<u>Independent Auditor's Report</u>

To the Board of Directors of Nagoya Railroad Co., Ltd.:

We have audited the accompanying consolidated financial statements of Nagoya Railroad Co., Ltd.(the "Company") and its consolidated subsidiaries, which comprise the consolidated balance sheets as at 31 March, 2013 and 2014, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, 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 consolidated subsidiaries as at 31 March, 2013 and 2014, and their financial performance and cash flows for the years then ended in accordance 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 31 March, 2014 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 to the consolidated financial statements.

KPMG AZSA LLC
27 June, 2014
Nagoya, Japan

Nagoya Railroad Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheets

31 March 2013 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2014	2014
ASSETS			
Current assets:			
Cash and cash equivalents (Note 3)	¥ 9,711	¥ 13,405	$ 130,146
Short-term investments (Notes 3 and 4)	712	993	9,641
Trade notes and accounts receivable (Note 3)	59,922	56,724	550,718
Inventories (Note 5)	67,890	62,459	606,398
Deferred tax assets (Note 14)	5,805	6,142	59,631
Others	19,897	20,337	197,447
Less allowance for doubtful accounts	(263)	(317)	(3,078)
Total current assets	163,674	159,743	1,550,903
Property and equipment: (Notes 6, 7 and 8)			
Land	367,197	364,383	3,537,699
Buildings and structures	672,493	674,406	6,547,631
Machinery, equipment and vehicles	300,236	302,663	2,938,476
Other properties	60,337	61,126	593,456
Construction in progress	50,327	16,520	160,388
	1,450,590	1,419,098	13,777,650
Less accumulated depreciation	(629,596)	(641,744)	(6,230,524)
Property and equipment, net	820,994	777,354	7,547,126
Investments and other assets:			
Investment securities (Notes 3 and 4)	53,195	57,503	558,282
Investments in unconsolidated subsidiaries and affiliates (Note 3)	25,676	25,632	248,854
Deferred tax assets (Note 14)	12,807	10,905	105,874
Intangible assets	11,902	9,217	89,485
Other assets	16,575	16,182	157,107
Allowance for doubtful accounts	(1,848)	(1,857)	(18,029)
Total investments and other assets	118,307	117,582	1,141,573
Total assets	¥ 1,102,975	¥ 1,054,679	$ 10,239,602

See Notes to Consolidated Financial Statements.

Nagoya Railroad Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheets

31 March 2013 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2014	2014
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term borrowings (Notes 3 and 8)	¥ 72,144	¥ 60,980	$ 592,039
Current portion of long-term debt (Notes 3 and 8)	66,820	78,685	763,932
Trade notes and accounts payable (Note 3)	67,391	73,753	716,049
Accrued expenses	14,994	14,454	140,330
Income taxes payable	3,651	5,419	52,612
Provisions	1,872	2,266	22,000
Other current liabilities	96,817	66,475	645,388
Total current liabilities	323,689	302,032	2,932,350
Non-current liabilities:			
Long-term debt (Notes 3 and 8)	421,056	369,673	3,589,058
Provision for retirement benefits (Note 9)	28,905	—	—
Accrued retirement benefits for directors and corporate auditors	1,727	1,672	16,233
Deferred tax liabilities (Note 14)	3,697	3,920	38,058
Deferred tax liabilities for land revaluation	63,971	63,592	617,398
Provisions	4,761	9,256	89,864
Employee retirement benefit liability (Note 9)	—	34,432	334,291
Other non-current liabilities	19,579	18,550	180,098
Total non-current liabilities	543,696	501,095	4,865,000
Total liabilities	867,385	803,127	7,797,350
Contingent liabilities (Notes 10 and 11)			
Net assets:			
Shareholders' equity: (Notes 13 and 17)			
Common stock: authorised - 1,800,000 thousand shares issued - 881,585 thousand shares in 2013 and 889,340 thousand shares in 2014	84,186	85,136	826,563
Capital surplus	18,429	19,379	188,146
Retained earnings	43,394	53,096	515,495
Treasury stock - at cost: 2,451 thousand shares in 2013 and 402 thousand shares in 2014	(757)	(108)	(1,049)
Total shareholders' equity	145,252	157,503	1,529,155
Accumulated other comprehensive income (loss):			
Net unrealised gains on available-for-sale securities	9,387	12,844	124,699
Deferred gains on hedges	11	3	29
Land revaluation increment	63,140	67,160	652,039
Foreign currency translation adjustments	(53)	(28)	(272)
Retirement benefit adjustments	—	(3,740)	(36,311)
Total accumulated other comprehensive income (loss)	72,485	76,239	740,184
Minority interests	17,853	17,810	172,913
Total net assets	235,590	251,552	2,442,252
Total liabilities and net assets	¥ 1,102,975	¥ 1,054,679	$ 10,239,602

Nagoya Railroad Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Income
For the Years Ended 31 March 2013 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2014	2014
Operating revenues (Note 15)	¥ 609,836	¥ 627,797	$ 6,095,117
Operating expenses			
Transportation, other services and cost of sales	528,271	541,241	5,254,767
Selling, general and administrative expenses	49,237	49,478	480,369
Total operating expenses	577,508	590,719	5,735,136
Operating income	32,328	37,078	359,981
Other income (expenses):			
Interest and dividend income	1,139	1,283	12,456
Interest expense	(7,714)	(6,824)	(66,252)
Equity in net earnings of affiliates	369	1,112	10,796
Impairment loss on fixed assets (Note 6)	(6,249)	(3,142)	(30,505)
Loss on sale or disposition of property and equipment, net	(473)	(1,347)	(13,078)
Gain on contributions for construction (Note 2(k))	4,479	38,635	375,097
Loss on reduction of property and equipment (Note 2(k))	(4,171)	(36,605)	(355,388)
Provision for loss on liquidation	(1,985)	(4,893)	(47,505)
Others, net	2,338	620	6,019
Other income (expenses), net	(12,267)	(11,161)	(108,360)
Income before income taxes and minority interests	20,061	25,917	251,621
Income taxes:			
Current	5,286	7,343	71,291
Deferred	893	2,539	24,650
Total income taxes	6,179	9,882	95,941
Income before minority interests	13,882	16,035	155,680
Minority interests in net income of consolidated subsidiaries	1,155	1,131	10,981
Net income	¥ 12,727	¥ 14,904	$ 144,699
Per share:			
Net income:			
- Basic	¥ 14.48	¥ 16.95	$ 0.16
- Diluted	13.88	15.69	0.15
Cash dividends	3.00	4.00	0.04

See Notes to Consolidated Financial Statements.

Nagoya Railroad Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Comprehensive Income
For the Years Ended 31 March 2013 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2014	2014
Income before minority interests	¥ 13,882	¥ 16,035	$ 155,680
Other comprehensive income (Note 16):			
Net unrealised gains and losses on available-for-sale securities	1,900	3,410	33,107
Land revaluation increment	997	1,610	15,631
Foreign currency translation adjustments	11	26	252
Share of other comprehensive income of affiliates accounted for using the equity method	318	137	1,330
Total other comprehensive income	3,226	5,183	50,320
Comprehensive income	¥ 17,108	¥ 21,218	$ 206,000
Comprehensive income attributable to:			
Owners of the parent	¥ 15,823	¥ 19,987	$ 194,049
Minority interests	1,285	1,231	11,951
Total comprehensive income	¥ 17,108	¥ 21,218	$ 206,000

See Notes Consolidated Financial Statements.

Nagoya Railroad Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Changes in Net Assets
For the Years Ended 31 March 2013 and 2014

		Shareholders' equity					Accumulated other comprehensive income (loss)							
	Number of shares of common stock issued	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealised gains on available-for-sale securities	Deferred gains on hedges	Land revaluation increment	Foreign currency translation adjustments	Retirement benefit adjustments	Total accumulated other comprehensive income (loss)	Minority interests	Total net assets
	Thousands	Millions of yen												
Balance as of 1 April 2012	881,585	¥ 84,186	¥ 18,429	¥ 34,253	¥ (747)	¥ 136,121	¥ 7,314	¥ −	¥ 60,078	¥ (64)	¥ −	¥ 67,328	¥ 16,798	¥ 220,247
Net income	−	−	−	12,727	−	12,727	−	−	−	−	−	−	−	12,727
Cash dividends	−	−	−	(1,759)	−	(1,759)	−	−	−	−	−	−	−	(1,759)
Reversal of land revaluation increment	−	−	−	(2,065)	−	(2,065)	−	−	−	−	−	−	−	(2,065)
Transfer from retained earnings to capital surplus	−	−	3	(3)	−	−	−	−	−	−	−	−	−	−
Increase in equity share of affiliates	−	−	−	241	−	241	−	−	−	−	−	−	−	241
Fractional shares acquired, net	−	−	(3)	−	(10)	(13)	−	−	−	−	−	−	−	(13)
Net changes in items other than shareholders' equity for the year	−	−	−	−	−	−	2,073	11	3,062	11	−	5,157	1,055	6,212
Balance as of 31 March 2013	881,585	84,186	18,429	43,394	(757)	145,252	9,387	11	63,140	(53)	−	72,485	17,853	235,590
Net income	−	−	−	14,904	−	14,904	−	−	−	−	−	−	−	14,904
Issuance of new shares	7,755	950	950	−	−	1,900	−	−	−	−	−	−	−	1,900
Cash dividends	−	−	−	(2,638)	−	(2,638)	−	−	−	−	−	−	−	(2,638)
Reversal of land revaluation increment	−	−	−	(2,409)	−	(2,409)	−	−	−	−	−	−	−	(2,409)
Transfer from retained earnings to capital surplus	−	−	155	(155)	−	−	−	−	−	−	−	−	−	−
Issuance of treasury stock upon conversion of convertible bonds and other, net of fractional shares acquired	−	−	(155)	−	649	494	−	−	−	−	−	−	−	494
Net changes in items other than shareholders' equity for the year	−	−	−	−	−	−	3,457	(8)	4,020	25	(3,740)	3,754	(43)	3,711
Balance as of 31 March 2014	889,340	¥ 85,136	¥ 19,379	¥ 53,096	¥ (108)	¥ 157,503	¥ 12,844	¥ 3	¥ 67,160	¥ (28)	¥ (3,740)	¥ 76,239	¥ 17,810	¥ 251,552

