Independent Auditor’s Report

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 2014 and 2015, 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 2014 and 2015, 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 2015 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
31 July 2015
Nagoya, Japan

Nagoya Railroad Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheets

31 March 2014 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2015	2015
ASSETS			
Current assets:			
Cash and cash equivalents (Note 3)	¥ 13,405	¥ 15,776	$ 131,467
Short-term investments (Notes 3 and 4)	993	731	6,092
Trade notes and accounts receivable (Note 3)	56,724	54,064	450,533
Inventories (Note 5)	62,459	62,410	520,083
Deferred tax assets (Note 14)	6,142	5,387	44,892
Others	20,337	19,076	158,967
Less allowance for doubtful accounts	(317)	(824)	(6,867)
Total current assets	159,743	156,620	1,305,167
Property and equipment: (Notes 6,7 and 8)			
Land	364,383	363,959	3,032,992
Buildings and structures	674,406	680,184	5,668,200
Machinery, equipment and vehicles	302,663	301,720	2,514,333
Other properties	61,126	63,846	532,050
Construction in progress	16,520	22,750	189,583
	1,419,098	1,432,459	11,937,158
Less accumulated depreciation	(641,744)	(656,193)	(5,468,275)
Property and equipment, net	777,354	776,266	6,468,883
Investments and other assets:			
Investment securities (Notes 3 and 4)	57,503	72,121	601,008
Investments in unconsolidated subsidiaries and affiliates (Note 3)	25,632	28,420	236,833
Deferred tax assets (Note 14)	10,905	9,056	75,467
Intangible assets	9,217	10,069	83,908
Other assets	16,182	16,236	135,300
Allowance for doubtful accounts	(1,857)	(1,802)	(15,016)
Total investments and other assets	117,582	134,100	1,117,500
Total assets	¥ 1,054,679	¥ 1,066,986	$ 8,891,550

See Notes to Consolidated Financial Statements.

Nagoya Railroad Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheets

31 March 2014 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2015	2015
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term borrowings (Notes 3 and 8)	¥ 60,980	¥ 33,646	$ 280,383
Current portion of long-term debt (Notes 3 and 8)	78,685	52,588	438,233
Trade notes and accounts payable (Note 3)	73,753	74,234	618,617
Accrued expenses	14,454	15,119	125,992
Income taxes payable	5,419	4,822	40,183
Provisions	2,266	2,012	16,767
Other current liabilities	66,475	73,970	616,416
Total current liabilities	302,032	256,391	2,136,591
Non-current liabilities:			
Long-term debt (Notes 3 and 8)	369,673	389,114	3,242,617
Accrued retirement benefits for directors and corporate auditors	1,672	1,630	13,583
Deferred tax liabilities (Note 14)	3,920	6,443	53,692
Deferred tax liabilities for land revaluation	63,592	57,515	479,292
Provisions	9,256	8,391	69,925
Employee retirement benefit liability (Note 9)	34,432	36,408	303,400
Other non-current liabilities	18,550	19,609	163,408
Total non-current liabilities	501,095	519,110	4,325,917
Total liabilities	803,127	775,501	6,462,508
Contingent liabilities (Notes 10 and 11)			
Net assets:			
Shareholders' equity : (Notes 13 and 17)			
Common stock: authorised - 1,800,000 thousand shares issued - 889,340 thousand shares in 2014 and 919,773 thousand shares at in 2015	85,136	88,864	740,533
Capital surplus	19,379	23,107	192,559
Retained earnings	53,096	63,237	526,975
Treasury stock - at cost: 402 thousand shares in 2014 and 202 thousand shares in 2015	(108)	(51)	(425)
Total shareholders' equity	157,503	175,157	1,459,642
Accumulated other comprehensive income (loss):			
Net unrealised gains on available-for-sale securities	12,844	23,910	199,250
Deferred gains and losses on hedges	3	(189)	(1,575)
Land revaluation increment	67,160	75,748	631,233
Foreign currency translation adjustments	(28)	(9)	(75)
Retirement benefit adjustments	(3,740)	(2,285)	(19,041)
Total accumulated other comprehensive income (loss)	76,239	97,175	809,792
Minority interests	17,810	19,153	159,608
Total net assets	251,552	291,485	2,429,042
Total liabilities and net assets	¥ 1,054,679	¥ 1,066,986	$ 8,891,550

Nagoya Railroad Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Income

For the Years Ended 31 March 2014 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2015	2015
Operating revenues (Note 15)	¥ 627,797	¥ 609,380	$ 5,078,167
Operating expenses			
Transportation, other services and cost of sales	541,241	521,593	4,346,609
Selling, general and administrative expenses	49,478	49,714	414,283
Total operating expenses	590,719	571,307	4,760,892
Operating income	37,078	38,073	317,275
Other income (expenses):			
Interest and dividend income	1,283	1,200	10,000
Interest expense	(6,824)	(5,580)	(46,500)
Equity in net earnings of affiliates	1,112	2,526	21,050
Impairment loss on fixed assets (Note 6)	(3,142)	(2,274)	(18,950)
Loss on sale or disposition of property and equipment, net	(1,347)	(2,259)	(18,825)
Gain on contributions for construction (Note 2(k))	38,635	2,305	19,208
Loss on reduction of property and equipment (Note 2(k))	(36,605)	(2,206)	(18,383)
Provision for loss on liquidation	(4,893)	(514)	(4,283)
Others, net	620	(1,488)	(12,400)
Other income (expenses), net	(11,161)	(8,290)	(69,083)
Income before income taxes and minority interests	25,917	29,783	248,192
Income taxes:			
Current	7,343	7,869	65,575
Deferred	2,539	2,175	18,125
Total income taxes	9,882	10,044	83,700
Income before minority interests	16,035	19,739	164,492
Minority interests in net income of consolidated subsidiaries	1,131	1,950	16,250
Net income	¥ 14,904	¥ 17,789	$ 148,242
Per share:			
Net income:			
- Basic	¥ 16.95	¥ 19.67	$ 0.16
- Diluted	15.69	17.70	0.15
Cash dividends	4.00	4.50	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 2014 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2015	2015
Income before minority interests	¥ 16,035	¥ 19,739	$ 164,492
Other comprehensive income (Note 16):			
Net unrealised gains and losses on available-for-sale securities	3,410	10,544	87,866
Deferred gains and losses on hedges	—	(213)	(1,775)
Land revaluation increment	1,610	6,951	57,925
Foreign currency translation adjustments	26	19	158
Retirement benefit adjustments	—	1,512	12,600
Share of other comprehensive income of affiliates accounted for using the equity method	137	788	6,567
Total other comprehensive income	5,183	19,601	163,341
Comprehensive income	¥ 21,218	¥ 39,340	$ 327,833
Comprehensive income attributable to:			
Owners of the parent	¥ 19,987	¥ 36,879	$ 307,325
Minority interests	1,231	2,461	20,508
Total comprehensive income	¥ 21,218	¥ 39,340	$ 327,833

