SEINO

Annual Report 2019

Year Ended March 31,2019

Profile

Seino Holdings Co., Ltd. ("the Company") began business as a trucking company in 1930 and was incorporated in 1946. Based in the city of Ogaki, Gifu.

Prefecture, we are a leading trucking company, expanding in step with the growth of the Japanese economy and the development of the nation's extensive expressway network. On October 1, 2005, the Company transferred its transportation business and other operations to a new company—which has taken the original name Seino Transportation Co., Ltd.—and was renamed Seino Holdings Co., Ltd., adopting a pure holding company structure.

The Seino Group currently consists of the pure holding company Seino Holdings, 81 consolidated subsidiaries and 22 affiliates engaged in transportation services, vehicle sales, merchandise sales, leasing for real estate services and other services.

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

As of March 31, 2019, Seino offers efficient transportation services throughout Japan via its 715 domestic terminals, a fleet of 24,878 trucks and a trucking network that averages 4,000 routes daily.

The Company is also working toward improved revenue and reducing burdens on the environment by moving forward with logistics reforms amid the current manpower shortage. Accordingly, the Company has expanded its transportation services through a modal change of part of its long-distance transportation lines to railway and ferries, and has also begun transportation with double-trailer trucks.

The Seino Group is committed to providing rapid services that deliver total customer satisfaction and will proceed down the "Road to Success" to become a highly profitable company through initiatives to develop a progressive business model that will become the standard for next-generation transportation business.

Forward-looking Statements:
In this annual report, statements other than historical facts are forward-looking statements that reflect the plans and expectations of the Company. These forward-looking statements involve risks, uncertainties and other factors that may cause the Company's actual results and achievements to differ materially from those anticipated in these statements.

Contents

Board of Directors

(As of June 27, 2019)

President	Yoshitaka Taguchi
Representative Director	Takao Taguchi
Directors	Masahiro Kamiya Hidemi Maruta Harumi Furuhashi Nobuyuki Nozu
Outside Directors	Kenjiro Ueno Meyumi Yamada Shintaro Takai
Standing Statutory Auditors	Shingo Terada Nobuhiko Ito
Outside Statutory Auditors	Fumio Kato Eiji Kasamatsu

Seino Holdings Co., Ltd.

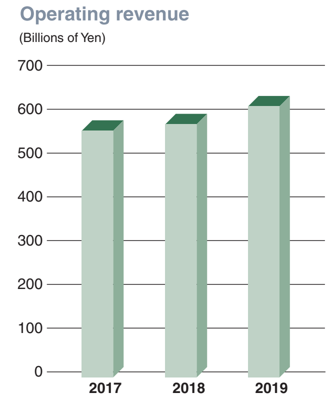
Financial Highlights

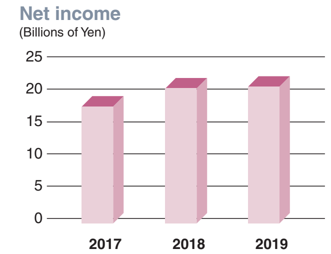
For the Years Ended March 31, 2019, 2018 and 2017

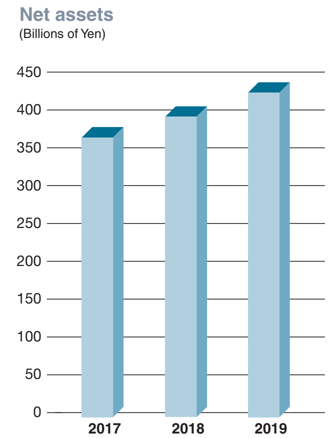
	Millions of Yen			Thousands of U.S. Dollars (Note)
	2019	2018	2017	2019
CONSOLIDATED BASIS:				
Operating revenue	¥ **618,436**	¥ 596,130	¥ 567,539	**$ 5,571,495**
Operating income	**31,209**	27,879	27,117	**281,162**
Profit before income taxes	**33,463**	30,545	28,690	**301,468**
Net income	**21,216**	20,047	18,206	**191,135**
Net income per share (yen)	**104.85**	101.88	92.09	**0.94**

	Millions of Yen			Thousands of U.S. Dollars (Note)
	2019	2018	2017	2019
CONSOLIDATED BASIS:				
Cash and cash equivalents, and short-term investments	**¥111,998**	¥ 104,197	¥ 98,031	**$ 1,008,991**
Property and equipment, net of accumulated depreciation	**310,633**	295,321	290,706	**2,798,496**
Total assets	**657,983**	628,728	594,264	**5,927,775**
Long-term debt and other long-term liabilities	**19,905**	21,776	26,468	**179,325**
Net assets	**426,207**	405,739	381,299	**3,839,703**
Net assets per share (yen)	**2,057.98**	1,998.90	1,912.12	**18.54**

(Note) U.S. dollar amounts are translated at ¥111 = U.S. $1, only for the convenience of readers.







Corporate Data

(As of March 31, 2019)

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

Message from the Management

To Our Shareholders, Customers and Friends

We would like to take this opportunity to express our appreciation to our stakeholders, including shareholders and other investors, for the consistent support you have shown us over the years. The results for the fiscal year ending March, 2019 (April 1, 2018 to March 31, 2019) are presented herein.

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

The following is a brief report on the performance of Seino Holdings Co., Ltd. for the fiscal year ended March 31, 2019, our 98th term (from April 1, 2018 to March 31, 2019).

In the fiscal year under review, Japan's economy continued to recover moderately against a backdrop of improvements in corporate earnings and the employment environment, a pickup in personal consumption, among other factors. Despite this improvement, however, the outlook remains uncertain amid concerns over how the Japanese economy will be affected by instability in the international situation and financial and capital markets, and other uncertainties.

In the transportation industry, the Seino Group's mainstay business, while facing various management challenges, such as rising outsourcing costs and increasing personnel expenses under a strained labor supply/demand environment, we have been steadily increasing freight volumes amid the improving economic landscape and have started to see the results of our initiatives aimed at receiving reasonable transport fees and charges.

Facing such circumstances, the Seino Group has formulated the medium-term management plan "Value-Up Challenge 2020: Take Off Toward Growth," which commenced in the fiscal year under review. While seeking to stretch our "strengths" accrued up until now, we have united to pursue maximization of our corporate value, and to create new value.

In addition, to enhance driver recruitment necessitated by low birthrate and aging population, the Company made the Seino Driving School (headquarters: Kaizu City, Gifu Prefecture) a subsidiary on November 1, 2018, for the purpose of expanding the scope and increasing the number of hired drivers by supporting those who specifically wish to obtain a large motor vehicle license and by establishing a training system for those who have not yet obtained a license.

As a result, operating revenue for the fiscal year ended March 31, 2019 was ¥618,436 million (up 3.7% year on year), operating profit was ¥31,209 million (up 11.9% year on year), ordinary profit was ¥33,629 million (up 15.5% year on year), and profit attributable to owners of parent was ¥21,216 million (up 5.8% year on year).

Future Outlook

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

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

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

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

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

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

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

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

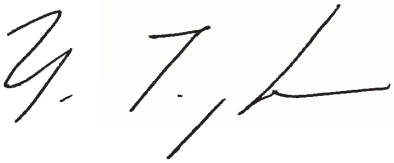
In the Leasing for Real Estate Services Business, we will work to develop our leasing and sales of idle real estate while effectively utilizing underutilized real estate.

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

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

June 2019

Taguchi Yoshitaka,
President and Chief Operating Officer



Special Feature

Expanding Our Operations Scope and Creating New Value

2019 marked the third year of the three-year medium-term management plan "Value-Up Challenge 2020: Takeoff Toward Growth." As we pursue the maximization of our value, using the strength we have cultivated until now, we will swiftly set forth reform and the spirit of challenge to create new values.

Main Topics for 2019

Beginning Transport with Specialized Freight Trains for the First Time

Seino Transportation began the operation of a specialized freight train, the Kangaroo Liner SS60, between Osaka, Koriyama, and Sendai for the first time on May 7.

These specialized trains travel once a day both ways from each end point, Monday to Saturday through the Suita Freight Terminal (Suita City, Osaka Prefecture), Koriyama Freight Terminal (Koriyama City, Fukushima Prefecture), and Sendai-ko Station (Sendai City, Miyagi Prefecture). By changing to railway transportation using 15 container cars with a carrying capacity matching 60 trucks, Seino Transportation has been able to reduce the burdens of drivers. Additionally, a cut in 13,810 metric tons of CO_2 emissions a year correlates to a reduced burden on the environment.

Implementing Digital Signatures

Seino Transport began implementing "digital signatures" on handy terminals (or "HTs") used by its drivers in their delivery and pick-ups as of June 18.

Until then, stamping one's seal or signing one's name on each invoice was necessary at the time of the package's delivery, but now, just a single signature on the HT's screen takes care of the reception of multiple packages with multiple delivery invoices, making less of a hassle for both customers and the delivery crew. With the implementation of digital signatures, the verification of signatures indicating reception of packages has also been streamlined for employees.

Co-Creation of Business with Ventures

Seino Holdings joined an acceleration program hosted by Deloitte Tohmatsu Venture Support along with four major companies this year to expedite its co-creation of new areas of business with ventures making use of the group's management resources.

A characteristic of the program is how it allowed the multiple participating companies and ventures to come together in the co-creation of business. With application closing in September, proposals from 38 ventures were received, and after screening, creators of the proposals have begun trying them out since mid-November.

Offering the Support Seminar for Proactive Women

The SJ Jojo Club , created by Seino Information Service and companies and organizations within the area served by Softopia Japan, held the Support Seminar for Proactive Women to help working women eliminate anxiety and heighten their communication skills.

Thirty working women in their 20s and 30s participated, breaking into six groups to think about and exchange ideas on designing their careers as well as to give each other feedback on their strong points and areas to work on, letting all participants improve their communication skills.

Beginning Passenger and Freight Service with Taxis

Seino Transport and Suito Travel began business in transporting both passengers and freight in Ibi County's Ibigawa-cho, Gifu Prefecture from March 18.

A business providing passenger transportation (Suito Travel) received permission to start business in Ibigawa-cho providing the transportation and delivery of general freight via taxi—a first in the Chubu area.

Addition of Seino Driving School to the Group

Seino Holdings added Seino Driving School to its group on November 1.

This addition coincides with worries regarding the lack of workers stemming from Japan's decreasing birthrate and aging population and thus aims to assure the procurement of drivers. Support is lent especially to those hoping to qualify for a large, medium, or regular vehicle license or Category 2 license, and Seino Holdings is working to expand the area from which more new drivers can be procured through the establishment of an education system for those without a license.

Establishment of the Taguchi Fukuju Society Dream Scholarship

The Taguchi Fukuju Society established the grant-based Taguchi Fukuju Society Dream Scholarship.

This scholarship is aimed at those leaving foster homes, children's self-reliance support facilities, and other such places in Gifu Prefecture with the will to become independent and move forth toward their dreams. Those fitting the prerequisite of being unable to expect economic aid from guardians are eligible.

The scholarship works on a place-holding system for those selected early on and provides monthly payments of ¥50,000 for the shortest period of enrollment necessary to graduate with no need to pay any of the money back, letting them pursue their academic career without fear of lack of monetary support.