	Shareholders' equity					Accumulated other comprehensive income (loss)							
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealised gains on available-for-sale securities	Deferred gains on hedges	Land revaluation increment	Foreign currency translation adjustments	Retirement benefit adjustments	Total accumulated other comprehensive income (loss)	Minority interests	Total net assets
	Thousands of U.S. dollars (Note 1)												
Balance as of 31 March 2013	$ 817,340	$ 178,923	$ 421,301	$ (7,350)	$ 1,410,214	$ 91,136	$ 107	$ 613,010	$ (515)	$ −	$ 703,738	$ 173,330	$ 2,287,282
Net income	−	−	144,699	−	144,699	−	−	−	−	−	−	−	144,699
Issuance of new shares	9,223	9,223	−	−	18,446	−	−	−	−	−	−	−	18,446
Cash dividends	−	−	(25,612)	−	(25,612)	−	−	−	−	−	−	−	(25,612)
Reversal of land revaluation increment	−	−	(23,388)	−	(23,388)	−	−	−	−	−	−	−	(23,388)
Transfer from retained earnings to capital surplus	−	1,505	(1,505)	−	−	−	−	−	−	−	−	−	−
Issuance of treasury stock upon conversion of convertible bonds and other, net of fractional shares acquired	−	(1,505)	−	6,301	4,796	−	−	−	−	−	−	−	4,796
Net changes in items other than shareholders' equity for the year	−	−	−	−	−	33,563	(78)	39,029	243	(36,311)	36,446	(417)	36,029
Balance as of 31 March 2014	$ 826,563	$ 188,146	$ 515,495	$ (1,049)	$ 1,529,155	$ 124,699	$ 29	$ 652,039	$ (272)	$ (36,311)	$ 740,184	$ 172,913	$ 2,442,252

See Notes to Consolidated Financial Statements.

Nagoya Railroad Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows

For the Years Ended 31 March 2013 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2014	2014
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 20,061	¥ 25,917	$ 251,621
Adjustments for:			
Depreciation and amortisation	39,448	38,857	377,252
Impairment loss on fixed assets	6,249	3,142	30,505
Loss on sale or disposition of property and equipment	955	2,686	26,078
Gain on contributions for construction	(4,479)	(38,635)	(375,097)
Decrease (increase) in trade notes and accounts receivable	2,410	(2,444)	(23,728)
Decrease in inventories	10,898	5,504	53,437
(Decrease) increase in trade notes and accounts payable	(2,763)	9,864	95,767
Others, net	12,631	48,678	472,602
Subtotal	85,410	93,569	908,437
Interest and dividends received	1,358	1,587	15,408
Interest paid	(7,855)	(6,919)	(67,175)
Extra retirement benefits paid	(172)	(43)	(417)
Income taxes paid	(5,436)	(5,920)	(57,476)
Net cash provided by operating activities	73,305	82,274	798,777
Cash flows from investing activities:			
Purchases of property and equipment	(43,004)	(44,175)	(428,883)
Proceeds from sales of property and equipment	4,231	5,519	53,583
Proceeds for contributions for construction	11,467	12,467	121,039
Purchases of investment securities	(763)	(610)	(5,922)
Proceeds from sales or redemptions of investment securities	222	1,349	13,097
Payments for acquisition of subsidiaries' stock, net of cash acquired	(581)	—	—
Collections of loans receivable	1,954	828	8,039
Others, net	(585)	(953)	(9,253)
Net cash used in investing activities	(27,059)	(25,575)	(248,300)
Cash flows from financing activities:			
Increase in long-term debt	95,046	54,280	526,990
Repayment of long-term debt	(87,093)	(93,665)	(909,369)
Net decrease in short-term borrowings	(51,568)	(10,716)	(104,039)
Dividends paid to shareholders	(1,757)	(2,627)	(25,505)
Dividends paid to minority shareholders	(185)	(258)	(2,505)
Others, net	(18)	(44)	(427)
Net cash used in financing activities	(45,575)	(53,030)	(514,855)
Effect of exchange rate changes on cash and cash equivalents	9	20	194
Net increase in cash and cash equivalents	680	3,689	35,816
Cash and cash equivalents at beginning of year	9,031	9,711	94,282
Increase in cash and cash equivalents upon inclusion of additional subsidiary on consolidation	—	5	48
Cash and cash equivalents at end of year	¥ 9,711	¥ 13,405	$ 130,146

See Notes to Consolidated Financial Statements.

1. Basis of consolidated financial statements

The accompanying consolidated financial statements of Nagoya Railroad Co., Ltd. (the "Company") and its consolidated subsidiaries (together with the Company, the "Group") have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of the International Financial Reporting Standards.

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 Japanese Financial Instruments and Exchange Act. In preparing these consolidated financial statements, certain reclassifications have been made to the consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside 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. In addition, certain comparative figures have been reclassified to conform to the current year's presentation.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan, using the approximate rate prevailing at 31 March 2014, which was ¥103 to U.S. $1.00. Such translations 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) Basis of consolidation

The accompanying consolidated financial statements include the accounts of the Company and its significant subsidiaries. Investments in significant unconsolidated subsidiaries and affiliated companies are accounted for using the equity method. Investments in unconsolidated subsidiaries and affiliated companies not accounted for using the equity method are stated at cost. If the equity method of accounting had been applied to investments in these companies, the effect on the accompanying consolidated financial statements would have been immaterial.

The difference between the acquisition cost of investments in subsidiaries and the underlying equity in the net assets, adjusted based on the fair value at the time of acquisition, is principally deferred as goodwill and amortised on a straight-line basis over five years. At 31 March 2013 and 2014, goodwill of ¥278 million and ¥198 million ($1,922 thousand), respectively, were included in intangible assets in the accompanying consolidated balance sheets. Negative goodwill resulting from an acquisition, measured as the excess of the underlying equity in the net assets over the acquisition cost, is credited to income, except for that resulting from an acquisition that occurred before 1 April 2010, which is amortised over five years.

All significant intercompany accounts and transactions have been eliminated on consolidation. All material unrealised profits included in assets resulting from transactions within the Group have also been eliminated.

The number of consolidated subsidiaries, unconsolidated subsidiaries and affiliated companies for the years ended 31 March 2013 and 2014 were as follows.

	2013	2014
Consolidated subsidiaries	130	126
Unconsolidated subsidiaries accounted for using the equity method	1	−
Affiliated companies accounted for using the equity method	15	15
Unconsolidated subsidiaries stated at cost	7	7
Affiliated companies stated at cost	13	13

At both 31 March 2013 and 2014, the fiscal year-end dates of nine consolidated subsidiaries differed from the consolidated fiscal year-end date of the Company, which is 31 March. Because the difference in year-end dates was not more than three months, the Company has consolidated the subsidiaries' accounts as of each of their year-end dates. Significant transactions for the period between each of such subsidiaries fiscal year-end dates and the Company's year-end date have been adjusted on consolidation.

(b) Cash equivalents

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

(c) Investments and marketable securities

The Group classifies certain investments in debt and equity securities as "held-to-maturity," "trading" or "available-for-sale" securities. The classification determines the respective accounting method to be applied under the accounting standard for financial instruments. Debt securities for which the Group has both the intention and the ability to hold to maturity are classified as held-to-maturity securities and are stated at amortised cost. Marketable available-for-sale securities with market quotations are stated at fair value, and net unrealised gains or losses on such securities, net of applicable income taxes, are reported as accumulated other comprehensive income. Gains and losses on the disposition of investment securities are computed using the moving average method. Nonmarketable available-for-sale securities without available market quotations are carried at cost and determined using the moving average method. Adjustments made to the carrying values of individual investment securities are charged to income through write-downs when a decline in value is deemed to be other than temporary.

(d) Accounting for derivatives

Derivative instruments are valued at fair value if hedge accounting is not appropriate or when there is no hedging designation, and gains and losses on such derivatives are recognised in current earnings. For certain derivative instruments classified as hedging transactions, gains and losses are principally deferred until the maturity of the hedged transactions using the deferral method and recognised as accumulated other comprehensive income. According to the special treatment permitted under the accounting standard for financial instruments, hedging interest rate swap contracts are accounted for on an accrual basis and recorded net of interest expenses generated from borrowings if certain conditions are met. As an interim measure, foreign currency swaps that meet certain hedging criteria may be used to translate foreign currency denominated assets and liabilities at the applicable contract rates.

(e) Inventories

Land and buildings for sale are stated at the lower of cost, as determined using the specific identification method, or net selling value.