See Notes to Consolidated Financial Statements.

Nagoya Railroad Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Changes in Net Assets

For the Years Ended 31 March 2014 and 2015

	Number of shares of common stock issued	Shareholders' equity: Common stock	Shareholders' equity: Capital surplus	Shareholders' equity: Retained earnings	Shareholders' equity: Treasury stock	Shareholders' equity: Total shareholders' equity	Accumulated other comprehensive income: Net unrealised gains on available-for-sale securities	Accumulated other comprehensive income: Deferred gains and losses on hedges	Accumulated other comprehensive income: Land revaluation increment	Accumulated other comprehensive income: Foreign currency translation adjustments	Accumulated other comprehensive income: Retirement benefit adjusuments	Accumulated other comprehensive income: Total accumulated other comprehensive income	Minority interests	Total net assets
	Thousands	Millions of yen												
Balance as of 1 April 2013	881,585	¥ 84,186	¥ 18,429	¥ 43,394	¥ (757)	¥ 145,252	¥ 9,387	¥ 11	¥ 63,140	¥ (53)	¥ –	¥ 72,485	¥ 17,853	¥ 235,590
Cumulative effects of changes in accounting policies	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Balance as of the beginning of the period reflecting changes in accounting policies	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 for 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
Cumulative effects of changes in accounting policies	–	–	–	(2,203)	–	(2,203)	–	–	–	–	–	–	(287)	(2,490)
Balance as of the beginning of the period reflecting changes in accounting policies	889,340	85,136	19,379	50,893	(108)	155,300	12,844	3	67,160	(28)	(3,740)	76,239	17,523	249,062
Net income	–	–	–	17,789	–	17,789	–	–	–	–	–	–	–	17,789
Issuance of new shares	30,433	3,728	3,728	–	–	7,456	–	–	–	–	–	–	–	7,456
Cash dividends	–	–	–	(3,556)	–	(3,556)	–	–	–	–	–	–	–	(3,556)
Reversal for land revaluation increment	–	–	–	(1,846)	–	(1,846)	–	–	–	–	–	–	–	(1,846)
Transfer from retained earnings to capital surplus	–	–	43	(43)	–	–	–	–	–	–	–	–	–	–
Issuance of treasury stock upon conversion of convertible bonds and other, net of fractional shares acquired	–	–	(43)	–	57	14	–	–	–	–	–	–	–	14
Net changes in items other than shareholders' equity for the year	–	–	–	–	–	–	11,066	(192)	8,588	19	1,455	20,936	1,630	22,566
Balance as of 31 March 2015	919,773	¥ 88,864	¥ 23,107	¥ 63,237	¥ (51)	¥ 175,157	¥ 23,910	¥ (189)	¥ 75,748	¥ (9)	¥ (2,285)	¥ 97,175	¥ 19,153	¥ 291,485

	Shareholders' equity: Common stock	Shareholders' equity: Capital surplus	Shareholders' equity: Retained earnings	Shareholders' equity: Treasury stock	Shareholders' equity: Total shareholders' equity	Accumulated other comprehensive income: Net unrealised gains on available-for-sale securities	Accumulated other comprehensive income: Deferred gains and losses on hedges	Accumulated other comprehensive income: Land revaluation increment	Accumulated other comprehensive income: Foreign currency translation adjustments	Accumulated other comprehensive income: Retirement benefit adjusuments	Accumulated other comprehensive income: Total accumulated other comprehensive income	Minority interests	Total net assets
	Thousands of U.S. dollars (Note 1)												
Balance as of 1 April 2014	$ 709,467	$ 161,492	$ 442,466	$ (900)	$ 1,312,525	$ 107,033	$ 25	$ 559,666	$ (233)	$ (31,166)	$ 635,325	$ 148,417	$ 2,096,267
Cumulative effects of changes in accounting policies	–	–	(18,358)	–	(18,358)	–	–	–	–	–	–	(2,392)	(20,750)
Balance as of the beginning of the period reflecting changes in accounting policies	709,467	161,492	424,108	(900)	1,294,167	107,033	25	559,666	(233)	(31,166)	635,325	146,025	2,075,517
Net income	–	–	148,242	–	148,242	–	–	–	–	–	–	–	148,242
Issuance of new shares	31,067	31,067	–	–	62,133	–	–	–	–	–	–	–	62,133
Cash dividends	–	–	(29,633)	–	(29,633)	–	–	–	–	–	–	–	(29,633)
Reversal for land revaluation increment	–	–	(15,384)	–	(15,384)	–	–	–	–	–	–	–	(15,384)
Transfer from retained earnings to capital surplus	–	358	(358)	–	–	–	–	–	–	–	–	–	–
Issuance of treasury stock upon conversion of convertible bonds and other, net of fractional shares acquired	–	(358)	–	475	117	–	–	–	–	–	–	–	117
Net changes in items other than shareholders' equity for the year	–	–	–	–	–	92,217	(1,600)	71,567	158	12,125	174,467	13,583	188,050
Balance as of 31 March 2015	$ 740,533	$ 192,559	$ 526,975	$ (425)	$ 1,459,642	$ 199,250	$ (1,575)	$ 631,233	$ (75)	$ (19,041)	$ 809,792	$ 159,608	$ 2,429,042

See Notes to Consolidated Financial Statements.