Acquisition of an International Standard Certificate

Seino Information Service obtained ISMS Cloud Security Certification on May 21.

The company received the certification as a result of a third-party organization's acknowledgement of its five major cloud logistics services identifying, evaluating, and managing risk appropriately based on the international cloud security standard, ISO/IEC 27017:2015.

Seino Information Service will continue working toward the further improvement of its reliability in the management and operation of its cloud service's information security, and will also continue shaping its cloud service as a worry-free environment for users.

Transporting Relief Supplies to Disaster-Stricken Areas

The companies of the Seino Group were asked by the Japan Trucking Association to help in transporting relief supplies to areas in Western Japan afflicted by July's torrential rains.

Hinomaru Seino Transport's Tottori Branch relayed about 2,000 packed meals to Yazu County's Chizu-cho in Tottori Prefecture. Shikoku Seino Transport's Matsuyama Branch brought relief supplies such as water and food to Ozu City in Ehime Prefecture, hit hard due to its location at the center of the torrential rains. Seino Express also helped by delivering cases of plastic bottles from Chiba to Okayama City, Okayama Prefecture via two large and one mid-size trucks.

Expanding Our Operations Scope and Creating New Value

Transportation Services Business

In the Transportation Services Business, working under the medium-term management plan, we responded to the issue of the population decline and shortage of labor caused by low birthrate and aging population by promoting our strategic vision of "Gain efficiency through virtuous cycles" and strove to improve productivity by making the best use of the potential of our personnel.

At Seino Transportation Co., Ltd., the core company of the Transportation Services Business group, we expanded the scale of the Shizuoka branch (Shizuoka City) and relocated to a new building to strengthen the transportation network and improve operational efficiency.

In addition, we focused on securing the volume of freight handled through capturing and keeping new freight consignors by providing time value to customers through diagramming for the purpose of on time route departures in transportation between cities, and proposing transportation methods suited to customer demands while continuing negotiations to receive reasonable transport fees and charges, and fuel surcharges.

Meanwhile, there was an increase in the penetration rate of electronic signature use at the time of delivery, which was started to improve customer convenience and operational efficiency, and we introduced a web receipt query service. As a result, this enabled customers to search for receiving stamps on their own and simplified customer efforts to further improve customer satisfaction and operational efficiency.

In addition, we promoted transportation reform amid a shortage of labor by expanding modal shifts to switch part of long-distance routes to transportation by railways and ferries and by starting operation of articulated trucks, which led to improved earnings and a reduced environmental burden.

Furthermore, for the purpose of recruiting personnel and improving retention rates amid the shrinking population of Japan's labor force, we enhanced the benefits package while also shortening working hours through labor reform and reduced the operational burden.

As a result of the above, operating revenue for this segment was ¥462,459 million (up 4.4% year on year) and operating profit was ¥24,475 million (up 16.7% year on year).

Vehicle Sales Business

In passenger vehicle sales, we worked to promote campaigns and other activities centered on original cars with special specifications and safety support cars. However, while the number of units sold increased for mini-sized vehicles with small engine displacement, the cycle of the new-model effect for the popular car models came to an end and very few new models were introduced, which led to the number of new vehicles sold in the current fiscal year ending lower than that of the previous fiscal year. Moreover, in used vehicle sales as well, the reduction in trade-in vehicles had an impact, and the number of vehicle s sold were lower than that of the previous fiscal year. In the service division, we strove to secure revenues by promoting vehicle inspections and vehicle maintenance and garage services, as well as the sales of products that lead to repeat visits such as maintenance packages and automotive coatings.

In truck sales, the number of units sold in Japan increased due to registration of heavy trucks ordered during the previous fiscal year, and the number of new vehicles sold increased year on year. While increasing the number of garage services through promoting vehicle maintenance and garage services, such as vehicle inspections, we also focused on sales of used-parts.

In office expansion efforts, the Ogaki branch of Netz Toyota Gifu Co., Ltd. (Ogaki City, Gifu Prefecture) relocated to a new building and the Lexus Yabuta dealership (Gifu Prefecture) of Toyota Corolla Gifu Co., Ltd. and the Unicla Jiko Co., Ltd. headquarters and maintenance factory (Nagoya City) are undergoing a full refurbishment.

As a result of the above, operating revenue for this segment was ¥102,234 million (down 1.1% year on year) and operating profit was ¥4,851 million (down 1.5% year on year).

Merchandise Sales Business

The Merchandise Sales Business engages in the sale of fuel, paper and paper products, and other products. As a result of an increased unit sales price in the sales of fuel and firm sales of domestic tissue papers, operating revenue for this segment was ¥33,518 million (up 6.2% year on year) and operating profit was ¥829 million (up 2.4 % year on year).

Leasing for Real Estate Services Business

In the Leasing for Real Estate Services Business, we strive to effectively utilize business resources by leasing the former truck terminal and store sites, which had been replaced mainly due to the impact of urban development and increasingly cramped conditions.

As a result of the above, operating revenue for this segment was ¥1,651 million (up 3.3% year on year), and operating profit was ¥1,334 million (up 7.7% year on year).

Other Business

Our Other Business segment includes the information services business, the housing sales business, the construction contract business, the passenger transportation business, and the personnel services business. Operating revenue for this segment was ¥18,574 million (up 12.9% year on year), and operating profit was ¥902 million (down 2.0 % year on year).

Operating Revenue by Business Segment

(Millions of yen)

	FY Ended March 31, 2019		FY Ended March 31, 2018		
	Results	Composition	Results	Composition	Year-on-Year
Transportation Services	462,459	74.8%	443,168	74.3%	4.4%
Vehicle sales	102,234	16.5%	103,342	17.3%	(1.1%)
Merchandise sales	33,518	5.4%	31,575	5.3%	6.2%
Leasing for Real-estate Services	1,651	0.3%	1,599	0.3%	3.3%
Others	18,574	3.0%	16,446	2.8%	12.9%
Total	618,436	100.0%	596,130	100.0%	3.7%

Operating Income by Business Segment

(Millions of yen)

	FY Ended March 31, 2019		FY Ended March 31, 2018		
	Results	Composition	Results	Composition	Year-on-Year
Transportation Services	24,475	78.4%	20,965	75.2%	16.7%
Vehicle sales	4,851	15.5%	4,922	17.7%	(1.5%)
Merchandise sales	829	2.7%	810	2.9%	2.4%
Leasing for Real-estate Services	1,334	4.3%	1,239	4.4%	7.7%
Others	902	2.9%	921	3.3%	(2.0%)
Total	32,391	103.8%	28,857	103.5%	12.2%
Elimination	(1,182)	(3.8%)	(978)	(3.5%)	—
Consolidated	31,209	100.0%	27,879	100.0%	11.9%

Financial Review

Operating Results

The consolidated sales of Seino Holdings for the fiscal year ending March 2019 was ¥618,436 million (a 3.7% increase from the previous fiscal year). This was due to the reception of appropriate shipping charge prices and favorable conditions regarding charter transport.

The operating costs amounted to ¥546,514 million, which was a 3.3% increase from the previous fiscal year, due to a rise in outsourcing costs of vehicles used, but the operating cost rate to sales was 88.3%, a 0.5% decrease from the previous fiscal year.

Selling expenses and general administrative expenses came to ¥40,713 million (a 4.2% increase from the same period of the previous year) due to a rising labor cost, and operating revenue came to ¥31,209 million.

As a result, this term's net income before income taxes and minority interests was 9.6% more than the previous fiscal year, coming to ¥33,463 million, and the net income for this term came to 5.8% more than the previous fiscal year at ¥21,216 million.

This term's net income per share was ¥104.85 and the return on equity was 5.2%. The annual cash dividend per share rose to ¥32.00, which was a 6.7% increase from the previous fiscal year.

Financial Position

Total assets at the end of the current consolidated fiscal year totaled ¥657,983 million, which was an increase of ¥29,255 million from the end of the previous consolidated fiscal year. The main factor in this was things like an increase in tangible fixed asset purchases and deferred tax assets. Liabilities totaled ¥231,776 million, which was a ¥8,787 million increase from the end of the previous consolidated fiscal year. Lastly, net assets grew ¥20,468 million from the end of the previous consolidated fiscal year, amounting to ¥426,207 million. Retained earnings, etc. were the main factor in the increase.

Cash Flows

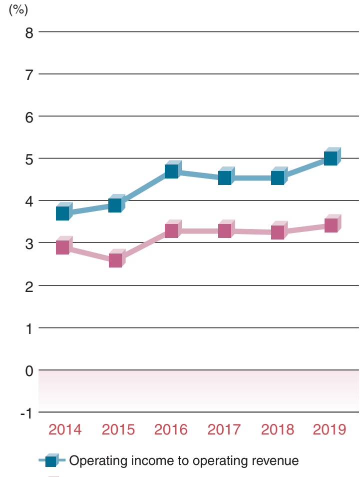
Cash flow from operating activities amounted to ¥48,009 million; ¥6,722 million up from the previous consolidated fiscal year, due to an increase in this term's net income before taxes and minority interests and a decrease in things like accounts receivable.

Cash flow from investment activities came to –¥22,530 million, which was a ¥3,742 million decrease from the previous consolidated fiscal year, resulting from the absence of expenditures from last term's purchase of investments in securities.

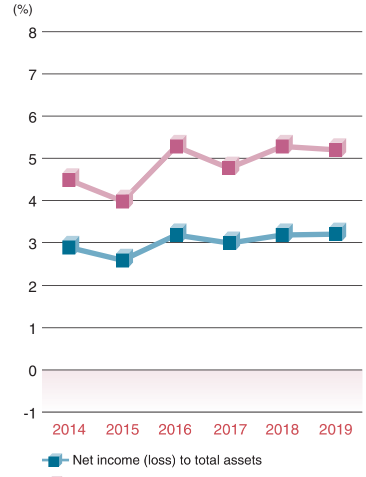
Cash flow from financial activities grew ¥14 million from the previous consolidated fiscal year, coming to –¥7,194 million because of a decrease in expenditures from the purchase of treasury stock.

As a result, cash and cash equivalents in the current consolidated fiscal year increased ¥18,248 million from the previous consolidated fiscal year, totaling ¥98,462 million.

