293)	$ 54,511
Identifiable assets	$ 1,003,301	$ 65,113	$ 1,068,414	$ (37,098)	$ 1,031,316
Depreciation	39,301	617	39,918	-	39,918
Investments in unconsolidated subsidiaries and affiliates accounted for using the equity method	58,940	-	58,940	-	58,940
Capital expenditures	38,143	3,128	41,271	-	41,271

(Related information)

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

	Warehousing	Stevedoring	Domestic transportation	International multimodal transportation	Others	Total
	Millions of yen					
Operating revenue to external customers:						
For the year ended March 31, 2023	¥ 43,670	¥ 22,688	¥ 18,245	¥ 45,781	¥ 1,750	¥ 132,134
For the year ended March 31, 2022	42,229	22,794	18,962	29,237	2,303	115,525
	Thousands of U.S. dollars					
Operating revenue to external customers:						
For the year ended March 31, 2023	$ 328,346	$ 170,587	$ 137,180	$ 344,218	$ 13,158	$ 993,489

2. Information about geographic areas

(1) Operating revenue

For the year ended March 31, 2023 and 2022, operating revenue by geographic area was as follows.

	Japan	America	Other	Total
	Millions of yen			
For the year ended March 31, 2023:				
Operating revenue	¥ 102,308	¥ 22,061	¥ 9,695	¥ 134,064
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, 2023:				
Operating revenue	$ 769,233	$ 165,872	$ 72,895	$ 1,008,000

(2) Property and equipment

Both at March 31, 2023 and 2022, 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, 2023 and 2022, 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.

15. Subsequent Events

Based on a resolution of Board of Directors held on February 28, 2023, the Company issued corporate bonds with the following terms and conditions.

Overview

(a) Name of bonds
The 6th unsecured straight bonds (with inter-bond pari passu clause) (Green Bonds)
(b) Total amount of issue
JPY 8,000 million
(c) Coupon rate
0.505% per annum
(d) Closing date
June 15, 2023
(e) Maturity date
June 15, 2028
(f) Use of proceeds
Acquisition of Mie Asahi Logistics Center that meets green bond eligibility requirements

16. 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
	2023	2022	2023
Current assets:			
Cash and cash equivalents	¥ 13,343	¥ 10,202	$ 100,323
Short-term investments	71	6	534
Trade receivables, net of allowance for doubtful accounts	15,185	15,349	114,173
Inventories	92	82	693
Other current assets	2,907	3,228	21,856
Total current assets	31,598	28,867	237,579
Property and equipment, at cost	105,281	103,848	791,586
Less accumulated depreciation	(49,177)	(47,357)	(369,752)
Net property and equipment	56,104	56,491	421,834
Investments and other assets:			
Investment securities	8,706	8,115	65,459
Investments in and long-term loans to subsidiaries and affiliates	4,560	4,532	34,286
Prepaid pension cost	3,283	3,132	24,684
Other assets	1,944	1,859	14,616
Allowance for doubtful accounts	(6)	(6)	(45)
Total investments and other assets	18,487	17,632	139,000
Total assets	¥ 106,189	¥ 102,990	$ 798,413

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Current liabilities:			
Short-term borrowings	¥ 13,368	¥ 12,312	$ 100,511
Current maturities of long-term debt	4,899	7,619	36,835
Trade payables	6,670	7,598	50,150
Accrued expenses	930	903	6,993
Income taxes payable	1,224	791	9,203
Other current liabilities	1,995	2,228	15,000
Total current liabilities	29,086	31,451	218,692
Long-term liabilities:			
Long-term debt	16,155	15,254	121,466
Employee retirement benefit liability	1,108	1,072	8,331
Deferred tax liabilities for revaluation	3,695	3,695	27,782
Deferred tax liabilities	1,348	1,323	10,135
Asset retirement obligations	778	53	5,850
Other long-term liabilities	203	215	1,526
Total long-term liabilities	23,287	21,612	175,090
Total liabilities	52,373	53,063	393,782
Net assets:			
Shareholders' equity:			
Common stock	8,428	8,428	63,368
Capital surplus	6,794	6,794	51,083
Retained earnings	38,150	34,643	286,842
Less treasury stock, at cost	(1,155)	(1,119)	(8,684)
Total shareholders' equity	52,217	48,746	392,609
Accumulated gains (losses) from valuation adjustment:			
Net unrealized gains on available-for-sale securities	2,963	2,545	22,278
Land revaluation decrement	(1,364)	(1,364)	(10,256)
Total accumulated gains from valuation adjustment	1,599	1,181	12,022
Total net assets	53,816	49,927	404,631
Total liabilities and net assets	¥ 106,189	¥ 102,990	$ 798,413

Nonconsolidated Statements of Income (Unaudited)
Japan Transcity Corporation (Parent)
For the Years Ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Operating revenue	¥ 107,602	¥ 98,051	$ 809,037
Operating costs and expenses	102,963	93,335	774,158
Operating income	4,639	4,716	34,879
Other income (expenses):			
Interest and dividend income	1,016	982	7,639
Interest expense	(105)	(99)	(789)
(Loss) gain on sale or disposal of property and equipment, net	(51)	(255)	(383)
Loss on liquidation of subsidiaries and associates	-	-	-
Miscellaneous, net	383	378	2,880
	1,243	1,006	9,347
Income before income taxes	5,882	5,722	44,226
Income taxes:			
Current	1,823	1,268	13,707
Deferred	(155)	390	(1,165)
Total income taxes	1,668	1,658	12,542
Net income	¥ 4,214	¥ 4,064	$ 31,684

	Yen		U.S. dollars
Per share:			
Net income	¥ 65.53	¥ 63.27	$ 0.49
Cash dividends	11.50	10.50	0.09

Nonconsolidated Statements of Changes in Net Assets (Unaudited)
Japan Transcity Corporation (Parent)
For the Years Ended March 31, 2023 and 2022

	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, 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 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
Net income for the year	-	-	4,214	-	4,214	-	-	-	4,214
Cash dividends	-	-	(707)	-	(707)	-	-	-	(707)
Disposal of treasury stock and fractional shares, net of purchase	-	-	-	(36)	(36)	-	-	-	(36)
Reversal of land revaluation decrement	-	-	-	-	-	-	-	-	-
Net changes other than changes in shareholders' equity	-	-	-	-	-	418	-	418	418
Balance at March 31, 2023	¥ 8,428	¥ 6,794	¥ 38,150	¥ (1,155)	¥ 52,217	¥ 2,963	¥ (1,364)	¥ 1,599	¥ 53,816
	Thousands of U.S. dollars								
Balance at March 31, 2022	$ 63,368	$ 51,083	$ 260,474	$ (8,413)	$ 366,512	$ 19,135	$ (10,256)	$ 8,879	$ 375,391
Net income for the year	-	-	31,684	-	31,684	-	-	-	31,684
Cash dividends	-	-	(5,316)	-	(5,316)	-	-	-	(5,316)
Disposal of treasury stock and fractional shares, net of purchase	-	-	-	(271)	(271)	-	-	-	(271)
Reversal of land revaluation decrement	-	-	-	-	-	-	-	-	-
Net changes other than changes in shareholders' equity	-	-	-	-	-	3,143	-	3,143	3,143
Balance at March 31, 2023	$ 63,368	$ 51,083	$ 286,842	$ (8,684)	$ 392,609	$ 22,278	$ (10,256)	$ 12,022	$ 404,631