Nagoya Railroad Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows

For the Years Ended 31 March 2014 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2015	2015
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 25,917	¥ 29,783	$ 248,192
Adjustments for:			
Depreciation and amortisation	38,857	38,708	322,567
Impairment loss on fixed assets	3,142	2,274	18,950
Loss on sale or disposition of property and equipment, net	2,686	2,643	22,025
Gain on contributions for construction	(38,635)	(2,305)	(19,208)
(Decrease) increase in employee retirement benefit liability	(701)	4,120	34,333
(Increase) decrease in trade notes and accounts receivable	(2,444)	2,657	22,141
Decrease in inventories	5,504	2,878	23,983
Increase (decrease) in trade notes and accounts payable	9,864	(537)	(4,475)
Others, net	49,379	3,096	25,800
Subtotal	93,569	83,317	694,308
Interest and dividends received	1,587	1,538	12,817
Interest paid	(6,919)	(5,770)	(48,083)
Extra retirement benefits paid	(43)	(20)	(167)
Income taxes paid	(5,920)	(8,685)	(72,375)
Net cash provided by operating activities	82,274	70,380	586,500
Cash flows from investing activities:			
Purchases of property and equipment	(44,175)	(47,876)	(398,966)
Proceeds from sales of property and equipment	5,519	3,994	33,283
Proceeds for contributions for construction	12,467	9,443	78,692
Purchases of investments securities	(610)	(822)	(6,850)
Proceeds from sales or redemptions of investment securities	1,349	1,138	9,483
Collections of loans receivable	828	851	7,092
Others, net	(953)	342	2,850
Net cash used in investing activities	(25,575)	(32,930)	(274,416)
Cash flows from financing activities:			
Increase in long-term debt	54,280	99,137	826,142
Repayment of long-term debt	(93,665)	(102,868)	(857,233)
Net decrease in short-term borrowings	(10,716)	(27,222)	(226,850)
Dividends paid to shareholders	(2,627)	(3,544)	(29,533)
Dividends paid to minority shareholders	(258)	(518)	(4,317)
Others, net	(44)	(79)	(659)
Net cash used in financing activities	(53,030)	(35,094)	(292,450)
Effect of exchange rate changes on cash and cash equivalents	20	15	125
Net increase in cash and cash equivalents	3,689	2,371	19,759
Cash and cash equivalents at beginning of year	9,711	13,405	111,708
Increase in cash and cash equivalents upon inclusion of additional subsidiary in consolidation	5	—	—
Cash and cash equivalents at end of year	¥ 13,405	¥ 15,776	$ 131,467

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 from 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 2015, which was ¥120 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 principally over five years. At 31 March 2014 and 2015, goodwill of ¥198 million and ¥1,295 million ($10,792 thousand), respectively, were included in intangible assets in the accompanying consolidated balance sheets.

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 2014 and 2015 were as follows.

	2014	2015
Consolidated subsidiaries	126	123
Unconsolidated subsidiaries accounted for using the equity method	−	−
Affiliated companies accounted for using the equity method	15	15
Unconsolidated subsidiaries stated at cost	7	7
Affiliated companies stated at cost	13	12

At both 31 March 2014 and 2015, 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 and 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. In addition, foreign currency swaps that meet certain hedging criteria may be used to translate foreign currency denominated assets and liabilities at the applicable contract rates. The commodity swap applies a general treatment.

(e) Inventories

Land and buildings for sale are stated at the lower of cost, 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 are stated at cost and depreciated following over their useful lives. The Company depreciates railroad vehicles by the declining balance method and other property and equipment by the straight-line method. For replacement assets in the railroad business, which are included in "structures," the Company applies the replacement method. The consolidated subsidiaries depreciate property and equipment principally by the declining balance method. For buildings and structures, useful lives are from 2-60 years. For machinery, equipment and vehicles useful lives range from 2-20 years.

(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 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 independent of cash flows of other groups of assets. For the purpose of recognition and measurement of 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 difference between the carrying value of land used for business after reassessment over the market value at the respective fiscal year-end of the Company and nine consolidated subsidiaries amounted to ¥33,816 million and ¥25,632 million ($213,600 thousand) at 31 March 2014 and 2015, respectively. The difference between the carrying value of land used for business after reassessment over the market value at the respective fiscal year-end date for the affiliated company accounted for using the equity method amounted to ¥1,664 million and ¥1,477 million ($12,308 thousand) at 31 March 2014 and 2015, 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 2014 and 2015, cumulative contributions amounting to ¥173,137 million and ¥174,801 million ($1,456,675 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.

(Changes in Accounting Policies)

(1) 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 for 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 has been recognised and accumulated other comprehensive income has decreased by ¥3,740 million at the end of the current fiscal year ended 31 March 2014.

(2) The Company and its consolidated domestic subsidiaries have adopted Article 35 of the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, 17 May 2012 (hereinafter, "Statement No. 26")) and Article 67 of the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, 26 March 2015 (hereinafter, "Guidance No. 25")) from the current fiscal year and have changed the methods used to determine retirement benefit obligations and current service cost. In addition, the Company and its consolidated domestic subsidiaries have changed the method used to attribute expected benefit to periods of service from the point per year basis and straight-line basis to a benefit formula basis. The Group has changed the method used to determine discount rates from the method using the discount rate determined based on the period approximate to the expected average remaining service period of the employees to the method using the single weighted average discount rate reflecting the estimated timing and amount of benefit payment.