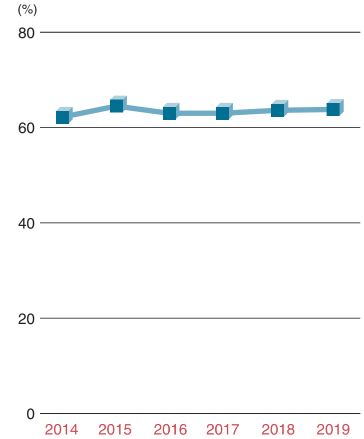
Operating income to operating revenue
Net income (loss) to operating revenue



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



Shareholders' equity ratio



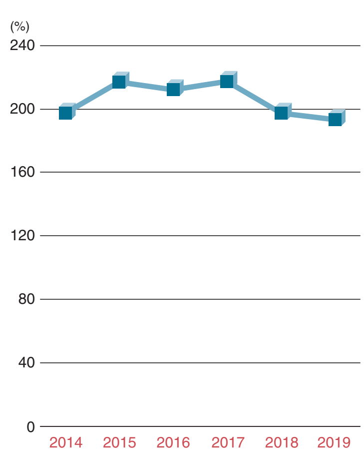
SEINO HOLDINGS CO., LTD. and Consolidated Subsidiaries

Six-year Summary

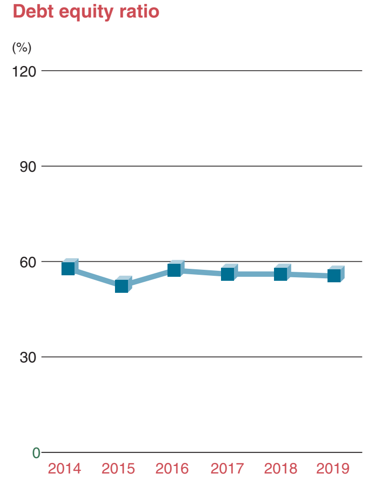
For the Years Ended March 31, 2019, 2018, 2017, 2016, 2015 and 2014

	Millions of Yen					
	2019	2018	2017	2016	2015	2014
For the year:						
Operating revenue:	¥ 618,436	¥ 596,130	¥ 567,539	¥ 555,457	¥ 542,452	¥ 543,407
Transportation services	462,459	443,168	422,870	416,113	398,972	393,320
Vehicle sales	102,234	103,342	100,237	94,441	95,351	100,569
Merchandise sales	33,518	31,575	27,749	28,029	32,699	33,306
Leasing for real estate services	1,651	1,599	1,543	1,472	1,401	1,421
Other	18,574	16,446	15,140	15,402	14,029	14,791
Operating costs	546,514	529,196	502,639	492,802	487,664	490,002
Selling, general and administrative expenses	40,713	39,055	37,783	36,469	33,402	33,216
Operating income	31,209	27,879	27,117	26,186	21,386	20,189
Net income (loss)	21,216	20,047	18,206	18,864	14,456	15,490
At year-end:						
Current assets	251,683	243,883	232,792	221,278	221,338	221,873
Total assets	657,983	628,728	594,264	579,565	548,525	542,411
Current liabilities	130,357	125,871	106,479	104,207	101,829	112,396
Short-term borrowings	5,470	3,610	2,704	2,768	2,519	2,465
Long-term debt, including current maturities	19,905	21,776	26,468	25,293	10,125	10,214
Net assets	426,207	405,739	381,299	371,007	363,314	346,339
	Yen					
Per share data:						
Net (loss) income:						
-Basic	¥ 104.85	¥ 101.88	¥ 92.09	¥ 94.87	¥ 72.67	¥ 77.85
Cash dividends	32.00	30.00	27.00	28.00	21.00	11.00
	Thousands					
Number of shares issued	207,679	207,679	207,679	207,679	207,679	207,679
	Percent					
Ratios:						
Operating income to operating revenue	5.0	4.7	4.8	4.7	3.9	3.7
Net income (loss) to operating revenue	3.4	3.3	3.2	3.3	2.7	2.9
Net income (loss) to total assets	3.2	3.2	3.1	3.3	2.6	2.9
Return on equity ratio	5.2	5.2	4.9	5.3	4.2	4.7
Shareholders' equity ratio	63.8	63.4	63.1	63.0	64.5	62.2
Current ratio	193.1	193.8	218.6	212.3	217.4	197.4
Debt equity ratio	55.2	55.9	56.8	57.2	52.4	58.3
Payout ratio	30.5	29.4	29.3	29.5	28.9	14.1

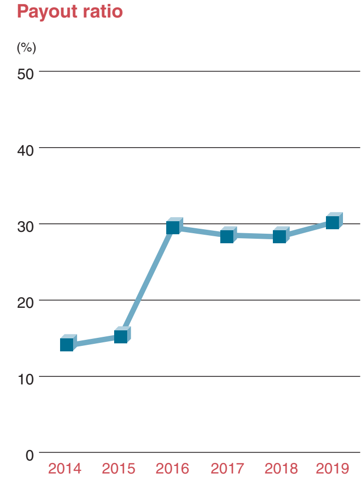
Current ratio



Debt equity ratio



Payout ratio



SEINO HOLDINGS CO., LTD. and Subsidiaries

Consolidated Balance Sheets

March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Assets:			
Current assets:			
Cash and cash equivalents (Note 3)	¥ 98,462	¥ 80,214	$ 887,045
Short-term investments (Notes 3 and 5)	13,536	23,983	121,946
Trade receivables (Note 3)	120,895	119,774	1,089,144
Inventories (Note 4)	13,168	14,889	118,631
Other current assets	5,819	5,234	52,423
Allowance for doubtful accounts	(197)	(211)	(1,775)
Total current assets	251,683	243,883	2,267,414
Property and equipment (Notes 6, 7 and 9):			
At cost	631,291	607,177	5,687,307
Accumulated depreciation	(320,658)	(311,856)	(2,888,811)
Net property and equipment	310,633	295,321	2,798,496
Investments and other assets:			
Investment securities (Notes 3 and 5)	38,725	48,231	348,874
Investments in and long-term loans to affiliates (Note 5)	15,736	3,255	141,766
Goodwill	14,630	14,081	131,802
Deferred tax assets (Note 17)	16,475	14,653	148,423
Employee retirement benefit asset (Note 12)	14	—	126
Other assets	10,087	9,304	90,874
Total investments and other assets	95,667	89,524	861,865
Total assets	¥ 657,983	¥ 628,728	$ 5,927,775
Current liabilities:			
Short-term borrowings (Notes 3, 9, 10 and 11)	¥ 5,470	¥ 3,610	$ 49,279
Current portion of long-term debt (Notes 3, 9 and 11)	2,609	7,917	23,505
Trade payables (Note 3)	54,414	51,620	490,216
Accrued expenses	16,772	15,829	151,099
Income taxes payable	7,376	5,635	66,450
Other current liabilities	43,716	41,260	393,838
Total current liabilities	130,357	125,871	1,174,387
Long-term debt (Notes 3, 9 and 11)	17,296	13,859	155,820
Employee retirement benefit liability (Note 12)	75,486	74,803	680,054
Asset retirement obligations (Note 8)	3,053	2,958	27,505
Accrued severance indemnities for directors and corporate auditors	1,457	1,492	13,126
Provision for directors' stock payments	42	—	378
Deferred tax liabilities (Note 17)	2,934	3,221	26,432
Other long-term liabilities	1,151	785	10,370
Total liabilities	231,776	222,989	2,088,072
Commitments and contingent liabilities (Notes 13 and 14)			
Net assets:			
Shareholders' equity (Note 15):			
Common stock: 794,524,668 shares authorized and 207,679,783 shares issued	42,482	42,482	382,721
Capital surplus	83,748	82,040	754,486
Retained earnings	290,156	274,994	2,614,018
Less treasury stock at cost: 3,814,170 shares in 2019 and 8,108,445 shares in 2018	(4,452)	(8,956)	(40,108)
Total shareholders' equity	411,934	390,560	3,711,117
Accumulated other comprehensive income			
Net unrealized gains on available-for-sale securities	12,708	14,716	114,487
Land revaluation decrement	(114)	(114)	(1,027)
Retirement benefit adjustment	(4,397)	(5,934)	(39,613)
Foreign currency translation adjustments	(579)	(304)	(5,216)
Total accumulated other comprehensive income	7,618	8,364	68,631
Noncontrolling interests	6,655	6,815	59,955
Total net assets	426,207	405,739	3,839,703
Total liabilities and net assets	¥ 657,983	¥ 628,728	$ 5,927,775

See accompanying Notes to Consolidated Financial Statements.

SEINO HOLDINGS CO., LTD. and Subsidiaries

Consolidated Statements of Income

For the Years Ended March 31, 2019, 2018 and 2017

	Millions of yen			Thousands of U.S. dollars
	2019	2018	2017	**2019**
Operating revenue (Note 21)	**¥ 618,436**	¥ 596,130	¥ 567,539	**$ 5,571,495**
Operating costs and expenses (Note 12):				
Operating costs	**546,514**	529,196	502,639	**4,923,549**
Selling, general and administrative expenses	**40,713**	39,055	37,783	**366,784**
	587,227	568,251	540,422	**5,290,333**
Operating income	**31,209**	27,879	27,117	**281,162**
Other income (expenses):				
Interest and dividend income	**716**	709	610	**6,450**
Interest expense	**(334)**	(231)	(235)	**(3,009)**
Loss on investments in partnerships	**(69)**	(33)	(54)	**(622)**
Loss on cancellation of leasehold contracts	**—**	—	(82)	**—**
Gain (loss) on sale or disposal of property and equipment	**436**	596	(13)	**3,928**
Gain on sale of investment securities	**478**	292	84	**4,306**
Share of profit (loss) of entities accounted for using equity method	**874**	(472)	296	**7,874**
Impairment loss on fixed assets (Notes 2(i) and 21)	**(1,236)**	(191)	(221)	**(11,135)**
Compensation received for the exercise of eminent domain	**51**	509	—	**460**
Gain on negative goodwill (Note 21)	**88**	63	—	**793**
Miscellaneous, net	**1,250**	1,424	1,188	**11,261**
	2,254	2,666	1,573	**20,306**
Profit before income taxes	**33,463**	30,545	28,690	**301,468**
Income taxes (Note 17):				
Current	**14,582**	11,984	10,809	**131,369**
Deferred	**(2,215)**	(1,443)	(423)	**(19,955)**
Total income taxes	**12,367**	10,541	10,386	**111,414**
Profit	**21,096**	20,004	18,304	**190,054**
(Loss) profit attributable to noncontrolling interests	**(120)**	(43)	98	**(1,081)**
Profit attributable to owners of parent	**¥ 21,216**	¥ 20,047	¥ 18,206	**$ 191,135**

	Yen			U.S. dollars
Per share:				
Profit attributable to owners of parent				
-Basic	**¥ 104.85**	¥ 101.88	¥ 92.09	**0.94**
-Diluted	**—**	98.48	89.01	**—**
Cash dividends	**32.00**	30.00	27.00	**0.28**

See accompanying Notes to Consolidated Financial Statements.