Other inventories are measured at the lower of cost or net selling value. The following types of inventories are measured using the following methods:

(1) Merchandise and finished goods: principally by the retail inventory method or the specific identification method;
(2) Work in process: principally by the specific identification method; and,
(3) Raw materials and supplies: principally by the gross average method.

(f) Property and equipment, excluding leased assets

Property and equipment, including significant renewals and additions thereof, are stated at cost and depreciated using the following methods, as applicable.

- Company:
  Railroad vehicles: declining balance method
  Other property and equipment: straight-line method
  (The replacement method is applied for replacement assets in the railroad business, which are included in "structures.")

- Consolidated subsidiaries: declining balance method, except for buildings acquired on or after 1 April 1998, which are depreciated using the straight-line method.
  (Some of the consolidated subsidiaries depreciate property and equipment using the straight-line method.)

The Company and some of the consolidated subsidiaries capitalise property and equipment that cost ¥100,000 or more and depreciate property and equipment that cost between ¥100,000 and ¥200,000 over three years on a straight-line basis. Maintenance and repairs, including minor renovations and improvements, are charged to expense, and major improvements are capitalised.

The useful lives of the following property and equipment are principally as follows:
- Buildings and structures: 2 - 60 years; and,
- Machinery, equipment and vehicles: 2 - 20 years.

(Changes in accounting policies with the amendment of law or regulation that are not distinguishable from changes in accounting estimates)
In accordance with the amendment of the Corporation Tax Act of Japan, the Company and some of the consolidated subsidiaries have changed their depreciation method for property and equipment. From the year ended 31 March 2013, assets acquired on or after 1 April 2012 are depreciated using the method prescribed in the amended Corporate Tax Act. The effect of this change in the depreciation method has been immaterial.

(g) Intangible assets

Intangible assets are amortised using the straight-line method. Software for internal use is amortised using the straight-line method over the estimated useful life.

(h) Leases

In March 2007, the Accounting Standards Board of Japan ("ASBJ") issued ASBJ Statement No. 13, entitled "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions. The revised accounting standard for lease transactions became effective from the fiscal year beginning on or after 1 April 2008.

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalised. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalised" information was disclosed in the notes to the lessee's financial statements. The revised accounting standard requires the capitalisation of all finance lease transactions, as lessee, so that lease assets and lease obligations are recognised in the balance sheets. However, the revised accounting standard permits finance leases which commenced prior to 1 April 2008 to continue to be accounted for using the accounting treatment similar to that used for operating leases if certain "as if capitalised" information is disclosed. Under the revised accounting standard, all other leases are accounted for as operating leases.

As lessee, finance leases which transfer ownership to the lessee are depreciated using the same method applied to fixed assets owned by the Group. Finance leases which do not transfer ownership to the lessee are depreciated using the straight-line method, with the useful life equal to the lease period and the residual value zero.

Certain consolidated subsidiaries engaged in the leasing business as lessor recognise leasing income from lease payments received from customers and related costs, net of imputed interest, at the due date for the payments on such leases as permitted under the current accounting standard.

(i) Impairment of fixed assets

The Company and its domestic consolidated subsidiaries have adopted the "Accounting Standard for Impairment of Fixed Assets" and related practical guidance. The standard requires that a fixed asset be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such asset may not be recoverable. An impairment loss is recognised in the income statement by reducing the carrying amount of the impaired asset or a group of assets to the recoverable amount, which is measured as the higher of the asset's net selling price or value in use. Fixed assets include land, buildings and other forms of property, as well as intangible assets, and are to be grouped at the lowest level for which there are identifiable cash flows independent of cash flows of other groups of assets. For the purpose of recognition and measurement of an impairment loss, fixed assets of the Group, other than idle or unused property, are grouped into cash generating units based on managerial accounting classifications.

(j) Land revaluation

In accordance with the Act on Revaluation of Land in Japan, the Company, nine consolidated subsidiaries and one affiliated company accounted for using the equity method elected the one-time revaluation option to restate the cost of land used for business at a reassessed value, effective as of the respective fiscal year-end date between 31 March 2000 and 31 March 2002, based on adjustments for land shape and other factors and appraised values issued by the Japanese National Tax Agency or by municipal property tax bases. According to the law, an amount equivalent to the tax effect on the difference between the original carrying value and the reassessed value has been recorded as deferred tax liabilities for land revaluation account. The remaining difference, net of the tax effect and minority interests portion, has been recorded in land revaluation increment as a component of accumulated other comprehensive income in the accompanying consolidated balance sheets.

The differences of the carrying value of land used for business after reassessment over the market value of the same at the respective fiscal year-end date for the Company and nine consolidated subsidiaries amounted to ¥35,720 million and ¥33,816 million ($328,311 thousand) at 31 March 2013 and 2014, respectively. The differences of the carrying value of land used for business after reassessment over the market value of the same at the respective fiscal year-end date for the affiliated company accounted for using the equity method amounted to ¥1,677 million and ¥1,664 million ($16,155 thousand) at 31 March 2013 and 2014, respectively.

(k) Contributions for construction work

In connection with construction related to railroad facilities, such as construction involving grade separations and the widening of railroad crossings, the Company and a certain consolidated subsidiary may receive contributions from the Japanese national government, local governments and/or other corporations to pay for part of the cost of construction. Such contributions are recognised as other income in the accompanying consolidated statements of income. An amount corresponding to such contributions is directly deducted from the acquisition costs of the related assets upon completion of construction, and the deducted amount is recognised as other expenses in the consolidated statements of income. At 31 March 2013 and 2014, cumulative contributions amounting to ¥137,970 million and ¥173,137 million ($1,680,942 thousand), respectively, were deducted from the acquisition costs of property and equipment for the railroad business.

(l) Allowance for doubtful accounts

An allowance for doubtful accounts is provided at the aggregate amount of estimated credit loss based on individual reviews of certain doubtful receivables. A general reserve for other receivables is also provided based on historical loss experience for a certain past period.

(m) Employee retirement benefit liability

Employees who terminate their service with the Group are entitled to retirement benefits generally determined by basic rates of pay at the time of retirement, length of service and conditions under which the termination occurs. The Group has principally recognised retirement benefits based on the actuarial present value of the projected benefit obligation using the actuarial appraisal approach and the fair value of pension plan assets available for benefits at the respective fiscal year-end.

Effective from the year ended 31 March 2014, the Group has applied the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, revised on 17 May 2012 (hereinafter, "Statement No. 26")) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, revised on 17 May 2012 (hereinafter, "Guidance No. 25")), except Article 35 of Statement No. 26 and Article 67 of Guidance No. 25, and actuarial gains and losses, past service costs and transitional obligation that are yet to be recognised in profit or loss have been recognised as retirement benefit adjustments of accumulated other comprehensive income within net assets section, after adjusting tax effects, and the difference between retirement benefit obligations and plan assets has been recognised as employee retirement benefit liability in the balance sheet. In accordance with Article 37 of Statement No. 26, this accounting change has not been retrospectively applied to the financial statements in prior years. However, the effect of the change in accounting policies arising from the initial application has been recognised in retirement benefit adjustments of accumulated other comprehensive income.

As a result of this application, employee retirement benefit liability in the amount of ¥34,432 million ($334,291 thousand) has been recognised and accumulated other comprehensive income has decreased by ¥3,740 million ($36,311 thousand) at the end of the current fiscal year ended 31 March 2014.

Until the year ended 31 March 2013, under the previous standard, unrecognised actuarial gains and losses, unrecognised past service costs and transitional obligation were not recognised in the balance sheet, and difference between retirement benefit obligations and plan assets, adjusted by such unrecognised amounts, were recognised as "Provision for retirement benefits" in the balance sheet.

Actuarial differences arising from changes in the projected benefit obligation or the value of pension plan assets from the amounts assumed and from changes in the assumptions themselves are amortised principally on a straight-line basis over one to ten years, a specific period not exceeding the average remaining service period of employees, from the year following the year in which they arise. Past service cost is amortised principally on a straight-line basis over one to ten years, a specific period not exceeding the average remaining service period of the employees, from the year in which it occurs. The excess of the projected benefit obligation over the total of the fair value of pension assets as of 1 April, 2000 and retirement benefit liabilities recorded as of 1 April, 2000 (the "transitional obligation") incurred at the time of initial adoption of the accounting standard for retirement benefits by some of the consolidated subsidiaries in the year ended 31 March, 2001 is principally being charged to income over fifteen years from the year ended 31 March, 2001 on straight-line method as permitted under the accounting standard for retirement benefits. In calculating retirement benefits obligations, the point per year basis or straight-line basis is used to attribute the expected benefit attributable to the respective fiscal year.

Some consolidated subsidiaries use the simplified method to calculate retirement benefit liability and related costs so that the total lump sum benefits payment at the end of the fiscal year is regarded as a substitute for the project benefit obligation.

(n) Accrued retirement benefits for directors and corporate auditors

A provision for retirement benefits for directors and corporate auditors is recognised based on internal rules at the amount that would be payable if the directors and corporate auditors retired at the end of the fiscal year.

(o) Provisions

"Provisions" in the accompanying consolidated balance sheets principally consists of provision for loss on liquidation and allowance for loss on collection of gift certificates outstanding.

(i) Provision for loss on liquidation

A provision for loss on liquidation is provided at the estimated amount of losses at the balance sheet date. At 31 March 2013 and 2014, the following amounts were included in "Provisions" in the accompanying consolidated balance sheets.