In accordance with Article 37 of Statement No. 26, the effect of changing the methods used to determine retirement benefit obligations and current service cost has been recognised in retained earnings at the beginning of the current fiscal year. As a result of the application, employee retirement benefit liability increased by ¥3,233 million ($26,942 thousand) and retained earnings decreased by ¥2,203 million ($18,358 thousand) at the beginning of the current fiscal year. The effects on the income statements and the earnings per share for the year ended 31 March 2015 were not material.

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 benefit formula 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 2014 and 2015, the following amounts were included in "Provisions" in the accompanying consolidated balance sheets.

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Provision in:			
Current liabilities	¥308	¥127	$1,058
Non-current liabilities	8,002	7,084	59,034
Total	¥8,310	¥7,211	$60,092

(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 2014 and 2015, the following amounts were included in "Provisions" in the accompanying consolidated balance sheets.

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Provision in:			
Current liabilities	¥1,829	¥1,839	$15,325
Non-current liabilities	81	460	3,833
Total	¥1,910	¥2,299	$19,158

(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 2014 and 2015, consumption taxes were levied in Japan on the domestic sale of goods and services at a rate of 5% and 8%, respectively. 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 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 cases in which 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 2014 and 2015 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, fluctuations in interest rates on borrowings and fluctuations in fuel prices. 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 in the normal course of business. These instruments include foreign currency exchange forward contracts, currency swap, interest rate swap and commodity 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, interest rates and fuel prices. 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 a 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 raising funds 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 2014 and 2015, 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 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:			
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:*			
Hedge accounting has not been applied	¥15	¥15	¥―
Hedge accounting has been applied	―	―	―
Total	¥15	¥15	¥―

	Carrying value	Fair value	Differences
		Millions of yen	
At 31 March 2015:			
Financial assets:			
Cash and cash equivalents	¥15,776	¥15,776	¥―
Short-term investments	731	731	―
Trade notes and accounts receivable	54,064	54,064	―
Investment securities:			
Equity securities of affiliates	5,889	6,636	747
Available-for-sale securities	62,176	62,176	―
Total	¥138,636	¥139,383	¥747
Financial liabilities:			
Short-term borrowings	¥33,646	¥33,646	¥―
Trade notes and accounts payable	74,234	74,234	―
Bonds payable, including current portion	165,000	179,600	14,600
Long-term bank loans, including current portion	267,283	272,834	5,551
Total	¥540,163	¥560,314	¥20,151
Derivative instruments:*			
Hedge accounting has not been applied	¥26	¥26	¥―
Hedge accounting has been applied	(316)	(316)	―
Total	¥(290)	¥(290)	¥―

	Carrying value	Fair value	Differences
	Thousands of U.S. dollars		
At 31 March 2015:			
Financial assets:			
Cash and cash equivalents	$131,467	$131,467	$—
Short-term investments	6,092	6,092	—
Trade notes and accounts receivable	450,533	450,533	—
Investment securities:			
Equity securities of affiliates	49,075	55,300	6,225
Available-for-sale securities	518,133	518,133	—
Total	$1,155,300	$1,161,525	$6,225
Financial liabilities:			
Short-term borrowings	$280,383	$280,383	$—
Trade notes and accounts payable	618,617	618,617	—
Bonds payable, including current portion	1,375,000	1,496,667	121,667
Long-term bank loans, including current portion	2,227,358	2,273,616	46,258
Total	$4,501,358	$4,669,283	$167,925
Derivative instruments:*			
Hedge accounting has not been applied	$216	$216	$—
Hedge accounting has been applied	(2,633)	(2,633)	—
Total	$(2,417)	$(2,417)	$—

**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
	2014	2015	2015
Carrying value:			
Investments (equity securities) in unconsolidated subsidiaries and affiliates	¥21,106	¥22,444	$187,033
Unlisted equity securities	9,397	9,945	82,875
Total	¥30,503	¥32,389	$269,908

(3) Expected maturities of financial assets at 31 March 2015 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 2015:				
Cash and cash equivalents	¥15,776	¥—	¥—	¥—
Short-term investments	731	—	—	—
Trade notes and accounts receivable	54,064	—	—	—
Total	¥70,571	¥—	¥—	¥—
	Thousands of U.S. dollars			
At 31 March 2015:				
Cash and cash equivalents	$131,467	$—	$—	$—
Short-term investments	6,092	—	—	—
Trade notes and accounts receivable	450,533	—	—	—
Total	$588,092	$—	$—	$—

The repayment schedules for borrowings and other debts with contractual maturities at 31 March 2015 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	¥33,646	¥—	¥—	¥—	¥—	¥—
Bonds payable	—	10,000	35,000	10,000	10,000	100,000
Long-term bank loans	49,372	44,885	50,533	29,934	22,362	70,197
Total	¥83,018	¥54,885	¥85,533	¥39,934	¥32,362	¥170,197
	Thousands of U.S. dollars					
Short-term borrowings	$280,383	$—	$—	$—	$—	$—
Bonds payable	—	83,333	291,667	83,333	83,333	833,334
Long-term bank loans	411,434	374,042	421,108	249,450	186,350	584,974
Total	$691,817	$457,375	$712,775	$332,783	$269,683	$1,418,308

4. Investments securities

At 31 March 2014 and 2015, short-term investments consisted of time deposits with original maturities of more than three months.