SEINO HOLDINGS CO., LTD. and Subsidiaries

Consolidated Statements of Comprehensive Income

For the Years Ended March 31, 2019, 2018 and 2017

	Millions of yen			Thousands of U.S. dollars
	2019	2018	2017	**2019**
Profit	**¥ 21,096**	¥ 20,004	¥ 18,304	**$ 190,054**
Other comprehensive income (Note 18):				
Net unrealized gains on available-for-sale securities	**(1,965)**	3,144	947	**(17,703)**
Remeasurements of defined benefit plans, net of tax	**1,513**	888	(394)	**13,631**
Foreign currency translation adjustments	**(53)**	24	(63)	**(478)**
Share of other comprehensive income of affiliates accounted for using equity method	**(256)**	(35)	(50)	**(2,306)**
Total other comprehensive income	**(761)**	4,021	440	**(6,856)**
Comprehensive income	**¥ 20,335**	¥ 24,025	¥ 18,744	**$ 183,198**
Comprehensive income attributable to:				
Owners of the parent	**¥ 20,471**	¥ 24,046	¥ 18,719	**$ 184,423**
Noncontrolling interests	**(136)**	(21)	25	**(1,225)**

SEINO HOLDINGS CO., LTD. and Subsidiaries

Consolidated Statements of Changes in Net Assets

For the Years Ended March 31, 2019, 2018 and 2017

		Shareholders' equity					Accumulated other comprehensive income						
	Number of shares of common stock issued	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains on available-for-sale securities	Land revaluation decrement	Retirement benefit adjustment	Foreign currency translation adjustments	Total accumulated other comprehensive income	Non controlling interests	Total net assets
		Millions of yen											
Balance at March 31, 2016	207,679,783	¥ 42,482	¥ 80,585	¥ 247,617	¥ (9,667)	¥ 361,017	¥ 10,618	¥ (114)	¥ (6,423)	¥ (230)	¥ 3,851	¥ 6,139	371,007
Profit attributable to owners of parent	—	—	—	18,206	—	18,206	—	—	—	—	—	—	18,206
Cash dividends	—	—	—	(5,548)	—	(5,548)	—	—	—	—	—	—	(5,548)
Reversal of land revaluation decrement	—	—	—	—	—	—	—	—	—	—	—	—	—
Purchases of treasury stock and fractional shares, net	—	—	4	—	(2,887)	(2,883)	—	—	—	—	—	—	(2,883)
Change in treasury shares of parent arising from transactions with noncontrolling shareholders	—	—	42	—	—	42	—	—	—	—	—	—	42
Net changes in items other than shareholders' equity	—	—	—	—	—	—	956	—	(362)	(81)	513	(38)	475
Balance at March 31, 2017	207,679,783	42,482	80,631	260,275	(12,554)	370,834	11,574	(114)	(6,785)	(311)	4,364	6,101	381,299
Profit attributable to owners of parent	—	—	—	20,047	—	20,047	—	—	—	—	—	—	20,047
Cash dividends	—	—	—	(5,328)	—	(5,328)	—	—	—	—	—	—	(5,328)
Reversal of land revaluation decrement	—	—	—	—	—	—	—	—	—	—	—	—	—
Purchases of treasury stock and fractional shares, net	—	—	1,275	—	3,598	4,873	—	—	—	—	—	—	4,873
Change in treasury shares of parent arising from transactions with noncontrolling shareholders	—	—	134	—	—	134	—	—	—	—	—	—	134
Net changes in items other than shareholders' equity	—	—	—	—	—	—	3,142	—	851	7	4,000	714	4,714
Balance at March 31, 2018	207,679,783	42,482	82,040	274,994	(8,956)	390,560	14,716	(114)	(5,934)	(304)	8,364	6,815	405,739
Profit attributable to owners of parent	—	—	—	21,216	—	21,216	—	—	—	—	—	—	21,216
Cash dividends	—	—	—	(6,054)	—	(6,054)	—	—	—	—	—	—	(6,054)
Reversal of land revaluation decrement	—	—	—	—	—	—	—	—	—	—	—	—	—
Purchases of treasury stock and fractional shares, net	—	—	1,704	—	4,504	6,208	—	—	—	—	—	—	6,208
Change in treasury shares of parent arising from transactions with noncontrolling shareholders	—	—	4	—	—	4	—	—	—	—	—	—	4
Net changes in items other than shareholders' equity	—	—	—	—	—	—	(2,008)	—	1,537	(275)	(746)	(160)	(906)
Balance at March 31, 2019	207,679,783	¥ 42,482	¥ 83,748	¥ 290,156	¥ (4,452)	¥ 411,934	¥ 12,708	¥ (114)	¥ (4,397)	¥ (579)	¥ 7,618	¥ 6,655	¥ 426,207
		Thousands of U.S. dollars											
Balance at March 31, 2018		$ 382,721	$ 739,099	$2,477,423	$ (80,685)	$3,518,558	$ 132,577	$ (1,027)	$ (53,459)	$ (2,739)	$ 75,352	$ 61,396	$ 3,655,306
Profit attributable to owners of parent		—	—	191,135	—	191,135	—	—	—	—	—	—	191,135
Cash dividends		—	—	(54,540)	—	(54,540)	—	—	—	—	—	—	(54,540)
Reversal of land revaluation decrement		—	—	—	—	—	—	—	—	—	—	—	—
Purchases of treasury stock and fractional shares, net		—	15,351	—	40,577	55,928	—	—	—	—	—	—	55,928
Change in treasury shares of parent arising from transactions with noncontrolling shareholders		—	36	—	—	36	—	—	—	—	—	—	36
Net changes in items other than shareholders' equity		—	—	—	—	—	(18,090)	—	13,846	(2,477)	(6,721)	(1,441)	(8,162)
Balance at March 31, 2019		$ 382,721	$ 754,486	$2,614,018	$ (40,108)	$3,711,117	$ 114,487	$ (1,027)	$ (39,613)	$ (5,216)	$ 68,631	$ 59,955	3,839,703

See accompanying Notes to Consolidated Financial Statements.

SEINO HOLDINGS CO., LTD. and Subsidiaries

Consolidated Statements of Cash Flows

For the Years Ended March 31, 2019, 2018 and 2017

	Millions of yen			Thousands of U.S. dollars
	2019	2018	2017	**2019**
Cash flows from operating activities:				
Profit before income taxes	¥ **33,463**	¥ 30,545	¥ 28,690	$ **301,468**
Adjustments for:				
Depreciation	**19,001**	17,775	16,977	**171,180**
Impairment loss on fixed assets	**1,236**	191	221	**11,135**
Amortization of goodwill	**1,437**	1,165	1,109	**12,946**
Gain on negative goodwill	**(88)**	(63)	—	**(793)**
Net increase in employee retirement benefit liability	**2,929**	2,518	2,515	**26,387**
(Gain) loss on sale or disposal of property and equipment	**(436)**	(596)	13	**(3,928)**
Share of (profit) loss of entities accounted for using equity method	**(874)**	472	(296)	**(7,874)**
Loss on investments in partnerships	**69**	33	54	**622**
Gain on sale of investment securities	**(478)**	(292)	(84)	**(4,306)**
(Reversal) net provision for accrued severance indemnities for directors and corporate auditors	**(174)**	(203)	8	**(1,567)**
Net provision for directors' stock payments	**42**	—	—	**378**
Increase in trade receivables	**(845)**	(6,914)	(3,589)	**(7,612)**
Decrease (increase) in inventories	**1,491**	(2,270)	(3,254)	**13,433**
Increase in trade payables	**2,585**	6,489	1,873	**23,288**
Other, net	**865**	2,000	2,731	**7,793**
Subtotal	**60,223**	50,850	46,968	**542,550**
Interest and dividends received	**974**	1,109	1,081	**8,775**
Interest paid	**(264)**	(232)	(242)	**(2,378)**
Income taxes paid	**(12,924)**	(10,440)	(12,936)	**(116,433)**
Net cash provided by operating activities	**48,009**	41,287	34,871	**432,514**
Cash flows from investing activities:				
Increase in property and equipment	**(30,620)**	(18,556)	(16,138)	**(275,856)**
Increase in long-term investments and loans	**(3,956)**	(11,748)	(4,636)	**(35,639)**
Decrease in property and long-term investments	**2,686**	3,540	1,000	**24,198**
Decrease in short-term investments	**10,474**	1,687	1,941	**94,360**
Purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 16)	**(1,114)**	(1,195)	(7)	**(10,036)**
Net cash used in investing activities	**(22,530)**	(26,272)	(17,840)	**(202,973)**
Cash flows from financing activities:				
Increase in long-term debt	**790**	—	1,360	**7,117**
Repayment of long-term debt	**(1,731)**	(3,191)	(484)	**(15,595)**
Net increase (decrease) in short-term borrowings	**595**	903	(149)	**5,360**
Proceeds from share issuance to noncontrolling shareholders	**48**	936	43	**432**
Dividends paid to shareholders	**(6,054)**	(5,328)	(5,548)	**(54,540)**
Dividends paid to noncontrolling interests	**(38)**	(38)	(46)	**(342)**
Purchases of treasury stock, net of disposals	**357**	393	(2,925)	**3,216**
Other, net	**(1,161)**	(855)	(735)	**(10,459)**
Net cash used in financing activities	**(7,194)**	(7,180)	(8,484)	**(64,811)**
Effect of exchange rate changes on cash and cash equivalents	**(37)**	13	(20)	**(333)**
Net increase in cash and cash equivalents	**18,248**	7,848	8,527	**164,397**
Cash and cash equivalents at beginning of year	**80,214**	72,366	63,839	**722,648**
Cash and cash equivalents at end of year	¥ **98,462**	¥ 80,214	¥ 72,366	$ **887,045**

See accompanying Notes to Consolidated Financial Statements.

SEINO HOLDINGS CO., LTD. and Subsidiaries

Notes to Consolidated Financial Statements

1. Basis of Consolidated Financial Statements

The accompanying consolidated financial statements of SEINO HOLDINGS CO., LTD. (the "Company") and its subsidiaries (together with the Company, the "Seino Group") have been prepared in accordance with the provisions set forth in the Financial Instrument and Exchange Law of Japan and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards ("IFRS").

The accompanying consolidated financial statements have been restructured and translated into English from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instrument and Exchange Law of Japan. Certain supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan, using the approximate exchange rate prevailing at March 31, 2019, which was ¥111 to U.S. $1.00. The translation should not be construed as a representation that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2. Summary of Significant Accounting Policies

(a) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and all of its subsidiaries. Investments in significant affiliates are accounted for by the equity method. Investments in affiliates not accounted for by the equity method are stated at cost. Differences between the acquisition cost of investments in subsidiaries and the underlying equity in their net assets, adjusted based on the fair value at the time of the acquisition, are deferred as goodwill and amortized over the estimated useful life, 5-15 years, on a straight-line basis. All intercompany transactions and accounts have been eliminated on consolidation.

Under accounting standards for consolidation, a subsidiary is defined as an enterprise which is controlled by another enterprise and is a majority (more than 50%) owned enterprise or a 40% to 50% owned enterprise that meets certain criteria. An affiliated company is defined as an enterprise in which the investor has significant influence and is an enterprise other than a subsidiary that is a 20% or more owned enterprise or a 15% to less than 20% owned enterprise that meets certain criteria. For each of the years ended March 31, 2019, 2018 and 2017, there were six companies that were not a more than 50% owned enterprise but were nevertheless classified as subsidiaries based on the judgment of the Company in accordance with the applicable accounting standards.

The number of subsidiaries and affiliates for the years ended March 31, 2019, 2018 and 2017 was as follows:

	2019	2018	2017
Subsidiaries:			
Domestic	75	70	64
Overseas	6	6	6
Affiliates accounted for by the equity method	7	7	6
Affiliates stated at cost	15	14	15

The Company and most of its subsidiaries have a fiscal year that ends on March 31. The overseas subsidiary closes its books on December 31. The Company has consolidated the overseas subsidiary's financial statements as of its year-end because the difference between its fiscal year-end and that of the Company was not more than three months. Significant transactions for the period between the subsidiary's year-end and the Company's year-end were adjusted for on consolidation.