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Provision in:			
Current liabilities	¥69	¥308	$2,990
Non-current liabilities	3,829	8,002	77,690
Total	¥3,898	¥8,310	$80,680

(ii) Allowance for loss on collection of gift certificates outstanding

An allowance for loss on collection of gift certificates outstanding issued by certain consolidated subsidiaries is provided to cover for losses due to future use of shopping coupons, travel gift coupons and similar coupons by customers. Such allowance is provided for the non-accrual of liabilities based on past experience plus estimated loss amounts. At 31 March 2013 and 2014, the following amounts were included in "Provisions" in the accompanying consolidated balance sheets.

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Provision in:			
Current liabilities	¥1,762	¥1,829	$17,757
Non-current liabilities	108	81	787
Total	¥1,870	¥1,910	$18,544

(p) Translation of foreign currency accounts

Receivables, payables and securities, other than stocks of subsidiaries, are translated into Japanese yen at exchange rates at the fiscal year-end. For financial statement items of the overseas consolidated subsidiaries, all asset and liability accounts and all income and expense accounts are translated at the exchange rate in effect at the respective fiscal year-end. Translation differences, after allocating portions attributable to minority interests, have been reported in foreign currency translation adjustments as a component of accumulated other comprehensive income in the accompanying consolidated balance sheets.

(q) Revenue recognition for the construction business

The Group applies the percentage-of-completion method to construction contracts when the outcome of individual contracts can be estimated reliably. Otherwise, the Group applies the completed contract method. The percentage of completion at the end of the reporting period is measured mainly by the proportion of the cost incurred to the estimated total cost.

(r) Bond issue costs

Bond issue costs are charged to income as incurred.

(s) Income taxes

Income taxes are accounted for using the asset- liability method. Deferred tax assets and liabilities are recognised as future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carryforwards. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognised in the period that includes the promulgation date.

(t) Enterprise taxes

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

(u) Consumption taxes

For the years ended 31 March 2013 and 2014, consumption taxes were levied in Japan on the domestic sale of goods and services at a rate of 5%. Consumption taxes are excluded from revenue and expense amounts.

(v) Per share information

Basic net income per share is based on 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.

Cash dividends per share shown in the accompanying consolidated statements of income represent dividends declared by the Company applicable to the respective years indicated therein, including dividends to be paid after the end of each such year.

(w) Accounting standards issued but not yet adopted

The following standards and guidances have been issued but not yet adopted in the accompanying consolidated financial statements.

(Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, revised on 17 May 2012) and related guidance)

(1) Outline:

From the viewpoint of improvements to financial reporting and international convergence, this standard was revised to focus mainly on the treatment of actuarial differences and past service costs that are yet to be recognised in profit or loss, the calculation method of retirement benefit obligations and current service costs and the enhancement of disclosures. In determining the method of attributing expected benefits to periods, the revised standard allows a choice between the benefit formula method and the straight-line method.

(2) Date of application:

Amendments related to the determination of retirement benefit obligations and current service costs will become effective from the beginning of the fiscal year ending on 31 March 2015.

(3) Effects of adoption of the accounting standard:

The Company and its consolidated subsidiaries are currently in the process of determining the effects of the revised standard on the consolidated financial statements.

(Accounting Standard for Business Combinations (ASBJ Statement No. 21, revised on 13 September 2013) and related rules)

(1) Outline:

The accounting standard has been revised mainly regarding (i) the treatment of a change in the parent company’s ownership interest in a subsidiary in the case where the parent company continues to control the subsidiary upon additionally acquiring the shares of the subsidiary or other cases, (ii)the treatment of acquisition cost, (iii) the presentation of net income and the change in presentation from minority interests to non-controlling interests, and (iv) the treatment of the transitional accounting.

(2) Date of application:

The revised standard will become effective from the beginning of the fiscal year ending on 31 March 2016. However the transitional provisions for accounting treatments will be applied for business combinations performed on and after the beginning of the fiscal year ending on 31 March 2016.

(3) Effects of adoption of the accounting standard:

The Company and its consolidated subsidiaries are currently in the process of determining the effects of the revised standard on the consolidated financial statements.

3. Financial instruments

Information on financial instruments for the years ended 31 March 2013 and 2014 are set forth below.

(1) Qualitative information on financial instruments

(a) Policy for financial instruments

The Group has a policy of raising funds primarily through bond issuances, borrowings from banks and other financial institutions and investments of its cash surplus, if any, in low-risk, highly liquid financial instruments. Derivative transactions are used for the purpose of hedging against the risk of future fluctuations in trade accounts payable denominated in foreign currencies and fluctuations in interest rates on borrowings. The Group does not enter into any derivative transactions for speculative purposes.

(b) Financial instruments and risk management

The Group is exposed to credit risk principally with respect to receivables. In order to reduce the credit risk associated with these receivables, the Group assesses the prospective debtor's creditworthiness and performs credit management based on internal rules.

The Group holds securities of certain entities with which it conducts business and, consequently, is exposed to the risk of market price fluctuation. The Group regularly monitors the financial status of the issuers and the fair values of such securities in order to mitigate such risk.

Trade payables are generally due within one year. A portion of the trade accounts is denominated in foreign currencies and exposed to the risk of fluctuations in such foreign currency exchange rates. To reduce such risk, the Group enters into foreign exchange forward contracts.

Bank borrowings and bonds payable are used for capital investment. Borrowings with floating interest rates expose the Group to risks associated with fluctuation in interest rates. Borrowings denominated in foreign currencies expose the Group to risks associated with fluctuation in exchange rates. In connection with some such borrowings, the Group enters into interest rate swap or currency swap contracts with the intent to manage the risks of interest rate and exchange rate fluctuations.

The Group is a party to derivative financial instruments, such as foreign currency exchange forward contracts, currency swap and interest rate swap contracts, in the normal course of business. The Group enters into these instruments for hedging purposes so that it can reduce its own exposure to fluctuations in exchange rates and interest rates. Pursuant to the Group's internal rules for risk management policies, contract balances for derivatives are limited to certain anticipated transactions and reported regularly. In connection with these instruments, the Group is exposed to the risk of credit loss in the event of non-performance by counterparty. However, the Group does not expect non-performance by its counterparties to the derivative transactions because the Group's counterparties are limited to major banks with relatively high credit ratings.

The Group manages liquidity risk by diversifying its means of fund raising and through timely updates of funding plans based on information obtained from its operating divisions.

(c) Supplemental information on fair value

The fair values of financial instruments include values based on market prices and estimates when market prices are not available. Since certain assumptions are used in making estimates, results may vary depending on the assumptions used. The outstanding contract amounts of derivative transactions do not necessarily represent market risk.

(2) Fair values of financial instruments

The fair values and carrying values of financial instruments included in the consolidated balance sheets at 31 March 2013 and 2014, other than those for which the fair values was extremely difficult to determine, are set forth in the table below.

	Carrying value	Fair value	Differences
	Millions of yen		
At 31 March 2013:			
Financial assets:			
Cash and cash equivalents	¥9,711	¥9,711	¥—
Short-term investments	712	712	—
Trade notes and accounts receivable	59,922	59,922	—
Investment securities:			
Held-to-maturity securities	828	873	45
Equity securities of affiliates	4,076	3,271	(805)
Available-for-sale securities	42,982	42,982	—
Total	¥118,231	¥117,471	¥(760)
Financial liabilities:			
Short-term borrowings	¥72,144	¥72,144	¥—
Trade notes and accounts payable	67,391	67,391	—
Bonds payable, including current portion	119,995	128,197	8,202
Long-term bank loans, including current portion	357,130	363,380	6,250
Total	¥616,660	¥631,112	¥14,452
Derivative instruments:*	¥30	¥30	¥—

	Carrying value	Fair value	Differences
	Millions of yen		
At 31 March 2014:			
Financial assets:			
Cash and cash equivalents	¥13,405	¥13,405	¥—
Short-term investments	993	993	—
Trade notes and accounts receivable	56,724	56,724	—
Investment securities:			
Held-to-maturity securities	—	—	—
Equity securities of affiliates	4,438	8,476	4,038
Available-for-sale securities	48,106	48,106	—
Total	¥123,666	¥127,704	¥4,038
Financial liabilities:			
Short-term borrowings	¥60,980	¥60,980	¥—
Trade notes and accounts payable	73,753	73,753	—
Bonds payable, including current portion	132,556	142,066	9,510
Long-term bank loans, including current portion	306,482	311,717	5,235
Total	¥573,771	¥588,516	¥14,745
Derivative instruments:*	¥15	¥15	¥—

	Carrying value	Fair value	Differences
	Thousands of U.S. dollars		
At 31 March 2014:			
Financial assets:			
Cash and cash equivalents	$130,146	$130,146	$—
Short-term investments	9,641	9,641	—
Trade notes and accounts receivable	550,718	550,718	—
Investment securities:			
Held-to-maturity securities	—	—	—
Equity securities of affiliates	43,087	82,291	39,204
Available-for-sale securities	467,049	467,049	—
Total	$1,200,641	$1,239,845	$39,204
Financial liabilities:			
Short-term borrowings	$592,039	$592,039	$—
Trade notes and accounts payable	716,049	716,049	—
Bonds payable, including current portion	1,286,951	1,379,281	92,330
Long-term bank loans, including current portion	2,975,553	3,026,378	50,825
Total	$5,570,592	$5,713,747	$143,155
Derivative instruments:*	$146	$146	$—

**The value of derivative instruments is shown as a net amount, and the amount in parenthesis reflects liabilities.*

Notes:

(1) Details of the methods and assumptions used to estimate the fair values of financial instruments are summarised below.