At 31 March 2014 and 2015, investment securities consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Marketable securities			
Equity securities	¥48,106	¥62,176	$518,133
Japanese and local government bonds	—	—	—
Others	—	—	—
Total marketable securities	48,106	62,176	518,133
Nonmarketable securities	9,397	9,945	82,875
Total	¥57,503	¥72,121	$601,008

At 31 March 2014 and 2015, 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 2014:				
Equity securities	¥29,129	¥19,898	¥(921)	¥48,106
At 31 March 2015:				
Equity securities	28,489	33,945	(258)	62,176
	Thousands of U.S. dollars			
At 31 March 2015:				
Equity securities	$237,408	$282,875	$(2,150)	$518,133

Carrying value, 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 and local government bonds:			
For the year ended 31 March 2014	¥828	¥850	¥22
For the year ended 31 March 2015	—	—	—
	Thousands of U.S. dollars		
Japanese and local government bonds:			
For the year ended 31 March 2015	—	—	—

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 2014	¥553	¥209	¥108
For the year ended 31 March 2015	1,197	524	6
	Thousands of U.S. dollars		
Equity securities and others:			
For the year ended 31 March 2015	$9,975	$4,367	$50

5. Inventories

Inventories at 31 March 2014 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Land and buildings for sale	¥50,367	¥49,950	$416,250
Merchandise and finished goods	7,321	7,893	65,775
Work in process	533	522	4,350
Raw materials and supplies	4,238	4,045	33,708
Total	¥62,459	¥62,410	$520,083

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
	2014	2015	2015
Property subject to impairment:	Rental properties, taxi facilities and others	Department stores and commercial facilities, taxi facilities and others	
Impairment loss recorded:			
Buildings and structures	¥1,241	¥1,240	$10,333
Land	1,567	676	5,633
Others	334	358	2,984
Total	¥3,142	¥2,274	$18,950

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% and 2.3% for the years ended 31 March 2014 and 2015, 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 2014 and 2015 and the fair values of real estate were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Carrying value at beginning of year	¥114,749	¥112,264	$935,533
Net changes during the year	(2,485)	6,121	51,009
Carrying value at end of year	112,264	118,385	986,542
Fair value at end of year*	¥136,081	¥144,143	$1,201,192

**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 2014 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Income from rental operations	¥5,755	¥5,467	$45,558
Impairment loss on rental properties	149	52	433

8. Short-term borrowings and long-term debt

Short-term borrowings at 31 March 2014 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Bank loans with average interest rates of 0.306% at 31 March 2015:			
Secured	¥8,909	¥9,087	$75,725
Unsecured	52,071	24,559	204,658
Total	¥60,980	¥33,646	$280,383

Long-term debt at 31 March 2014 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
1.87% unsecured bonds, due June 2014	¥10,000	¥—	$—
2.11% unsecured bonds, due February 2017	10,000	10,000	83,334
2.1% unsecured bonds, due June 2017*	10,000	—	—
0.3% unsecured bonds, due June 2017	—	10,000	83,334
2.01% unsecured bonds, due September 2017	10,000	10,000	83,334
1.88% unsecured bonds, due February 2018	15,000	15,000	125,000
1.94% unsecured bonds, due September 2018	10,000	10,000	83,333
0.7525% unsecured bonds, due September 2018*	5,000	—	—
2.05% unsecured bonds, due August 2019	10,000	10,000	83,333
1.26% unsecured bonds, due October 2020	10,000	10,000	83,333
0.557% unsecured bonds, due April 2021	—	15,000	125,000
1.35% unsecured bonds, due July 2021	10,000	10,000	83,333
0.5% unsecured convertible bonds, due March 2015	7,556	—	—
Zero coupon unsecured convertible bonds, due October 2023	25,000	25,000	208,333
Zero coupon unsecured convertible bonds, due December 2024	—	40,000	333,333
Bank loans with average interest rate of 1.0714% at 31 March 2015, due through 2030:			
Secured	61,658	54,895	457,458
Unsecured	244,824	212,387	1,769,892
Capitalised lease obligations	9,320	9,420	78,500
Subtotal	448,358	441,702	3,680,850
Less current portion	(78,685)	(52,588)	(438,233)
Total	¥369,673	¥389,114	$3,242,617

**During the year ended 31 March 2015, the Company transferred 2.1% unsecured bonds due June 2017 under debt assumption agreements. The Company remains contingent liabilities (See Note 10). The Company also redeemed 0.7525% unsecured bonds due September 2018 before the maturity.*

At 31 March 2015, zero coupon convertible bonds due October 2023 and zero coupon convertible bonds due December 2024 were ¥386 and ¥583 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 due October 2023 for the period from 5 October 2020 at 100% of the principal amount, subject to certain conditions. And the Company may, at its call option, redeem all, but not some only, of the zero coupon convertible bonds due December 2024 for the period from 11 December 2022 at 100% of the principal amount, subject to certain conditions.

At 31 March 2015, the number of shares of common stock necessary for conversion of all convertible bonds outstanding was approximately 133 million.

The annual maturities of long-term debt at 31 March 2015 were as follows:

Year ending 31 March	Millions of yen	Thousands of U.S. dollars
2016	¥52,588	$438,233
2017	57,056	475,467
2018	86,841	723,675
2019	41,070	342,250
2020	33,621	280,175
2021 and thereafter	170,526	1,421,050
Total	¥441,702	$3,680,850

At 31 March 2014 and 2015, the following assets were pledged for short-term and long-term bank loans.

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Land	¥99,473	¥99,015	$825,125
Buildings and structures	141,257	138,294	1,152,450
Machinery, equipment and vehicles	11,963	9,405	78,375
Others	3,827	3,851	32,092
Total	¥256,520	¥250,565	$2,088,042

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. 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.

As of and for the years ended 31 March 2014 and 2015, 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	2015	2015
Balance as of the beginning of the period:	¥36,758	¥36,847	$307,058
Cumulative effect of changes in accounting Policies	―	3,233	26,942
Balance as of the beginning of the period reflecting changes in accounting policies	36,758	40,080	334,000
Service cost	1,708	1,870	15,583
Interest cost	620	305	2,542
Actuarial differences incurred	819	1,132	9,433
Benefits paid	(3,062)	(2,785)	(23,208)
Others	4	―	―
Balance as of the end of the period:	¥36,847	¥40,602	$338,350

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

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Balance as of the beginning of the period:	¥9,869	¥10,592	$88,267
Expected return on plan assets	45	45	375
Actuarial differences incurred	692	1,781	14,842
Contributions paid by the employer	233	240	2,000
Benefits paid	(247)	(386)	(3,217)
Balance as of the end of the period:	¥10,592	¥12,272	$102,267