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

(b) Cash and cash equivalents

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

(c) Investments and marketable securities

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

(d) Accounting for derivatives

As of March 31, 2019 and 2018, the Seino Group did not hold nor had it issued any derivative instruments.

(e) Allowance for doubtful accounts

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

(f) Inventories

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

(g) Property and equipment and depreciation

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

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

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

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

(h) Intangible assets

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

(i) Accounting standard for impairment of fixed assets

The Company and its domestic subsidiaries have adopted the "Accounting Standard for Impairment of Fixed Assets" issued by the Business Accounting Council of Japan and the related practical guidance issued by ASBJ. The standard requires that fixed assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss is to be recognized in the income statement by reducing the carrying amount of the impaired asset or group of assets to the recoverable amount, to be measured as the higher of the asset's net selling price or value in use. Fixed assets include intangible assets as well as land, buildings and other forms of property and are to be grouped at the lowest level for which there are identifiable cash flows distinguishable from other groups of assets. For the purpose of recognition and measurement of impairment loss, fixed assets are grouped into cash-generating units, such as operating business branches other than idle or unused property. The method used to group assets to measure impairment of fixed assets in the transportation services segment is a method that groups assets by the entire segment. At March 31, 2019, 2018 and 2017, recoverable amounts of assets were measured based on value in use using discounted future cash flows at interest rates principally of 8.2%, 7.5% and 6.6%, respectively, or net selling prices using primarily appraisal valuations. As a result, the Seino Group recognized impairment loss as follows:

	Millions of yen			Thousands of U.S. dollars
	2019	2018	2017	**2019**
Property subject to impairment:	6 business branches and 3 idle properties	8 business branches and 2 idle properties	3 business branches and 1 idle property	
Impairment loss recorded for:				
land	¥ 676	¥ 181	¥ 163	$ 6,090
buildings and structures	543	10	57	4,892
other property	17	—	1	153
	¥ 1,236	¥ 191	¥ 221	$ 11,135

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

(j) Employee retirement benefits

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

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

(k) Severance indemnities for directors and corporate auditors

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

(l) Provision for directors' stock payments

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

(m) Revenue recognition for freight charges

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

(n) Income taxes

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

(o) Enterprise taxes

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

(p) Appropriation of retained earnings

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

(q) Translation of foreign currency accounts

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

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

(r) Per share data

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

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

(s) Adoption of consolidated taxation system

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

(t) Changes in presentation method

(i) Changes due to adoption of "Partial Amendments to Accounting Standard for Tax Effect Accounting"

Upon application of "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018 (hereinafter, "Statement No. 28")) from the beginning of the current fiscal year, the Company and its domestic subsidiaries changed the presentation and related notes for deferred tax assets and deferred tax liabilities such that deferred tax assets and deferred tax liabilities are classified as part of 'investments and other assets' and 'noncurrent liabilities,' respectively. As a result, in the consolidated balance sheet for the previous consolidated fiscal year, "deferred tax assets" in "current assets" decreased by ¥5,522 million, and "deferred tax assets" in "investments and other assets" increased by ¥5,187 million. In addition, "deferred tax liabilities" in "fixed liabilities" decreased by ¥334 million, and total assets decreased by ¥334 million.

(ii) Accounting policies issued but not yet adopted

"Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 30, 2018 (hereinafter, "Statement No. 29")) and Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 30, 2018 (hereinafter, "Guidance No.30"))

Overview

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

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

Effective date

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

Effects of application

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

(u) Additional information

(i) Abolition of severance indemnity plans for directors and corporate auditors and termination payments

The Board of Directors meeting held on May 11, 2018, made a determination to abolish the severance indemnity plans for directors and corporate auditors at the end of the Company's 97th Annual General Meeting of Shareholders on June 27, 2018. The Company's 97th Annual General Meeting of Shareholders on June 27, 2018 approved this determination. As a result, The Company's "Accrued severance indemnities for directors and corporate auditors" of ¥131 million ($1,180 thousand) have been included in "Other long-term liabilities." In addition, certain subsidiaries provide for accrued severance indemnities for directors and corporate auditors at the amount that would have been payable if the directors and corporate auditors had retired at the end of the fiscal year based on internal rules.

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

The Company has introduced an Employee Shareholding Incentive Plan (E-Ship®) for the welfare of its employees. The plan is an incentive plan that covers all employees participating in the Shareholding Association.
Under the plan, the Company, as the trustor, entered into a specified trust cash funding agreement (the "E-Ship Agreement") with a trust bank as trustee to set up the trust (the "E-Ship Trust"). The E-Ship Trust purchases the number of shares of the Company that the Shareholding Association expects to purchase over the next three years and subsequently sells them periodically to the Shareholding Association in accordance with certain conditions and methods stipulated in the E-Ship Agreement over the three-year period. At the end of the trust period, the E-Ship Trust's retained earnings, the accumulation of net gain on sales of its shares, are distributed to the eligible employees in accordance with the E-Ship Agreement. For its part, the Company guarantees any retained loss, the accumulation of net loss on sales of its shares, and will pay off the amount of outstanding debt at the end of the trust period as it guarantees the debt of E-Ship Trust.
The shares of the Company held by the E-Ship Trust are accounted for as treasury stock under net assets. The assets, liabilities, income and expenses of the E-Ship Trust were consolidated in the accompanying consolidated financial statements. The book value and number of shares held by the E-Ship Trust at March 31, 2019 and 2018 were ¥607 million ($5,468 thousand) and 455 thousand shares and ¥963 million and 723 thousand shares, respectively. The book value of bank loans of the E-Ship Trust recorded in the consolidated balance sheet as of March 31, 2019 and 2018 were ¥384 million ($3,459 thousand) and ¥867 million, respectively.

(iii) Stock Compensation for Directors

The Company has introduced a Board Benefit Trust ("BBT") for the Company's directors, excluding outside directors, (the "Eligible Directors"). The objective of the plan is to focus the Eligible Directors' mindset towards enhancing the medium- to long-term corporate value of the Company by clarifying the link between the compensation of the Eligible Directors and the Company's share value so that Eligible Directors share with the shareholders not only the benefits of rising share prices, but also the risks associated with falling shares. The Plan is a stock compensation plan whereby the Company's shares are acquired through a trust (the trust set up based on the Plan is hereinafter referred to as the "Trust") using funds contributed by the Company as capital, and the acquired shares and money in the amount equivalent to the value of the Company's shares converted at market value (the "Company's Shares, Etc.") are granted to Eligible Directors through the Trust according to their positions or the like, pursuant to the predetermined Rules on Stock Benefits for Directors. In principle, the Company's Shares, Etc. are provided to Eligible Directors at the time of retirement from a position of Eligible Director of the Company.
The shares of the Company held by the Trust were accounted for as treasury stock under net assets. The assets, liabilities, income and expenses of the Trust were consolidated in the accompanying consolidated financial statements. The book value and number of shares held by the Trust at March 31, 2019 were ¥181 million ($1,631 thousand) and 91 thousand shares.

3. Financial Instruments

(a) Qualitative information on financial instruments

(i) Policies on financial instruments

The Seino Group has implemented a Cash Management System for effective investments and funding. Pursuant to this system, the Company invests in short-term, low-risk instruments in accordance with its internal fund management rules. The Company procures funds mainly through indirect financing such as bank loans for investments in facilities, taking immediate liquidity into consideration.

(ii) Details of financial instruments and Risks

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

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

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

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

(iii) Risk Management for Financial Instruments

Monitoring of credit risk

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

Monitoring market risk

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

Monitoring liquidity risk

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

(iv) Supplemental information on fair values

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

(b) Fair values of financial instruments

The fair and carrying values of the financial instruments included in the consolidated balance sheets at March 31, 2019 and 2018, other than those for which the fair value was extremely difficult to determine, are set forth in the table below.

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

	Carrying value	Fair value	Difference
		Millions of yen	
At March 31, 2018:			
Cash and cash equivalents	¥ 80,214	¥ 80,214	¥ —
Short-term investments	23,983	23,983	—
Trade receivables	119,774	119,774	—
Investment securities	34,570	34,570	—
Total assets	¥ 258,541	¥ 258,541	¥ —
Short-term borrowings	¥ 3,610	¥ 3,610	¥ —
Trade payables	51,620	51,620	—
Convertible bonds	5,883	7,906	2,023
Current portion of long-term bank loans	1,086	1,086	—
Long-term bank loans	10,807	10,705	(102)
Total liabilities	¥ 73,006	¥ 74,927	¥ 1,921

	Carrying value	Fair value	Difference
	Thousands of U.S. dollars		
At March 31, 2019:			
Cash and cash equivalents	$ 887,045	$ 887,045	$ —
Short-term investments	121,946	121,946	—
Trade receivables	1,089,144	1,089,144	—
Investment securities	310,306	310,306	—
Total assets	$ 2,408,441	$ 2,408,441	$ —
Short-term borrowings	$ 49,279	$ 49,279	$ —
Trade payables	490,216	490,216	—
Convertible bonds	—	—	—
Current portion of long-term bank loans	12,532	12,532	—
Long-term bank loans	93,432	92,459	(973)
Total liabilities	$ 645,459	$ 644,486	$ (973)

Notes:

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

Assets:

Cash and cash equivalents

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

Trade receivables

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

Short-term investments and investment securities

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

Liabilities:

Trade payables

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

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

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

Convertible bonds

The fair value of convertible bonds is based on the price quoted by the correspondent financial institution.

Long-term bank loans

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

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

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Carrying value:			
Unlisted equity securities, other than those of affiliates	**¥ 1,926**	¥ 12,078	**$ 17,352**
Investments in partnerships	**2,355**	1,583	**21,216**
	¥ 4,281	¥ 13,661	**$ 38,568**

(3) The redemption schedule for financial assets with maturities at March 31, 2019 was as follows:

	Due within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
	Millions of yen			
At March 31, 2019:				
Cash and cash equivalents	¥ 98,462	¥ —	¥ —	¥ —
Short-term investments	13,536	—	—	—
Trade receivables	90,839	29,304	751	1
Investment securities – bonds and other	—	111	—	—
	¥ 202,837	¥ 29,415	¥ 751	¥ 1

	Due within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
	Thousands of U.S. dollars			
At March 31, 2019:				
Cash and cash equivalents	$ 887,045	$ —	$ —	$ —
Short-term investments	121,946	—	—	—
Trade receivables	818,369	264,000	6,766	9
Investment securities – bonds and other	—	1,000	—	—
	$ 1,827,360	$ 265,000	$ 6,766	$ 9

(4) For the repayment schedule for long-term bank loans at March 31, 2019, see Note 9, "Short-term Borrowings and Long-term Debt."