The fair values of cash and cash equivalents, short-term investments, trade receivables, short-term borrowings and trade payables approximate the carrying values due to their short-term maturities. The fair values of investment equity securities are based on quoted market prices. The fair values of bonds and other securities included in investment securities, bonds payable and derivative instruments are based on the prices provided by the corresponding financial institutions. The fair values of long-term, fixed-rate interest bearing bank loans are estimated based on discounted cash flow analysis using current interest rates. The fair values of long-term floating-rate interest bearing bank loans are calculated by discounting the total amount of principal and interest reflected in the cash flows under the applicable currency swap and interest rate swap contracts by the interest rate considered to be applicable to similar loans.

(2) The following securities were not included in the table above because their fair values were extremely difficult to determine.

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Carrying value:			
Investments (equity securities) in unconsolidated subsidiaries and affiliates	¥21,512	¥21,106	$204,913
Unlisted equity securities	9,385	9,397	91,233
Total	¥30,897	¥30,503	$296,146

(3) Expected maturities of financial assets at 31 March 2014 were as follows:

	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
	Millions of yen			
At 31 March 2014:				
Cash and cash equivalents	¥13,405	¥—	¥—	¥—
Short-term investments	993	—	—	—
Trade notes and accounts receivable	56,724	—	—	—
Investments	—	—	—	—
	¥71,122	¥—	¥—	¥—
	Thousands of U.S. dollars			
At 31 March 2014:				
Cash and cash equivalents	$130,146	$—	$—	$—
Short-term investments	9,641	—	—	—
Trade notes and accounts receivable	550,718	—	—	—
Investments	—	—	—	—
	$690,505	$—	$—	$—

The repayment schedules for borrowings and other debts with contractual maturities at 31 March 2014 were as follows:

	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
	Millions of yen					
Short-term borrowings	¥60,980	¥—	¥—	¥—	¥—	¥—
Bonds payable	17,556	—	10,000	35,000	15,000	55,000
Long-term bank loans	57,805	60,150	45,664	45,048	26,664	71,151
Total	¥136,341	¥60,150	¥55,664	¥80,048	¥41,664	¥126,151
	Thousands of U.S. dollars					
Short-term borrowings	$592,039	$—	$—	$—	$—	$—
Bonds payable	170,447	—	97,087	339,806	145,631	533,981
Long-term bank loans	561,213	583,981	443,340	437,359	258,874	690,786
Total	$1,323,699	$583,981	$540,427	$777,165	$404,505	$1,224,767

4. Investments securities

At 31 March 2013 and 2014, short-term investments consisted of time deposits with original maturities of more than three months.

At 31 March 2013 and 2014, investment securities consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Marketable securities			
Equity securities	¥42,942	¥48,106	$467,049
Japanese or local government bonds	828	–	–
Others	40	–	–
Total marketable securities	43,810	48,106	467,049
Other nonmarketable securities	9,385	9,397	91,233
Total	¥53,195	¥57,503	$558,282

At 31 March 2013 and 2014, the carrying values and fair values of held-to-maturity debt securities were as follows:

	Carrying value	Fair value	Differences
	Millions of yen		
Securities with available fair value exceeding carrying value:			
At 31 March 2013	¥828	¥873	¥45
At 31 March 2014	–	–	–
	Thousands of U.S. dollars		
Securities with available fair value exceeding carrying value:			
At 31 March 2014	$–	$–	$–

At 31 March 2013 and 2014, the fair values and gross unrealised gains and losses of available-for-sale securities were as follows:

	Cost	Gross unrealised gains	Gross unrealised losses	Fair value and carrying value
	Millions of yen			
At 31 March 2013:				
Equity securities	¥29,317	¥16,194	¥(2,569)	¥42,942
Others	27	13	—	40
	¥29,344	¥16,207	¥(2,569)	¥42,982
At 31 March 2014:				
Equity securities	¥29,129	¥19,898	¥(921)	¥48,106
Others	—	—	—	—
	¥29,129	¥19,898	¥(921)	¥48,106
	Thousands of U.S. dollars			
At 31 March 2014:				
Equity securities	$282,806	$193,184	$(8,941)	$467,049
Others	—	—	—	—
	$282,806	$193,184	$(8,941)	$467,049

Sales amounts, and gains and losses from the sales of held-to-maturity debt securities were as follows:

	Carrying value	Sales amounts	Gains(losses)
	Millions of yen		
Japanese or local government bonds:			
For the year ended 31 March 2013	¥—	¥—	¥—
For the year ended 31 March 2014	828	850	22
	Thousands of U.S. dollars		
Japanese or local government bonds:			
For the year ended 31 March 2014	$8,039	$8,252	$213

Sales amounts, and gains and losses from the sales of available-for-sale securities were as follows:

	Sales amounts	Gains	Losses
	Millions of yen		
Equity securities and others:			
For the year ended 31 March 2013	¥211	¥52	¥154
For the year ended 31 March 2014	553	209	108
	Thousands of U.S. dollars		
Equity securities and others:			
For the year ended 31 March 2014	$5,369	$2,029	$1,049

5. Inventories

Inventories at 31 March 2013 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Land and buildings for sale	¥56,222	¥50,367	$489,000
Merchandise and finished goods	7,320	7,321	71,078
Work in process	391	533	5,175
Raw materials and supplies	3,957	4,238	41,145
Total	¥67,890	¥62,459	$606,398

6. Impairment loss on fixed assets

The Group categorises its assets in accordance with the classifications under management accounting. Specifically, in the traffic business and transport business, the Group categorises its assets by route network, branch, sales office and the like, with each category separately recognised as a functioning unit. The Group categorises its assets in the real estate business by rental asset. In the leisure and services business, distribution business and other businesses, the Group categorises its assets by facility, branch or overall branch, store, factory or location, as applicable.

The Group has recognised impairment loss on fixed assets because of the weak prospects for improved short-term performance due to worsening operating profitability and a significant decline in the fair value against the carrying amount of the assets such as land.

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Property subject to impairment:	Hotel facilities, rental properties and others	Rental properties, taxi facilities and others	
Impairment loss recorded:			
Land	¥2,434	¥1,567	$15,214
Buildings and structures	3,303	1,241	12,048
Others	512	334	3,243
Total	¥6,249	¥3,142	$30,505

The Group applied either the net selling price or value in use to determine the recoverable amounts of the asset groups described in the above table. The net selling price was based on the appraised value obtained from a professional real estate appraiser, estate tax valuations determined through land assessments or property tax bases with adjustments as applicable. The value in use was based on the present value of expected cash flows discounted at 1.5% for the years ended 31 March 2013 and 2014, respectively.

7. Real estate for rent

The Company and some of the consolidated subsidiaries own real estate such as office buildings, parking lots and other facilities for rent. The carrying values of such real estate in the consolidated balance sheets, changes during the years ended 31 March 2013 and 2014 and the fair values of real estate were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Carrying value at beginning of year	¥115,139	¥114,749	$1,114,068
Net changes during the year	(390)	(2,485)	(24,126)
Carrying value at end of year	114,749	112,264	1,089,942
Fair value at end of year*	¥138,236	¥136,081	$1,321,175

**The fair value was measured at the estimated value principally based on the real estate appraisals, real estate valuation standards or property tax bases.*

Profits or losses recorded for rental properties for the fiscal years ended 31 March 2013 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Income from rental operations	¥5,479	¥5,755	$55,874
Impairment loss on rental properties	903	149	1,447

8. Short-term borrowings and long-term debt

Short-term borrowings at 31 March 2013 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Bank loans with average interest rate of 0.4990% at 31 March 2014:			
Secured	¥10,366	¥8,909	$86,495
Unsecured	61,778	52,071	505,544
Total	¥72,144	¥60,980	$592,039

Long-term debt at 31 March 2013 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
1.87% unsecured bonds, due June 2014	¥10,000	¥10,000	$97,087
1.587% unsecured bonds, due September 2015 *	5,000	—	—
1.334% unsecured bonds, due February 2016 *	5,000	—	—
2.11% unsecured bonds, due February 2017	10,000	10,000	97,087
2.10% unsecured bonds, due June 2017	10,000	10,000	97,087
2.01% unsecured bonds, due September 2017	10,000	10,000	97,087
1.88% unsecured bonds, due February 2018	15,000	15,000	145,631
1.94% unsecured bonds, due September 2018	10,000	10,000	97,087
0.7525% unsecured bonds, due September 2018	5,000	5,000	48,544
2.05% unsecured bonds, due August 2019	10,000	10,000	97,087
1.26% unsecured bonds, due October 2020	10,000	10,000	97,087
1.35% unsecured bonds, due July 2021	10,000	10,000	97,087
0.5% unsecured convertible bonds, due March 2015	9,995	7,556	73,360
Zero coupon unsecured convertible bonds, due October 2023	—	25,000	242,719
Bank loans with average interest rate of 1.1674% at 31 March 2014, due through 2030:			
Secured	67,706	61,658	598,622
Unsecured	289,425	244,824	2,376,932
Capitalised lease obligations	10,750	9,320	90,486
Subtotal	487,876	448,358	4,352,990
Less current portion	(66,820)	(78,685)	(763,932)
	¥421,056	¥369,673	$3,589,058

**During the year ended 31 March 2014, the Company redeemed 1.587% unsecured bonds due September 2015 and 1.334% unsecured bonds due February 2016 before their maturities.*

At 31 March 2014, the current conversion prices of 0.5% convertible bonds due March 2015 and Zero coupon convertible bonds due October 2023 were ¥245 and ¥386 per share, respectively, and are subject to adjustment in certain circumstances, including in the event of a stock split. The Company may, at its call option, redeem all, but not some only, of the Zero coupon convertible bonds for the period from 5 October 2020 at 100% of the principal amount, subject to certain conditions. At 31 March 2014, the number of shares of common stock necessary for conversion of all convertible bonds outstanding was approximately 96 million.