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

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Balance as of the beginning of the period:	¥8,561	¥8,177	$68,142
Retirement benefit costs	789	830	6,916
Benefits paid	(1,146)	(925)	(7,708)
Contributions paid by the employer	(27)	(18)	(150)
Others	―	13	108
Balance as of the end of the period:	¥8,177	¥8,077	$67,308

(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	2015	2015
Funded retirement benefit obligations	¥25,222	¥28,171	$234,758
Plan assets	(10,739)	(12,432)	(103,600)
	14,483	15,739	131,158
Unfunded retirement benefit obligations	19,949	20,669	172,242
Employee retirement benefit liability recorded as of the end of the period:	¥34,432	¥36,408	$303,400

(e) Net periodic retirement benefit expenses

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Service cost	¥1,708	¥1,870	$15,583
Interest cost	620	305	2,542
Expected return on plan assets	(45)	(45)	(375)
Transitional obligation amortisation	679	673	5,608
Net actuarial loss amortisation	(246)	835	6,959
Prior service cost amortisation	―	(9)	(75)
Retirement benefit costs based on the simplified Method	803	841	7,008
Others	(19)	(73)	(608)
Total net periodic retirement benefit expenses	¥3,500	¥4,397	$36,642

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

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Transitional obligation	¥―	¥684	$5,700
Actuarial differences	―	1,484	12,367
Past service cost	―	(9)	(75)
Total balance, before tax effects, as of the end of the period:	¥―	¥2,159	$17,992

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

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Transitional obligation yet to be recognised	¥841	¥157	$1,308
Actuarial differences yet to be recognised	5,535	4,051	33,759
Past service costs yet to be recognised	(147)	(138)	(1,150)
Total balance, before tax effects, as of the end of the period:	¥6,229	¥4,070	$33,917

(h) Plan assets

1) Plan assets comprise:

Equity securities	79.4%
Bonds	4.4%
Cash and cash equivalents	1.8%
General accounts	13.5%
Others	0.9%
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.

(i) Actuarial assumptions

The principal actuarial assumptions at 31 March 2015 (expressed as weighted averages) are as follows:

Discount rate	0.2% to 0.8%
Long-term expected rate of return	0.0% to 2.0%

For the year ended 31 March 2015, the contributions required for defined contribution plans were ¥3,714 million ($30,950 thousand) in the Group.

In addition, some of the Company’s consolidated subsidiaries participate in certain corporate pension plans under 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 2015, contributions required amounted to ¥43 million ($358 thousand) and were accounted for using accounting treatment similar to that used for defined contribution plan.

Information regarding the funded status of the entire Group's corporate pension plans available as of the latest calculation period-ends was as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Latest calculation period-end	31 March 2013	31 March 2014	
Pension plan assets	¥27,763	¥29,892	$249,100
Total of actuarial obligation and minimum liability reserve under pension programs	32,928	34,634	288,617
Difference	¥(5,165)	¥(4,742)	$(39,517)
Ratio of subsidiaries' contributions to total contributions to entire plans	2.9%	3.3%	

10. Contingent liabilities

At 31 March 2014 and 2015, contingent liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Contingently liable for:			
Guarantees of loans of others	¥680	¥426	$3,550
Guarantees under debt assumption agreements	—	10,000	83,333
Total	¥680	¥10,426	$86,883

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 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
At 31 March 2015:			
Acquisition cost	¥17,786	¥3,225	¥21,011
Accumulated depreciation	12,864	1,978	14,842
Accumulated impairment loss	233	1	234
Net leased property	¥4,689	¥1,246	¥5,935
	Thousands of U.S. dollars		
At 31 March 2015:			
Acquisition cost	$148,217	$26,875	$175,092
Accumulated depreciation	107,200	16,483	123,683
Accumulated impairment loss	1,942	8	1,950
Net leased property	$39,075	$10,384	$49,459

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

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Due within 1 year	¥1,759	¥1,648	$13,733
Due after 1 year	7,023	5,364	44,700
Total	¥8,782	¥7,012	$58,433

An allowance for impairment loss on leased property in the amount of ¥20 million and ¥9 million ($75 thousand) was included in other current and non-current liabilities in the consolidated balance sheets for 31 March 2014 and 2015, respectively.

Lease expense and other information at 31 March 2014 and 2015 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Lease expense	¥2,472	¥2,094	$17,450
Reversal of allowance for impairment loss on leased property	50	12	100
Imputed depreciation expense *(*1)*	1,950	1,659	13,825
Imputed interest expense *(*2)*	337	285	2,375
Impairment loss	—	—	—

**1) Depreciation was calculated using the straight-line method with the useful life equal to the lease period and residual value zero.*
**2) Imputed interest expense is the difference between 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
	2014	2015	2015
Due within 1 year	¥723	¥791	$6,592
Due after 1 year	2,017	1,801	15,008
Total	¥2,740	¥2,592	$21,600

(As lessor)
(a) Finance leases

Lease investment assets at 31 March 2014 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Lease receivables	¥5,126	¥4,776	$39,800
Estimated residual value	200	182	1,517
Unearned imputed interest	(1,106)	(1,011)	(8,425)
Lease investment assets included in trade receivables	¥4,220	¥3,947	$32,892

The aggregate annual maturities of lease receivables and investments at 31 March 2015 were as follows:

Year ending 31 March	Millions of yen	Thousands of U.S. dollars
2016	¥1,696	$14,133
2017	1,323	11,025
2018	863	7,192
2019	571	4,758
2020	279	2,325
2021 and thereafter	44	367
Total	¥4,776	$39,800

(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
	2014	2015	2015
Due within 1 year	¥2,177	¥2,174	$18,116
Due after 1 year	5,880	7,250	60,417
Total	¥8,057	¥9,424	$78,533

12. Derivatives

At 31 March 2014 and 2015, derivative transactions to which hedge accounting was not applied were as follows:

(Foreign currency related transactions)