4. Inventories

Inventories at March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Merchandise and finished products	**¥ 11,485**	¥ 12,896	**$ 103,468**
Work in process	**831**	1,214	**7,487**
Raw materials and supplies	**852**	779	**7,676**
	¥ 13,168	¥ 14,889	**$ 118,631**

5. Investments

At March 31, 2019 and 2018, short-term investments consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Marketable securities:			
Bonds and other	**¥ 2,100**	¥ 12,100	**$ 18,919**
Total marketable securities	**2,100**	12,100	**18,919**
Time deposits with an original maturity of more than three months	**11,436**	11,883	**103,027**
	¥ 13,536	¥ 23,983	**$ 121,946**

At March 31, 2019 and 2018, investment securities consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Marketable securities:			
Equity securities	**¥ 34,276**	¥ 34,406	**$ 308,793**
Bonds	**108**	101	**973**
Other	**60**	63	**540**
Total marketable securities	**34,444**	34,570	**310,306**
Other non-marketable securities	**¥ 4,281**	¥ 13,661	**$ 38,568**
	38,725	48,231	**348,874**

Marketable securities classified as available-for-sale are stated at fair value with unrealized gains and losses excluded from current earnings and reported as a net amount within the net assets account until realized. At March 31, 2019 and 2018, gross unrealized gains and losses for marketable securities classified as available-for-sale were as follows:

	Cost	Gross unrealized gains	Gross unrealized losses	Fair and carrying value
	Millions of yen			
At March 31, 2019:				
Equity securities	¥ 15,585	¥ 18,824	¥ (133)	¥ 34,276
Bonds	118	—	(10)	108
Other	2,127	33	—	2,160
	¥ 17,830	¥ 18,857	¥ (143)	¥ 36,544
At March 31, 2018:				
Equity securities	¥ 12,934	¥ 21,523	¥ (51)	¥ 34,406
Bonds	118	—	(17)	101
Other	12,127	36	—	12,163
	¥ 25,179	¥ 21,559	¥ (68)	¥ 46,670
	Thousands of U.S. dollars			
At March 31, 2019:				
Equity securities	$ 140,405	$ 169,586	$ (1,198)	$ 308,793
Bonds	1,063	—	(90)	973
Other	19,162	297	—	19,459
	$ 160,630	$ 169,883	$ (1,288)	$ 329,225

At March 31, 2019 and 2018 investments in and long-term loans to affiliates consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Investments accounted for by the equity method for significant affiliates and at cost for others	¥ 15,736	¥ 3,255	$ 141,766

6. Property and Equipment

At March 31, 2019 and 2018, property and equipment consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Property and equipment, at cost:			
Land	¥ 176,941	¥ 174,468	$ 1,594,063
Buildings and structures	281,227	271,743	2,533,577
Vehicles	109,563	106,998	987,054
Machinery and equipment	46,390	43,685	417,928
Construction in progress	5,417	2,892	48,802
Other	11,753	7,391	105,883
	631,291	607,177	5,687,307
Less accumulated depreciation	(320,658)	(311,856)	(2,888,811)
Total property and equipment	¥ 310,633	¥ 295,321	$ 2,798,496

One of the consolidated subsidiaries elected to carry out a one-time revaluation to restate the cost of land used for business operations at values reassessed on March 31, 2002, reflecting adjustments for land shape and other factors based on appraisal values issued by the Japanese National Tax Agency in accordance with the Law Concerning Revaluation of Land. According to the law, the excess of the original book value over the reassessed value, net of the tax effect and minority interest portions, is recorded in net assets as land revaluation decrement account in the accompanying consolidated balance sheets. At March 31, 2019 and 2018, the difference between the carrying values of land used for business operations after revaluation over the current market values of the land at the fiscal year-end amounted to ¥2,746 million ($27,739 thousand) and ¥1,834 million, respectively.

7. Real Estate for Rent

Some of the Company's subsidiaries own land and facilities for rent at locations where the business branches were closed or redeployed branches used to be. The carrying values in the consolidated balance sheets, changes during the years ended March 31, 2019 and 2018 and the fair values of the rental properties were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Carrying value at the beginning of year	¥ 14,622	¥ 14,096	$ 131,730
Net changes during the year	(666)	526	(6,000)
Carrying value at the end of year	13,956	14,622	125,730
Fair value at the end of year *	¥ 18,583	¥ 19,371	$ 167,414

*Note: * Fair value was measured at the estimated value based principally on a real estate appraisal or property tax bases.*

Profit and loss recorded for rental properties for the fiscal years ended March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Operating revenue	¥ 1,651	¥ 1,599	$ 14,874
Operating costs	329	412	2,964
Income from rental operations	1,322	1,187	11,910
(Loss) profit on disposal of rental property and other	¥ (435)	¥ 602	$ (3,919)

8. Asset Retirement Obligations

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

Asset retirement obligations for the years ended March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
At the beginning of year	¥ 2,963	¥ 2,627	$ 26,694
New consolidations	—	443	—
New obligations	55	36	496
Changes in estimated obligations and accretion	46	47	414
Settlement payments	(19)	(190)	(171)
Other	20	—	180
At the end of year	¥ 3,065	¥ 2,963	$ 27,613

9. Short-term Borrowings and Long-term Debt

At March 31, 2019 and 2018, short-term borrowings consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Unsecured bank overdrafts with interest rates ranging from 0.154% to 1.475% per annum at March 31, 2019	¥ 3,965	¥ 2,440	$ 35,720
Short-term bank loans, secured with interest rates ranging from 0.526% to 1.300% per annum at March 31, 2019	525	25	4,730
Short-term bank loans, unsecured with interest rates ranging from 0.130% to 6.300% per annum at March 31, 2019	980	1,145	8,829
	¥ 5,470	¥ 3,610	$ 49,279

At March 31, 2019, the Company and certain subsidiaries had unsecured overdraft agreements with 16 banks. Under the agreements, the Company and the subsidiaries were entitled to withdraw up to ¥45,500 million ($409,910 thousand). The Company and the subsidiaries were not obligated to pay commitment fees on the unused portions of the overdraft facilities.

At March 31, 2019 and 2018, long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Zero coupon convertible bonds due October 2018, including unamortized premium	¥ —	¥ 5,883	$ —
Loans from government agencies and banks, repayable through 2024, with interest rates ranging from 0.330% to 4.100% per annum at March 31, 2019:			
Secured	10,369	10,625	93,415
Unsecured	1,393	1,268	12,550
Capitalized lease obligations	8,143	4,000	73,360
	19,905	21,776	179,325
Less current portion	(2,609)	(7,917)	(23,505)
	¥ 17,296	13,859	$ 155,820

At March 31, 2019 and 2018, respectively, the following assets were pledged as collateral for certain long-term debt:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Land	¥ 5,175	¥ 5,007	$ 46,622
Buildings and structures	1,442	1,506	12,991
Cash and deposits	1,246	1,330	11,225
Shares of subsidiaries and associates	1,133	1,133	10,207
Long-term loans receivable from subsidiaries and associates	760	10	6,847

The aggregate annual maturities of long-term debt as of March 31, 2019 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2020	¥ 2,609	$ 23,505
2021	2,109	19,000
2022	1,928	17,369
2023	8,546	76,991
2024	854	7,694
Thereafter	3,859	34,766
	¥ 19,905	$ 179,325

10. Commitment Line Agreement

Consolidated subsidiary Kanto Transportation Co., Ltd. had a commitment line agreement of ¥2,000 million ($18,018 thousand) as of March 31, 2019 to ensure its access to financing. The outstanding balance of borrowings under this agreement was ¥500 million ($4,505 thousand) at March 31, 2019.

11. Financial Covenants

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

1. The operating loss on a consolidated basis of Kanto Transportation Co., Ltd. before amortization of goodwill is allowed on the profit and loss statement for the two consecutive years as of the previous fiscal year at March 31, 2017 or later.

2. The amount of equity (except subscription rights to shares, noncontrolling interests and deferred gains and losses on hedges) on the balance sheets on a consolidated basis of Kanto Transportation Co., Ltd. is required to be equal to or greater than 80% of equity on the balance sheet as of the previous fiscal year at March 31, 2017 or later.

Remaining balances of debt were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Short-term borrowings	¥ 500	¥ —	$ 4,505
Current portion of long-term debt	800	725	7,207
Long-term debt	9,100	9,900	81,982
	¥ 10,400	¥ 10,625	$ 93,694

12. Employee Retirement Benefits

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

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

As of and for the year ended March 31, 2019 and 2018, defined benefit plans, including plans applying the simplified method were as follows:

(a) Movements in retirement benefit obligation:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
At the beginning of year	¥ 81,375	¥ 79,920	$ 733,108
Service cost	4,287	4,358	38,621
Interest cost	185	182	1,667
Actuarial differences	653	450	5,883
Benefits paid	(2,999)	(3,527)	(27,018)
Past service cost	(1,258)	(94)	(11,333)
Others	38	86	342
At the end of year	¥ 82,281	¥ 81,375	$ 741,270

(b) Movements in plan assets:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
At the beginning of year	¥ 6,572	¥ 6,416	$ 59,207
Actuarial differences	329	242	2,964
Contributions paid by the employer	2	2	18
Benefits paid	(94)	(88)	(847)
At the end of year	¥ 6,809	¥ 6,572	$ 61,342

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

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Funded retirement benefit obligation	¥ 7,037	¥ 6,921	$ 63,396
Plan assets	(6,809)	(6,572)	(61,342)
	228	349	2,054
Unfunded retirement benefit obligation	75,244	74,454	677,874
Net employee retirement benefit liability	75,472	74,803	679,928
Employee retirement benefit liability	75,486	74,803	680,054
Employee retirement benefit asset	(14)	—	(126)
Net employee retirement benefit liability	¥ 75,472	¥ 74,803	$ 679,928

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

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Service cost	¥ 4,287	¥ 4,358	$ 38,622
Interest cost	185	182	1,667
Amortization of actuarial differences	1,427	1,431	12,856
Amortization of past service cost	(59)	31	(532)
Net periodic retirement benefit expenses	¥ 5,840	¥ 6,002	$ 52,613

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

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Past service cost	¥ (1,200)	¥ (124)	$ (10,811)
Actual differences	(1,102)	(1,223)	(9,928)
Total balance	¥ (2,302)	¥ (1,347)	$ (20,739)

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

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Past service cost yet to be recognized	¥ (1,052)	¥ 148	$ (9,477)
Actuarial differences yet to be recognized	7,244	8,347	65,261
Total balance	¥ 6,192	¥ 8,495	$ 55,784

(g) Plan assets

(i) Plan assets comprise:

	Percent	
	2019	2018
Cash and cash equivalents	10%	11%
Bonds	1%	1%
Equity securities	89%	88%
Total*	100%	100%

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

(ii) Long-term expected rate of return

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

(h) Actuarial assumptions

The principal actuarial assumptions (expressed as weighted averages):

	2019	2018
Discount rate (mainly)	0.1%	0.1%
Long-term expected rate of return	0.0%	0.0%

13. Contingent Liabilities

At March 31, 2019 and 2018, the Seino Group was contingently liable for trade notes and discount notes endorsed to affiliates and third parties and for guarantees, including substantial guarantees, principally of indebtedness of third parties in the aggregate amount of ¥1,261 million ($11,360 thousand) and ¥1,302 million, respectively.