The annual maturities of long-term debt at 31 March 2014 were as follows:

Year ending 31 March	Millions of yen	Thousands of U.S. dollars
2015	¥78,685	$763,932
2016	62,674	608,485
2017	57,094	554,311
2018	80,939	785,815
2019	42,413	411,777
2020 and thereafter	126,553	1,228,670
Total	¥448,358	$4,352,990

At 31 March 2013 and 2014, the following assets were pledged for short-term and long-term bank loans.

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Land	¥101,879	¥99,473	$965,757
Buildings and structures	145,363	141,257	1,371,427
Machinery, equipment and vehicles	14,622	11,963	116,146
Others	4,176	3,827	37,155
Total	¥266,040	¥256,520	$2,490,485

9. Employee retirement benefit liability

The Company and its domestic consolidated subsidiaries have lump-sum retirement benefit plans and defined benefit pension plans. In some cases, extra retirement benefits may be paid to retired employees. A certain portion of the Company's lump-sum retirement benefit plan was transferred to the Company's defined contribution pension plan and prepaid pension plan effective as of February 2003 and, thereafter, transferred to the Company's point based retirement benefit plan effective as of April 2007. The Company and one consolidated subsidiary also have trusts set up for their pension plan assets. In addition, some of the domestic consolidated subsidiaries participate in certain corporate pension plans under multi-employer pension programs established by the subsidiaries together with other employers. The projected benefit obligations of certain consolidated subsidiaries with less than 300 employees were calculated using the simplified calculation method permitted under the accounting standard for employee retirement benefits.

The following table reconciles the provision of retirement benefits as of 31 March 2013.

	Millions of yen
	2013
Projected benefit obligation	¥(45,504)
Less fair value of plan assets at end of year	10,054
Unfunded projected benefit obligation	(35,450)
Unrecognised transitional obligation	1,534
Unrecognised actuarial differences	5,158
Unrecognised past service costs	(147)
Provision for retirement benefits recorded in the consolidated balance sheet	¥(28,905)

The net periodic retirement benefit expenses shown in the consolidated statements of income for the year ended 31 March 2013 comprised the following:

	Millions of yen
	2013
Net periodic retirement benefit expenses:	
Service cost	¥2,579
Interest cost	704
Expected return on plan assets	(47)
Amortisation of transitional obligation	710
Amortisation of actuarial differences	120
Amortisation of past service cost	2
Subtotal	4,068
Gains (losses) resulting from revision of employees' retirement benefit plan	65
Contributions to defined contribution plan	3,736
Total	¥7,869

Assumptions used in the calculation of the information above for the year ended 31 March 2013 were as follows:

	2013
Discount rate	0.9% to 2.0%
Expected rate of return on plan assets	0.0% to 2.0%
Amortisation of past service cost	1 to 10 years
Amortisation of actuarial differences	1 to 10 years
Amortisation of transitional obligation	15 years

As of and for the year ended 31 March 2014, the details of the defined benefit plans were as follows:

(a) Movement in retirement benefit obligations, except plans applying the simplified method

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Balance at 1 April 2013:	¥36,758	$356,874
Service cost	1,708	16,583
Interest cost	620	6,019
Actuarial differences incurred	819	7,951
Benefits paid	(3,062)	(29,728)
Others	4	39
Balance at 31 March 2014:	¥36,847	$357,738

(b) Movements in plan assets, except plans applying the simplified method

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Balance at 1 April 2013:	¥9,869	$95,816
Expected return on plan assets	45	437
Actuarial differences incurred	692	6,718
Contributions paid by the employer	233	2,262
Benefits paid	(247)	(2,398)
Balance at 31 March 2014:	¥10,592	$102,835

(c) Movement in employee retirement benefit liability for plans applying the simplified method

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Balance at 1 April 2013:	¥8,561	$83,116
Retirement benefit costs	789	7,660
Benefits paid	(1,146)	(11,126)
Contributions paid by the employer	(27)	(262)
Balance at 31 March 2014:	¥8,177	$79,388

(d) Reconciliation from retirement benefit obligations and plan assets to employee retirement benefit liability, including the plans applying the simplified method

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Funded retirement benefit obligations	¥25,222	$244,874
Plan assets	(10,739)	(104,262)
	14,483	140,612
Unfunded retirement benefit obligations	19,949	193,679
Employee retirement benefit liability recorded at 31 March 2014	¥34,432	$334,291

(e) Net periodic retirement benefit expenses

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Service cost	¥1,708	$16,583
Interest cost	620	6,019
Expected return on plan assets	(45)	(437)
Transitional obligation amortisation	679	6,592
Net actuarial loss amortisation	(246)	(2,388)
Retirement benefit costs based on the simplified method	803	7,796
Others	(19)	(184)
Total net periodic retirement benefit expenses for the fiscal year ended 31 March 2014	¥3,500	$33,981

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

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Transitional obligation yet to be recognised	¥841	$8,165
Actuarial differences yet to be recognised	5,535	53,738
Past service costs yet to be recognised	(147)	(1,427)
Total balance, before tax effects, at 31 March 2014	¥6,229	$60,476

(g) Plan assets

1) Plan assets comprise:

Equity securities	77.2%
Bonds	4.4%
Cash and cash equivalents	2.2%
Others	16.2%
Total	100.0%

2) 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 at 31 March 2014 (expressed as weighted averages) are as follows:

Discount rate	0.9% to 2.0%
Long-term expected rate of return	0.0% to 2.0%

For the year ended 31 March 2014, as for defined contribution plans, the contributions required were ¥3,716 million ($36,078 thousand) in the Group.

In addition, some of the Company's consolidated subsidiaries participate in certain corporate pension plans under the multi-employer pension programs established by the subsidiaries together with other employers. As information that would allow a determination of whether the value of the pension plan assets has been accurately calculated in proportion to the contributions made by the subsidiaries is not available, the subsidiaries record the required contributions as net periodic retirement benefit expense for the period in accordance with the accounting standard for employee retirement benefits. The above table excludes the portion of the plan assets under the multi-employer pension programs. For the year ended 31 March 2014, contributions required amounted to ¥68 million ($660 thousand) and was accounted for using accounting treatment similar to that used for defined contribution plan.

Information regarding the funded status of the entire corporate pension plans available as of the latest calculation period-ends were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Latest calculation period-end	31 March 2012	31 March 2013	
Pension plan assets	¥26,075	¥27,763	$269,543
Related benefit obligation under pension programs	31,237	32,928	319,689
Difference	¥(5,162)	¥(5,165)	$(50,146)
Ratio of subsidiaries' contributions to total contributions to entire plans	3.0%	2.9%	

10. Contingent liabilities

At 31 March 2013 and 2014, the Group was contingently liable for guarantees of loans of others in the amounts of ¥1,131 million and ¥680 million ($6,602 thousand), respectively.

11. Lease transactions

(As lessee)

(a) Finance leases

The Group leases, as lessee, mainly machinery, equipment and vehicles such as buses under its traffic business, aircraft under its other business and software for transportation management. As described in Note 2(h), pro forma information regarding leased property whose lease inception was prior to 1 April 2008 and which were accounted for with accounting treatment similar to that used for operating leases is as follows:

	Machinery, equipment and vehicles	Others	Total
	Millions of yen		
At 31 March 2013:			
Acquisition cost	¥21,554	¥3,874	¥25,428
Accumulated depreciation	12,936	1,877	14,813
Accumulated impairment loss	590	395	985
Net leased property	¥8,028	¥1,602	¥9,630
At 31 March 2014:			
Acquisition cost	¥19,041	¥3,301	¥22,342
Accumulated depreciation	12,266	1,890	14,156
Accumulated impairment loss	564	6	570
Net leased property	¥6,211	¥1,405	¥7,616
	Thousands of U.S. dollars		
At 31 March 2014:			
Acquisition cost	$184,864	$32,049	$216,913
Accumulated depreciation	119,087	18,350	137,437
Accumulated impairment loss	5,476	58	5,534
Net leased property	$60,301	$13,641	$73,942

Future minimum lease payments to be paid under finance leases above were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Due within 1 year	¥2,089	¥1,759	$17,078
Due after 1 year	8,806	7,023	68,184
Total	¥10,895	¥8,782	$85,262

An allowance for impairment loss on leased property in the amount of ¥77 million and ¥20 million ($194 thousand) was included in other current and non-current liabilities in the consolidated balance sheets for 31 March 2013 and 2014, respectively.