	Contract amount			
	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 2014	¥221	¥ー	¥ 15	¥ 15
At 31 March 2015	390	14	26	26
	Thousands of U.S. dollars			
Foreign exchange forward contracts to buy foreign currencies:				
At 31 March 2015	$3,250	$117	$216	$216

**The fair value was based on the forward exchange rate.*

At 31 March 2014 and 2015, 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	Contract amount: Due after 1 year	Fair value*
			Millions of yen		
Allocation method for foreign exchange forward contracts:	Currency swaps - pay fixed rate and receive floating rate - pay Japanese yen receive U.S. dollar	Long-term bank loans			
At 31 March 2014			¥14,223	¥13,458	¥—
At 31 March 2015			18,958	16,793	—
			Thousands of U.S. dollars		
Allocation method for foreign exchange forward contracts:	Currency swaps - pay fixed rate and receive floating rate - pay Japanese yen receive U.S. dollar	Long-term bank loans			
At 31 March 2015			$157,983	$139,942	$—

**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 2014			¥95,329	¥77,864	¥—
At 31 March 2015			98,864	88,161	—
			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 2015			$823,867	$734,675	$—

**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).*

(Commodity price - 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		
General treatment for commodity swaps:	Commodity swaps-pay fixed and receive floating	ship fuel			
At 31 March 2014			¥—	¥—	¥—
At 31 March 2015			3,056	1,670	(316)
			Thousands of U.S. dollars		
General treatment for commodity swaps:	Commodity swaps-pay fixed and receive floating	ship fuel			
At 31 March 2015			$25,467	$13,917	$(2,633)

**The fair value of derivative transactions was measured at quoted prices obtained from the financial institutions.*

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 price 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 2014 and 2015, 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 ¥2,452 million and ¥2,808 million ($23,400 thousand) at 31 March 2014 and 2015, 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% and 35.3% for the years ended 31 March 2014 and 2015, respectively.

Significant components of the Groups' deferred tax assets and liabilities as of 31 March 2014 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Deferred tax assets:			
Employee retirement benefit liability	¥15,467	¥15,097	$125,808
Impairment loss on fixed assets	11,970	10,397	86,642
Loss on valuation of investment securities	8,320	8,301	69,175
Tax loss carryforwards	6,909	5,847	48,725
Elimination of unrealised profit	4,745	4,580	38,167
Depreciation	3,930	3,708	30,900
Provision for loss on liquidation	2,930	2,277	18,975
Accrued bonus	1,889	1,823	15,192
Loss on valuation of land caused by restructuring	1,549	1,477	12,308
Valuation loss on fixed assets	1,639	1,467	12,225
Allowance for loss on exchange of gift certificates Outstanding	702	810	6,750
Allowance for doubtful accounts	710	805	6,708
Provision for retirement benefits for directors	601	543	4,525
Accrued enterprise taxes and accrued business office taxes	540	525	4,375
Loss on valuation of inventories	401	354	2,950
Others	3,175	2,936	24,467
Subtotal of deferred tax assets	65,477	60,947	507,892
Less valuation allowance	(35,797)	(33,311)	(277,592)
Total deferred tax assets	29,680	27,636	230,300
Deferred tax liabilities:			
Net unrealised gains on available-for-sale securities	(6,291)	(10,337)	(86,142)
Gain on valuation of land caused by restructuring	(3,585)	(3,416)	(28,467)
Gain on valuation of investment securities	(2,403)	(2,185)	(18,208)
Trust for employee retirement benefits	(2,095)	(1,905)	(15,875)
Deferred capital gains	(1,186)	(1,052)	(8,766)
Others	(993)	(742)	(6,183)
Total deferred tax liabilities	(16,553)	(19,637)	(163,641)
Net deferred tax assets	¥13,127	¥7,999	$66,659

At 31 March 2014 and 2015, deferred tax assets and liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Deferred tax assets:			
Current	¥6,142	¥5,387	$44,892
Noncurrent	10,905	9,056	75,467
Deferred tax liabilities:			
Current	—	1	8
Noncurrent	3,920	6,443	53,692

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 2014 and 2015, a valuation allowance was provided to reduce deferred tax assets to the amount management believed would be realisable.

For the year ended 31 March 2014 and 2015, 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 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 less at 31 March 2014 and deferred income taxes in the consolidated statement of income were ¥482 million more for the year ended 31 March 2014 than the amounts that would have been recorded without the change.

On 31 March 2015, amendments to the Japanese tax regulations were enacted into law. Based on the amendments, the statutory income tax rates utilised for the measurement of deferred tax assets and liabilities expected to be settled or realised from 1 April 2015 to 31 March 2016 and on or after 1 April 2016 are changed for the fiscal year ended 31 March 2015 from 35.3% to 32.8% and 32.1%, respectively, as of 31 March 2015.

Due to these changes in statutory income tax rates, net deferred tax assets (after deducting the deferred tax liabilities) decreased by ¥128 million ($1,067 thousand) as of 31 March 2015, deferred income tax expense recognised for the fiscal year ended 31 March 2015 increased by ¥1,026 million ($8,550 thousand), accumulated other comprehensive income (except land revaluation increment) increased by ¥898 million ($7,483 thousand), deferred tax liabilities for land revaluation decreased by ¥5,654 million ($47,117 thousand), land revaluation increment increased by ¥5,654 million ($47,117 thousand).