14. Lease Commitments

As lessee, the Seino Group has entered into various rental and lease agreements for land and buildings to be used for truck terminals and warehouses that are generally cancelable with a few months advance notice, except for certain operating lease agreements. The aggregate minimum future lease payments for such noncancelable operating lease agreements, including the imputed interest portion, as lessee at March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Operating leases:			
Due within one year	¥ 763	¥ 791	$ 6,874
Due after one year	2,161	1,238	19,468
	¥ 2,924	¥ 2,029	$ 26,342

A certain subsidiary engaged in leasing operations as lessor enters into various lease agreements with third parties principally for vehicles. The leases are categorized as operating leases. At March 31, 2019 and 2018, the aggregate future minimum lease commitments to be received for such non-cancelable lease agreements, including the imputed interest, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Operating leases:			
Due within one year	¥ 206	¥ 226	$ 1,856
Due after one year	398	383	3,585
	¥ 604	¥ 609	$ 5,441

15. Net Assets

Under the Japanese Corporate Law (the "Law") and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Law, in cases in which a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Law, legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting. Additional paid-in capital and legal earnings reserve may not be distributed as dividends. All additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

At March 31, 2019 and 2018, capital surplus consisted principally of additional paid-in capital. In addition, retained earnings included legal earnings reserve of the Company in the amount of ¥4,262 million ($38,396 thousand) at March 31, 2019 and 2018.

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

During the year ended March 31, 2019, the Company paid interim dividends of ¥11 per share, amounting to ¥2,249 million ($20,261 thousand). In addition, at the annual shareholders' meeting held on June 27, 2019, the shareholders approved cash dividends of ¥21 per share, amounting to ¥4,293 million ($38,676 thousand). The appropriation had not been accrued in the consolidated financial statements as of March 31, 2019 as such appropriations are recognized in the period in which they are approved by the shareholders.

16 Consolidated Statements of Cash Flows

During the year ended March 31, 2019 and 2018, stock subscription rights were exercised, and the related convertible bonds were converted to common stock without any cash settlement. Details of the movement resulting from the exercise of the stock subscription rights are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Gain on disposal of treasury stock	¥ 1,619	¥ 1,168	$ 14,586
Decrease in treasury stock	4,232	2,954	38,126
Decrease in convertible bonds	5,851	4,122	52,712

17. Income Taxes

The tax effects of temporary differences that give rise to a significant portion of deferred tax assets and liabilities at March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Deferred tax assets:			
Employee retirement benefit liability	¥ 26,286	¥ 26,085	$ 236,811
Enterprise tax accruals	743	619	6,694
Accrued bonuses	4,178	3,910	37,639
Intercompany capital gains	1,203	1,179	10,838
Operating loss carryforwards	566	447	5,099
Loss on assets transferred	1,437	1,412	12,946
Impairment loss on fixed assets	13,508	13,404	121,694
Allowance for doubtful accounts	192	206	1,730
Other	3,474	3,132	31,297
	51,587	50,394	464,748
Less valuation allowance	(15,503)	(15,364)	(139,667)
	36,084	35,030	325,081
Deferred tax liabilities:			
Deferred capital gains	5,032	5,127	45,333
Unrealized gains on available-for-sale securities	5,408	6,225	48,721
Valuation adjustments for consolidation	11,523	11,716	103,811
Employee retirement benefit asset	5	—	45
Other	575	530	5,180
	22,543	23,598	203,090
Net deferred tax assets	¥ 13,541	¥ 11,432	$ 121,991

In assessing the realizability of deferred tax assets, management of the Seino Group considers whether some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of the future taxable income during the periods in which those temporary differences become deductible. At March 31, 2019 and 2018, a valuation allowance was provided to reduce deferred tax assets to the extent that the management believed that the amount of the deferred tax assets was not realizable.

The reconciliation of the statutory tax rate and the effective tax rate for the years ended March 31, 2019 and 2018 was as follows:

	Percentage of pretax income	
	2019	2018
Japanese statutory tax rate	29.9%	30.2%
Increase (decrease) due to:		
Permanently nondeductible expenses	0.4	0.4
Tax exempt income	(0.2)	(0.2)
Local minimum taxes - per capita levy	2.1	2.3
Amortization of goodwill	1.4	1.2
Equity in net income of affiliates	(0.9)	0.5
Changes in valuation allowance	0.3	(1.4)
Different tax rates applied to the consolidated subsidiaries	4.2	4.4
Tax credit for salary growth	(0.2)	(2.5)
Other	0.0	(0.4)
Effective income tax rate	37.0%	34.5%

18. Comprehensive Income

Amounts reclassified to net income (loss) in the current period that were recognized in other comprehensive income in the current or previous periods and the tax effects for each component of other comprehensive income for the years ended March 31, 2019, 2018 and 2017 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2019	2018	2017	**2019**
Net unrealized gains on available-for-sale securities:				
(Decrease) increase during the year	**¥ (2,250)**	¥ 4,795	¥ 1,305	**$ (20,270)**
Reclassification adjustments	**(450)**	(292)	(34)	**(4,054)**
Subtotal, before tax	**(2,700)**	4,503	1,271	**(24,324)**
Tax effect	**735**	(1,359)	(324)	**6,621**
Subtotal, net of tax	**(1,965)**	3,144	947	**(17,703)**
Foreign currency translation adjustments:				
(Decrease) increase during the year	**(53)**	24	(63)	**(478)**
Reclassification adjustments	**—**	—	—	**—**
Subtotal, before tax	**(53)**	24	(63)	**(478)**
Tax effect	**—**	—	—	**—**
Subtotal, net of tax	**(53)**	24	(63)	**(478)**

	Millions of yen			Thousands of U.S. dollars
	2019	2018	2017	**2019**
Retirement benefit adjustment:				
Increase (decrease) during the year	**934**	(120)	(1,826)	**8,415**
Reclassification adjustments	**1,368**	1,467	1,216	**12,324**
Subtotal, before tax	**2,302**	1,347	(610)	**20,739**
Tax effect	**(789)**	(459)	216	**(7,108)**
Subtotal, net of tax	**1,513**	888	(394)	**13,631**
Shares of other comprehensive income of affiliates accounted for using equity method:				
Decrease during the year	**(245)**	(33)	(44)	**(2,207)**
Reclassification adjustments	**(11)**	(2)	(6)	**(99)**
Subtotal	**(256)**	(35)	(50)	**(2,306)**
Total other comprehensive income	**¥ (761)**	¥ 4,021	¥ 440	**$ (6,856)**

19. Business Combinations

For the year ended March 31, 2017

Stock-for-stock exchange agreements with the subsidiaries

On March 4, 2016, the Company entered into stock-for-stock exchange agreements with a subsidiary, Toyota Home Gifu Co., Ltd., in order to increase the Company's equity share in the subsidiary to 100%. In accordance with this agreement, on April 1, 2016 (the stock-for-stock exchange date), the Company reissued 35,925 shares of treasury stock at various exchange rates representing a certain number of shares of the Company's common stock (see below) for one share of common stock to the respective minority shareholders of the subsidiary. The acquisition cost of the acquired company was ¥41 million.

Details of the stock-for-stock exchange transactions with the subsidiary included the following:

	Exchange rate representing the number of shares of common stock of the Company for one share of common stock of the subsidiary
	(shares)
Toyota Home Gifu Co., Ltd.	359.25

The Company applied ASBJ Statement No. 21, "Accounting Standard for Business Combinations," revised on September 13, 2013, and ASBJ Guidance No. 10, "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures," revised on September 13, 2013, and treated them as business transactions under common control.

20. Subsequent Events

Share Repurchase

The Board of Directors of the Company resolved at its meeting held on August 9, 2019 matters concerning the Company's repurchase of its common stock pursuant to the provisions of the Articles of Incorporation as applied pursuant to Article 459, Paragraph 1, Item 1 of the Business Corporation Law, as detailed below.

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

Class of shares to be repurchased
Common stock

Total number of shares that may be repurchased:
4,500,000 shares (maximum), 2.20% of issued shares excluding treasury stock

Aggregate repurchase price
¥ 5,000 million ($45,045 thousand) (maximum)

Period of repurchase
August 13, 2019 to December 2, 2019

21. Segment Information

(a) General information about reportable segments

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

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

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

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

Information about reportable segment for the years ended March 31, 2019, 2018 and 2017 is summarized as follows:

	Transportation services	Vehicle sales	Merchandise sales	Real estate leasing services	Other *(*4)*	Total	Adjustments *(*1)*	Consolidated
	Millions of yen							
For the year 2019:								
Operating revenue:								
External customers	**¥ 462,459**	**¥ 102,234**	**¥ 33,518**	**¥ 1,651**	**¥ 18,574**	**¥ 618,436**	**¥ —**	**¥ 618,436**
Intersegment sales and transfers	**2,301**	**11,247**	**21,491**	**—**	**15,871**	**50,910**	**(50,910)**	**—**
Total operating revenue	**464,760**	**113,481**	**55,009**	**1,651**	**34,445**	**669,346**	**(50,910)**	**618,436**
Segment income *(*2)*	**¥ 24,475**	**¥ 4,851**	**¥ 829**	**¥ 1,334**	**¥ 902**	**¥ 32,391**	**¥ (1,182)**	**¥ 31,209**
Segment assets *(*3)*	**¥ 504,189**	**¥ 119,982**	**¥ 15,672**	**¥ 13,752**	**¥ 49,637**	**¥ 703,232**	**¥ (45,249)**	**¥ 657,983**
Depreciation	**16,950**	**1,761**	**50**	**84**	**529**	**19,374**	**(373)**	**19,001**
Amortization of goodwill	**1,273**	**1**	**—**	**—**	**163**	**1,437**	**—**	**1,437**
Investments in affiliates accounted for using the equity method	**15,064**	**42**	**—**	**—**	**—**	**15,106**	**(2)**	**15,104**
Increase in tangible and intangible fixed assets	**33,398**	**4,652**	**118**	**20**	**1,779**	**39,967**	**(526)**	**39,441**
For the year 2018:								
Operating revenue:								
External customers	¥ 443,168	¥ 103,342	¥ 31,575	¥ 1,599	¥ 16,446	¥ 596,130	¥ —	¥ 596,130
Intersegment sales and transfers	2,046	9,606	20,629	—	12,717	44,998	(44,998)	—
Total operating revenue	445,214	112,948	52,204	1,599	29,163	641,128	(44,998)	596,130
Segment income *(*2)*	¥ 20,965	¥ 4,922	¥ 810	¥ 1,239	¥ 921	¥ 28,857	¥ (978)	¥ 27,879
Segment assets *(*3)*	¥ 467,226	¥ 117,088	¥ 15,590	¥ 13,484	¥ 43,952	¥ 657,340	¥ (28,612)	¥ 628,728
Depreciation	15,654	1,918	38	62	446	18,118	(343)	17,775
Amortization of goodwill	1,150	1	—	—	14	1,165	—	1,165
Investments in affiliates accounted for using the equity method	3,052	46	—	—	—	3,098	(3)	3,095
Increase in tangible and intangible fixed assets	20,152	2,930	92	458	1,444	25,076	(373)	24,703
For the year 2017:								
Operating revenue:								
External customers	¥ 422,870	¥ 100,237	¥ 27,749	¥ 1,543	¥ 15,140	¥ 567,539	¥ —	¥ 567,539
Intersegment sales and transfers	1,975	8,665	19,621	—	10,093	40,354	(40,354)	—
Total operating revenue	424,845	108,902	47,370	1,543	25,233	607,893	(40,354)	567,539
Segment income *(*2)*	¥ 20,020	¥ 5,055	¥ 766	¥ 1,279	¥ 728	¥ 27,848	¥ (731)	¥ 27,117
Segment assets *(*3)*	¥ 447,153	¥ 110,482	¥ 14,490	¥ 13,153	¥ 41,506	¥ 626,784	¥ (32,520)	¥ 594,264
Depreciation	14,993	1,861	42	54	363	17,313	(336)	16,977
Amortization of goodwill	1,109	—	—	—	—	1,109	—	1,109
Investments in affiliates accounted for using the equity method	3,962	—	—	—	—	3,962	(2)	3,960
Increase in tangible and intangible fixed assets	14,304	4,200	17	257	441	19,219	(343)	18,876