Lease expense and other information at 31 March 2013 and 2014 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Lease expense	¥3,219	¥2,472	$24,000
Reversal of allowance for impairment loss on leased property	184	50	485
Imputed depreciation expense *(*1)*	2,658	1,950	18,932
Imputed interest expense *(*2)*	404	337	3,272
Impairment loss	7	—	—

**1) Depreciation was calculated using the straight-line method with useful life equal to the lease period and residual value zero.*
**2) Imputed interest expense is the difference between the total lease payments and the acquisition costs and was calculated based on the interest method.*

(b) Operating leases

Future minimum payments under non-cancellable operating leases were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Due within 1 year	¥659	¥723	$7,019
Due after 1 year	2,230	2,017	19,583
Total	¥2,889	¥2,740	$26,602

(As lessor)
(a) Finance leases

Lease investment assets at 31 March 2013 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Lease receivables	¥4,798	¥5,126	$49,767
Estimated residual value	217	200	1,942
Unearned imputed interest	(1,118)	(1,106)	(10,738)
Lease investment assets included in trade receivables	¥3,897	¥4,220	$40,971

The aggregate annual maturities of lease receivables and investments at 31 March 2014 were as follows:

Year ending 31 March	Millions of yen	Thousands of U.S. dollars
2015	¥1,935	$18,786
2016	1,376	13,359
2017	958	9,301
2018	512	4,971
2019	313	3,039
2020 and thereafter	32	311
Total	¥5,126	$49,767

(b) Operating leases

Future minimum payments to be received under non-cancellable operating leases were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Due within 1 year	¥2,798	¥2,177	$21,136
Due after 1 year	7,192	5,880	57,087
Total	¥9,990	¥8,057	$78,223

12. Derivatives

At 31 March 2013 and 2014, derivative transactions to which hedge accounting was not applied were as follows:

(Foreign currency related transactions)

	Contract amounts			
	Total amount	Due after 1 year	Fair value*	Unrealised gain(loss)
	Millions of yen			
Foreign exchange forward contracts to buy foreign currencies:				
At 31 March 2013	¥358	¥ー	¥ 30	¥ 30
At 31 March 2014	221	ー	15	15
	Thousands of U.S. dollars			
Foreign exchange forward contracts to buy foreign currencies:				
At 31 March 2014	$2,146	$ー	$146	$146

**Fair value was based on the forward exchange rate.*

At 31 March 2013 and 2014, derivative transactions to which hedge accounting was applied were as follows:

(Foreign currency related transactions)

Method of hedge accounting	Transaction	Major hedged items	Contract amount		
			Total amount	Due after 1 year	Fair value*
			Millions of yen		
Allocation method	Currency swaps	Long-term bank loans			
At 31 March 2013			¥11,352	¥11,217	¥ー
At 31 March 2014			14,223	13,458	ー
			Thousands of U.S. dollars		
Allocation method	Currency swaps	Long-term bank loans			
At 31 March 2014			$138,087	$130,660	$ー

**Derivative instruments, such as interest rate swaps and currency interest rate swap contracts, are accounted for using hedge accounting, under which such derivative instruments are not considered separate from the hedged bank loans. The fair value of such derivative instruments is considered part of the fair value of the related hedged bank loans (see Note 3).*

(Interest rate related transactions)

Method of hedge accounting	Transaction	Major hedged items	Contract amount: Total amount	Contract amount: Due after 1 year	Fair value*
			Millions of yen		
Special treatment for interest rate swaps:	Interest rate swaps – pay fixed rate and receive floating rate	Long-term bank loans			
At 31 March 2013			¥119,854	¥102,803	¥−
At 31 March 2014			95,329	77,864	−
			Thousands of U.S. dollars		
Special treatment for interest rate swaps:	Interest rate swaps – pay fixed rate and receive floating rate	Long-term bank loans			
At 31 March 2014			$925,524	$755,961	$−

**Derivative instruments, such as interest rate swaps and currency interest rate swap contracts, are accounted for using hedge accounting, under which such derivative instruments are not considered separate from the hedged bank loans. The fair value of such derivative instruments is considered part of the fair value of the related hedged bank loans (see Note 3).*

13. Net assets

Under the Japanese Companies Act (the "Companies Act") and related 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 prices of the new shares as additional paid-in capital, which is included in capital surplus.

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

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

At 31 March 2013 and 2014, capital surplus consisted principally of additional paid-in capital. In addition, retained earnings included the legal earnings reserve of the Company in the amounts of ¥2,189 million, ¥2,452 million ($23,806 thousand) at 31 March 2013 and 2014, respectively.

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

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased may not exceed the amount available for distribution to the shareholders, which is determined by using a specific formula.

14. Income taxes

The Company and its domestic consolidated subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a statutory effective tax rate of approximately 37.7% for both the years ended 31 March 2013 and 2014.

Significant components of the Groups' deferred tax assets and liabilities as of 31 March 2013 and 2014 were as follows.

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Deferred tax assets:			
Employee retirement benefit liability	¥14,117	¥15,467	$150,165
Impairment loss on fixed assets	13,238	11,970	116,213
Loss on valuation of investment securities	8,567	8,320	80,777
Tax loss carryforwards	9,088	6,909	67,078
Elimination of unrealised profit	5,215	4,745	46,068
Depreciation	3,553	3,930	38,155
Provision for loss on liquidation	1,462	2,930	28,447
Accrued bonuses	2,011	1,890	18,349
Valuation loss on fixed assets	1,708	1,639	15,913
Others	7,994	7,677	74,534
Subtotal of deferred tax assets	66,953	65,477	635,699
Less valuation allowance	(37,499)	(35,797)	(347,544)
Total deferred tax assets	29,454	29,680	288,155
Deferred tax liabilities:			
Unrealised gains on available-for-sale securities	(4,502)	(6,291)	(61,077)
Trust for employee retirement benefits	(2,095)	(2,095)	(20,340)
Deferred capital gains	(1,235)	(1,186)	(11,514)
Others	(6,708)	(6,981)	(67,777)
Total deferred tax liabilities	(14,540)	(16,553)	(160,708)
Net deferred tax assets	¥14,914	¥13,127	$127,447

At 31 March 2013 and 2014, deferred tax assets and liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Deferred tax assets:			
Current	¥5,805	¥6,142	$59,631
Non-current	12,807	10,905	105,874
Deferred tax liabilities:			
Current	1	–	–
Non-current	3,697	3,920	38,058

In assessing the realisability of deferred tax assets, management of the Group considers whether some portion or all of the deferred tax assets will not be realised. The ultimate realisation of deferred tax assets is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible. At 31 March 2013 and 2014, a valuation allowance was provided to reduce deferred tax assets to the amount management believed would be realisable.

For the year ended 31 March 2013, a reconciliation of the differences between the combined Japanese statutory tax rate and the effective income tax rate on pre-tax income reflected in the accompanying consolidated statements of income was as follows:

	Percentage of pre-tax income
	2013
Japanese statutory tax rate	37.7%
Increase (decrease) due to:	
Local minimum taxes per capita levy	2.1
Permanently non-deductible expenses	1.2
Tax exempt income	(8.1)
Changes in valuation allowance	(0.4)
Others	(1.7)
Effective income tax rate	30.8%

A reconciliation for the year ended 31 March 2014 was not disclosed as the difference between the rates was not material.

"Act on Partial Amendment of the Income Tax Act" (Act No. 10, 2014) was promulgated on 31 March 2014, and accordingly, Special Corporate Tax for Reconstruction has been abolished from the fiscal year beginning on or after 1 April 2014. Due to this change, the effective statutory tax rate used for the calculation of deferred tax assets and deferred tax liabilities for the temporary differences expected to be either deductible, taxable or expired in the fiscal year beginning on 1 April 2014, has been revised from the previous rate of 37.7% to 35.3%. As a result of this change in tax rate, deferred tax assets were ¥482 million ($4,680 thousand) less at 31 March 2014 and deferred income taxes in the consolidated statement of income were ¥482 million ($4,680 thousand) more for the year ended 31 March 2014 than the amounts that would have been recorded without the change.

15. Segment information

(1) General information about reportable segments

The reportable segments of the Company are those units for which separate financial statements can be obtained among the constituent units of the Company and which are regularly examined by the Board of Directors to determine the allocation of management resources and to assess business performance.

The Group is engaged in diversified business activities involving traffic, transport, real estate, leisure, distribution, equipment maintenance and others. On the basis of the above activities, the Company's reportable segments are "Traffic", "Transport", "Real Estate", "Leisure and Services", and "Distribution".

The business descriptions of the reportable segments are as follows:

-Traffic: business related to railroads, buses and taxies

-Transport: business related to trucking and maritime transportation

-Real Estate: real estate development and real estate leasing

-Leisure and Services: business related to hotels, restaurants, tourist facilities and travel

-Distribution: department store operations and distribution of other merchandise sales

(2) Basis of measurement for reportable segment operating revenues, profit or loss, assets and other material items

The accounting procedures applied to the reportable segments are basically the same as those described in Note 2, "Summary of Significant Accounting Policies." Reportable segment income figures are on an operating income basis. Intersegment sales and transfers are based on prevailing market prices.