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 distributions 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 2014 was as follows:

	Reportable segments								Consolidated financial statements
	Traffic	Transport	Real Estate	Leisure and Services	Distribution	Others *(*1)*	Total	Adjustments	
	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/transfers	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

**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 was treated as intersegment elimination.*

**3) Segment assets adjustment amounting to ¥49,763 million consisted of unallocated general corporate assets amounting to ¥78,000 million, net of intersegment elimination of ¥28,237 million. Such general corporate assets consisted mainly of cash, deposits and investment securities.*

**4) Depreciation and amortisation adjustment amounting to ¥615 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 2015 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 2015:									
Operating revenues:									
External customers	¥ 156,653	¥ 132,585	¥ 85,523	¥ 52,070	¥ 127,362	¥ 55,187	¥ 609,380	¥ −	¥ 609,380
Intersegment sales/transfers	2,241	444	6,554	1,434	13,966	19,319	43,958	(43,958)	−
Total	¥ 158,894	¥ 133,029	¥ 92,077	¥ 53,504	¥ 141,328	¥ 74,506	¥ 653,338	¥ (43,958)	¥ 609,380
Segment income *(*2)*	15,736	4,660	11,956	781	820	3,620	37,573	500	38,073
Segment assets *(*3)*	478,369	112,853	257,021	37,918	46,558	66,433	999,152	67,834	1,066,986
Other material items:									
Depreciation and amortisation *(*4)*	18,963	5,504	5,860	1,457	1,370	6,150	39,304	(596)	38,708
Amortisation of goodwill	−	63	95	10	13	2	183	−	183
Impairment loss on fixed Assets	463	106	718	217	629	141	2,274	−	2,274
Increase in property and equipment and intangible assets	14,158	5,108	13,024	1,672	2,245	8,604	44,811	−	44,811

	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 2015:									
Operating revenues:									
External customers	$ 1,305,442	$ 1,104,875	$ 712,691	$ 433,917	$ 1,061,350	$ 459,892	$ 5,078,167	$ −	$ 5,078,167
Intersegment sales/transfers	18,675	3,700	54,617	11,950	116,383	160,992	366,317	(366,317)	−
Total	$ 1,324,117	$ 1,108,575	$ 767,308	$ 445,867	$ 1,177,733	$ 620,884	$ 5,444,484	$ (366,317)	$ 5,078,167
Segment income *(*2)*	131,134	38,833	99,633	6,508	6,833	30,167	313,108	4,167	317,275
Segment assets *(*3)*	3,986,409	940,442	2,141,842	315,983	387,983	553,608	8,326,267	565,283	8,891,550
Other material items:									
Depreciation and amortisation *(*4)*	158,025	45,867	48,833	12,142	11,417	51,250	327,534	(4,967)	322,567
Amortisation of goodwill	−	525	792	83	108	17	1,525	−	1,525
Impairment loss on fixed Assets	3,859	883	5,983	1,808	5,242	1,175	18,950	−	18,950
Increase in property and equipment and intangible assets	117,984	42,567	108,533	13,933	18,708	71,700	373,425	−	373,425

**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 ¥500 million ($4,167 thousand) was treated as intersegment elimination.*

**3) Segment assets adjustment amounting to ¥67,834 million ($565,283 thousand) consisted of unallocated general corporate assets amounting to ¥94,364 million ($786,367 thousand), net of intersegment elimination of ¥26,530 million ($221,083 thousand). Such general corporate assets consisted mainly of cash, deposits and investment securities.*

**4) Depreciation and amortisation adjustment amounting to ¥596 million ($4,967 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 2014	¥—	¥157	¥—	¥—	¥39	¥3	¥(1)	¥198
At 31 March 2015	—	94	1,175	—	26	—	—	1,295

	Traffic	Transport	Real Estate	Leisure and Services	Distribution	Others	Eliminations	Consolidated
	Thousands of U.S. dollars							
Balance of goodwill:								
At 31 March 2015	$—	$783	$9,792	$—	$217	$—	$—	$10,792

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

(5) Information about reportable segment gain on negative goodwill

- Consolidated fiscal year ended 31 March 2014 and 2015

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 2014 and 2015 were as follows.

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Unrealised gains on available-for-sale securities, net of taxes:			
Amount arising during the year	¥5,240	¥15,199	$126,658
Reclassification adjustments	7	(488)	(4,067)
Subtotal, before tax	5,247	14,711	122,591
The amount of tax effect	(1,837)	(4,167)	(34,725)
Subtotal, net of tax	3,410	10,544	87,866
Deferred gains and losses on hedges, net of taxes:			
Amount arising during the year	–	(316)	(2,633)
Reclassification adjustments	–	–	–
Subtotal, before tax	–	(316)	(2,633)
The amount of tax effect	–	103	858
Subtotal, net of tax	–	(213)	(1,775)
Land revaluation increments, net of taxes:			
Amount arising during the year	–	–	–
Reclassification adjustments	–	–	–
Subtotal, before tax	–	–	–
The amount of tax effect	1,610	6,951	57,925
Subtotal, net of tax	1,610	6,951	57,925
Foreign currency translation adjustments			
Amount arising during the year	26	19	158
Reclassification adjustments	–	–	–
Subtotal, before tax	26	19	158
The amount of tax effect	–	–	–
Subtotal, net of tax	26	19	158
Retirement benefit adjustments			
Amount arising during the year	–	686	5,717
Reclassification adjustments	–	1,473	12,275
Subtotal, before tax	–	2,159	17,992
The amount of tax effect	–	(647)	(5,392)
Subtotal, net of tax	–	1,512	12,600
Share of other comprehensive income of affiliates accounted for using equity method:			
Amount arising during the year	138	770	6,417
Reclassification adjustments	(1)	18	150
Subtotal	137	788	6,567
Total other comprehensive income	¥5,183	¥19,601	$163,341

17. Subsequent events

Cash dividends

An appropriation of retained earnings for the year ended 31 March 2015 was duly approved at the ordinary shareholders' meeting held on 25 June 2015 as follows:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥4.50 per share)	¥4,139	$34,492

The above dividends became payable to shareholders of record as of 31 March 2015. However, such appropriation has not been accrued in the consolidated financial statements as of 31 March 2015 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 23 March 2015, the Company issued the 50th Series Unsecured Straight Bonds as shown below.
The details are as follows:

50th 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: 0.857% per annum
4. Issue date: 30 April 2015
5. Maturity date: 30 April 2027
6. Use of proceeds: Capital expenditure and repayment of borrowings