For the year 2019:	Transportation services	Vehicle sales	Merchandise sales	Real estate leasing services	Other *(*4)*	Total	Adjustments *(*1)*	Consolidated
	Thousands of U.S. dollars							
Operating revenue:								
External customers	**$ 4,166,297**	**$ 921,027**	**$ 301,964**	**$ 14,874**	**$ 167,333**	**$ 5,571,495**	**$ —**	**$ 5,571,495**
Intersegment sales and transfers	**20,730**	**101,324**	**193,613**	**—**	**142,982**	**458,649**	**(458,649)**	**—**
Total operating revenue	**4,187,027**	**1,022,351**	**495,577**	**14,874**	**310,315**	**6,030,144**	**(458,649)**	**5,571,495**
Segment income *(*2)*	**$ 220,495**	**$ 43,703**	**$ 7,469**	**$ 12,018**	**$ 8,126**	**$ 291,811**	**$ (10,649)**	**$ 281,162**
Segment assets *(*3)*	**$ 4,542,243**	**$ 1,080,919**	**$ 141,189**	**$ 123,892**	**$ 447,180**	**$ 6,335,423**	**$ (407,648)**	**$ 5,927,775**
Depreciation	**152,703**	**15,865**	**450**	**757**	**4,766**	**174,541**	**(3,361)**	**171,180**
Amortization of goodwill	**11,469**	**9**	**—**	**—**	**1,468**	**12,946**	**—**	**12,946**
Investments in affiliates accounted for using the equity method	**135,712**	**378**	**—**	**—**	**—**	**136,090**	**(18)**	**136,072**
Increase in tangible and intangible fixed assets	**300,883**	**41,910**	**1,063**	**180**	**16,027**	**360,063**	**(4,739)**	**355,324**

*Note: *1) The adjustments column in the table above represents principally the elimination of intersegment transactions and balances, except for (*2) and (*3).*

**2) Segment income is reconciled to operating income in the accompanying consolidated statements of income. Segment income in the adjustments column represents unallocated general corporate expenses which were not assigned to specific reportable segments, net of intersegment transactions.*

**3) Segment assets in the adjustments column represent unallocated general corporate items which were not assigned to specific reportable segments, including items such as cash and short-term and long-term investments in securities, net of intersegment balances.*

**4) Other segment represents the business segment not included in the reportable segments and includes the information services business, the housing sales business, the passenger transportation business and other business.*

(d) Related Information

(i) Information about products and services

The Company has not disclosed information about products and services here because the Company has disclosed the same information above.

(ii) Information about geographic areas

Operating revenue

The Company has omitted the disclosure of operating revenue by geographic area because operating revenue to external customers in Japan accounts for more than 90% of the amount of operating revenue reported in the consolidated statements of income.

Property and equipment

The Company has omitted the disclosure of property and equipment by geographic area because property and equipment in Japan account for more than 90% of the amount of property and equipment reported in the consolidated balance sheets.

(iii) Information about major customers

The Company has not disclosed information about major customers because no customer contributed 10% or more to operating revenue in the consolidated statements of income.

(iv) Information on impairment loss by reportable segments:

	Transportation services	Vehicle sales	Merchandise sales	Real estate leasing services	Other	Total
	Millions of yen					
Impairment loss:						
For the year 2019	¥ 869	¥ 302	¥ —	¥ 28	¥ 37	¥ 1,236
For the year 2018	100	22	—	69	—	191
For the year 2017	19	202	—	—	—	221
	Thousands of U.S. dollars					
Impairment loss:						
For the year 2019	$ 7,829	$ 2,721	$ —	$ 252	$ 333	$ 11,135

(v) Information on goodwill by reportable segments:

	Transportation services	Vehicle sales	Merchandise sales	Real estate leasing services	Other	Total
	Millions of yen					
For the year 2019:						
Amortization of goodwill	¥ 1,273	¥ 1	¥ —	¥ —	¥ 163	¥ 1,437
As of March 31, 2019:						
Balance of goodwill	13,762	3	—	—	865	14,630
For the year 2018:						
Amortization of goodwill	¥ 1,150	¥ 1	¥ —	¥ —	¥ 14	¥ 1,165
As of March 31, 2018:						
Balance of goodwill	13,953	3	—	—	125	14,081
For the year 2017:						
Amortization of goodwill	¥ 1,109	¥ —	¥ —	¥ —	¥ —	¥ 1,109
As of March 31, 2017:						
Balance of goodwill	14,695	4	—	—	—	14,699

	Transportation services	Vehicle sales	Merchandise sales	Real estate leasing services	Other	Total
	Thousands of U.S. dollars					
For the year 2019:						
Amortization of goodwill	$ 11,469	$ 9	$ —	$ —	$ 1,468	$ 12,946
As of March 31, 2019:						
Balance of goodwill	123,982	27	—	—	7,793	131,802

(iv) Information on gain on negative goodwill by reportable segments:

	Transportation services	Vehicle sales	Merchandise sales	Real estate leasing services	Other	Total
	Millions of yen					
Gain on negative goodwill:						
For the year 2019	¥ —	¥ —	¥ —	¥ —	¥ 88	¥ 88
For the year 2018	—	—	—	—	63	63
For the year 2017	—	—	—	—	—	—

	Transportation services	Vehicle sales	Merchandise sales	Real estate leasing services	Other	Total
	Thousands of U.S. dollars					
Gain on negative goodwill:						
For the year 2019	$ —	$ —	$ —	$ —	$ 793	$ 793

Report of Independent Auditors

Independent Auditor's Report

To the Board of Directors of
SEINO HOLDINGS CO., LTD.:

We have audited the accompanying consolidated financial statements of SEINO HOLDINGS CO., LTD. (the "Company") and its subsidiaries, which comprise the consolidated balance sheets as at March 31, 2019 and 2018, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for each of the years in the three-year period ended March 31, 2019, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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 misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and its subsidiaries as at March 31, 2019 and 2018, and their financial performance and cash flows for each of the years in the three-year period ended March 31, 2019, in conformity with accounting principles generally accepted in Japan.

Convenience Translation

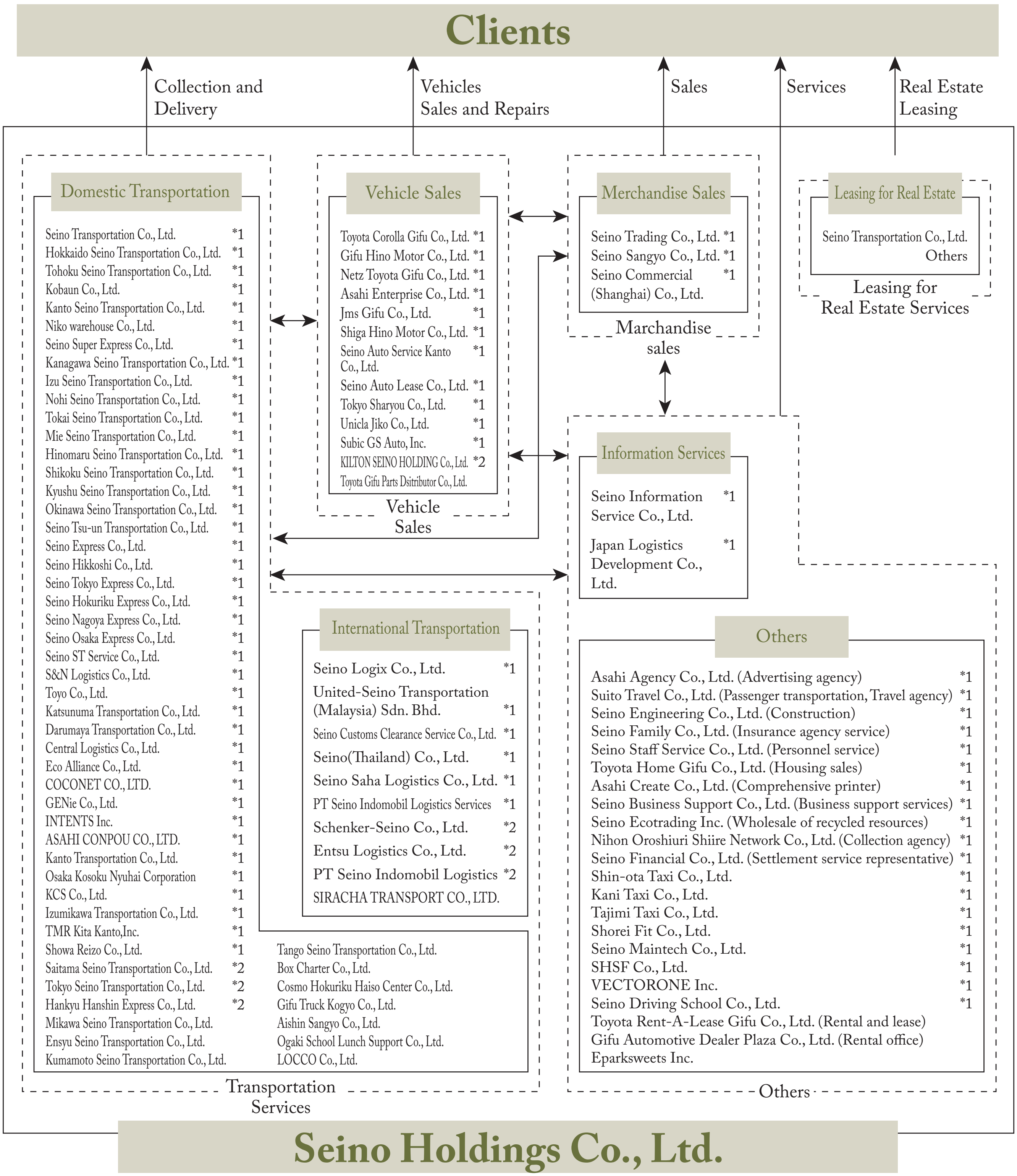
The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2019 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 of the Notes to Consolidated Financial Statements.

KPMG AZSA LLC

September 30, 2019
Nagoya, Japan

Seino Group

The Seino Group consists of Seino Holdings Co., Ltd. and 81 consolidated subsidiaries and 22 affiliates. The Seino Group operates in five business segments: transportation services, vehicle sales, merchandise sales, leasing for real estate services and other services. The business relationship in the Seino Group is as follows.



Note	*1: Consolidated subsidiaries	81
	*2: Affiliates (under the equity method)	7
	Companies except those mentioned above are affiliates under the cost method.	15

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