(3) Information about reportable segment operating revenues, profit or loss, assets and other material items

Information about reportable segments as of and for the year ended 31 March 2013 was as follows:

	Reportable segments								
	Traffic	Transport	Real Estate	Leisure and Services	Distribution	Others *(*1)*	Total	Adjustments	Consolidated financial statements
	Millions of yen								
For the year 2013:									
Operating revenues:									
External customers	¥ 154,547	¥ 133,189	¥ 86,623	¥ 52,946	¥ 129,510	¥ 53,021	¥ 609,836	¥ –	¥ 609,836
Intersegment sales/transfer	2,328	489	6,697	850	12,974	18,879	42,217	(42,217)	–
Total	¥ 156,875	¥ 133,678	¥ 93,320	¥ 53,796	¥ 142,484	¥ 71,900	¥ 652,053	¥ (42,217)	¥ 609,836
Segment income *(*2)*	14,098	3,628	8,698	1,087	1,543	2,794	31,848	480	32,328
Segment assets *(*3)*	531,312	114,868	265,078	40,378	45,148	64,785	1,061,569	41,406	1,102,975
Other material items:									
Depreciation and amortisation *(*4)*	19,893	5,534	5,919	1,687	1,185	5,883	40,101	(653)	39,448
Amortisation of goodwill	62	63	–	3	13	5	146	–	146
Impairment loss on fixed assets	539	157	1,909	3,162	354	128	6,249	–	6,249
Increase in property and equipment and intangible assets	15,849	5,814	5,083	1,842	1,096	5,605	35,289	–	35,289

**1) "Others" is a business segment that is not considered a reportable segment. It includes the business of equipment maintenance, air transportation, building maintenance, insurance agency and others.*
**2) Segment income adjustment amounting to ¥480 million was treated as intersegment elimination.*
**3) Segment assets adjustment amounting to ¥41,406 million consisted of unallocated general corporate assets amounting to ¥72,395 million, net of intersegment elimination of ¥30,989 million. Such general corporate assets consisted mainly of cash, deposits and investment securities.*
**4) Depreciation and amortisation adjustment amounting to ¥653 million was treated as intersegment elimination.*
5) Segment income was reconciled to operating income in the accompanying consolidated statements of income.

Information about reportable segments as of and for the year ended 31 March 2014 was as follows:

	Reportable segments								
	Traffic	Transport	Real Estate	Leisure and Services	Distribution	Others *(*1)*	Total	Adjustments	Consolidated financial statements
	Millions of yen								
For the year 2014:									
Operating revenues:									
External customers	¥ 156,626	¥ 134,876	¥ 89,907	¥ 54,381	¥ 135,380	¥ 56,627	¥ 627,797	¥ −	¥ 627,797
Intersegment sales/transfer	2,383	484	6,585	1,423	14,617	19,521	45,013	(45,013)	−
Total	¥ 159,009	¥ 135,360	¥ 96,492	¥ 55,804	¥ 149,997	¥ 76,148	¥ 672,810	¥ (45,013)	¥ 627,797
Segment income *(*2)*	13,481	3,615	10,803	1,646	2,144	3,976	35,665	1,413	37,078
Segment assets *(*3)*	483,354	113,566	254,708	40,860	46,973	65,455	1,004,916	49,763	1,054,679
Other material items:									
Depreciation and amortisation *(*4)*	19,372	5,533	5,870	1,516	1,201	5,980	39,472	(615)	38,857
Amortisation of goodwill	−	66	1	21	22	6	116	−	116
Impairment loss on fixed assets	547	10	1,629	498	314	144	3,142	−	3,142
Increase in property and equipment and intangible assets	14,487	4,962	7,329	1,606	1,307	7,663	37,354	−	37,354

	Reportable segments								
	Traffic	Transport	Real Estate	Leisure and Services	Distribution	Others *(*1)*	Total	Adjustments	Consolidated financial statements
	Thousands of U.S. dollars								
For the year 2014:									
Operating revenues:									
External customers	$ 1,520,641	$ 1,309,476	$ 872,883	$ 527,971	$ 1,314,369	$ 549,777	$ 6,095,117	$ −	$ 6,095,117
Intersegment sales/transfer	23,136	4,699	63,932	13,815	141,913	189,524	437,019	(437,019)	−
Total	$ 1,543,777	$ 1,314,175	$ 936,815	$ 541,786	$ 1,456,282	$ 739,301	$ 6,532,136	$ (437,019)	$ 6,095,117
Segment income *(*2)*	130,883	35,097	104,883	15,981	20,816	38,602	346,262	13,719	359,981
Segment assets *(*3)*	4,692,757	1,102,583	2,472,893	396,699	456,049	635,485	9,756,466	483,136	10,239,602
Other material items:									
Depreciation and amortisation *(*4)*	188,078	53,719	56,990	14,718	11,660	58,058	383,223	(5,971)	377,252
Amortisation of goodwill	−	641	10	204	213	58	1,126	−	1,126
Impairment loss on fixed assets	5,311	97	15,815	4,835	3,049	1,398	30,505	−	30,505
Increase in property and equipment and intangible assets	140,651	48,175	71,155	15,592	12,689	74,398	362,660	−	362,660

**1) "Others" is a business segment that is not considered a reportable segment. It includes the business of equipment maintenance, air transportation, building maintenance, insurance agency and others.*

**2) Segment income adjustment amounting to ¥1,413 million ($13,719 thousand) was treated as intersegment elimination.*

**3) Segment assets adjustment amounting to ¥49,763 million ($483,136 thousand) consisted of unallocated general corporate assets amounting to ¥78,000 million ($757,282 thousand), net of intersegment elimination of ¥28,237 million ($274,146 thousand). Such general corporate assets consisted mainly of cash, deposits and investment securities.*

**4) Depreciation and amortisation adjustment amounting to ¥615 million ($5,971 thousand) was treated as intersegment elimination.*

5) Segment income was reconciled to operating income in the accompanying consolidated statements of income.

(Related information)

(1) Information about products and services

As this information has been presented under segment information above, such information has been omitted.

(2) Information about geographic areas

(Operating revenues)

As operating revenues attributable to external customers in Japan represented more than 90% of operating revenues in the consolidated statements of income, such information has been omitted.

(Property and equipment)

As amounts of property and equipment located in Japan represented more than 90% of the amounts of property and equipment in the consolidated balance sheets, such information has been omitted.

(3) Information about major customers

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

(4) Information on goodwill by reportable segment

	Traffic	Transport	Real Estate	Leisure and Services	Distribution	Others	Eliminations	Consolidated
	Millions of yen							
Balance of goodwill:								
At 31 March 2013	¥−	¥220	¥−	¥−	¥52	¥7	¥(1)	¥278
At 31 March 2014	−	157	−	−	39	3	(1)	198

	Traffic	Transport	Real Estate	Leisure and Services	Distribution	Others	Eliminations	Consolidated
	Thousands of U.S. dollars							
Balance of goodwill:								
At 31 March 2014	$−	$1,524	$−	$−	$379	$29	$(10)	$1,922

Notes: 1. Amortisation of goodwill has been omitted because such information has been presented under segment information above.

2. As the amounts and amortisation of negative goodwill that were allocated through business combinations and arose before 1 April 2010 were immaterial, such information has been omitted.

(5) Information about reportable segment gain on negative goodwill

- Consolidated fiscal year ended 31 March 2013 and 2014

  As this information was not material, it has been omitted.

16. Comprehensive income

Amounts reclassified to net income (loss) in the current period that were recognised 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 31 March 2013 and 2014 were as follows.

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Unrealised gains on available-for-sale securities, net of taxes:			
Amount arising during the year	¥2,377	¥5,240	$50,874
Reclassification adjustments	278	7	68
Subtotal, before tax	2,655	5,247	50,942
The amount of tax effect	(755)	(1,837)	(17,835)
Subtotal, net of tax	1,900	3,410	33,107
Land revaluation increment, net of taxes:			
Amount arising during the year	—	—	—
Reclassification adjustments	—	—	—
Subtotal, before tax	—	—	—
The amount of tax effect	997	1,610	15,631
Subtotal, net of tax	997	1,610	15,631
Foreign currency translation adjustments			
Amount arising during the year	11	26	252
Reclassification adjustments	—	—	—
Subtotal, before tax	11	26	252
The amount of tax effect	—	—	—
Subtotal, net of tax	11	26	252
Share of other comprehensive income of affiliates accounted for using equity method:			
Amount arising during the year	326	138	1,340
Reclassification adjustments	(8)	(1)	(10)
Subtotal	318	137	1,330
Total other comprehensive income	¥3,226	¥5,183	$50,320

17. Subsequent events

Cash dividends

Appropriation of retained earnings for the year ended 31 March 2014 was duly approved at the ordinary shareholders' meeting held on 26 June 2014 as follows:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥4.00 per share)	¥3,556	$34,524

The above dividends became payable to shareholders of record as of 31 March 2014. However, such appropriation has not been accrued in the consolidated financial statements as of 31 March 2014 as such appropriation is recognised in the period in which it is approved by the shareholders.

Bonds issued

Based on the resolution of the Board of Directors of the Company on 17 March 2014, the Company issued the 48th Series Unsecured Straight Bonds and 49th Series Unsecured Straight Bonds as shown below.
The details are as follows:

(1) 48th Series Unsecured Straight Bonds
1. Total amount of issue: 15 billion yen
2. Issue value: 100 yen per face value of 100 yen
3. Coupon: 0.557% per annum
4. Issue date: 25 April 2014
5. Maturity date: 23 April 2021
6. Use of proceeds: Capital expenditure and repayment of borrowings

(2) 49th Series Unsecured Straight Bonds
1. Total amount of issue: 10 billion yen
2. Issue value: 100 yen per face value of 100 yen
3. Coupon: 0.30% per annum
4. Issue date: 9 June 2014
5. Maturity date: 9 June 2017
6. Use of proceeds: Redemption of bonds