Independent auditor's report

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

Opinion

We have audited the accompanying consolidated financial statements of Nagoya Railroad Co., Ltd. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2024 and 2023, the consolidated statements of operations and comprehensive income, changes in net assets and cash flows for the years then ended , and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Key Audit Matters

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

Appropriateness of management's judgment on the recoverability of deferred tax assets

The key audit matter	How the matter was addressed in our audit
In the consolidated statement of financial position of Nagoya Railroad Co., Ltd. (hereinafter referred to as "the Company") and consolidated subsidiaries, deferred tax assets of ¥11,606 million were recognized as at March 31, 2024. As described in Note 13, "Income taxes," to the consolidated financial statements, the amount of gross deferred tax assets before	The primary procedures we performed to assess whether management's judgment on the recoverability of deferred tax assets was appropriate included the following: **(1) Internal control testing** We tested the design and operating effectiveness of certain of the Company's internal controls over the process of planning future taxable income, including the development

being offset by deferred tax liabilities amounted to ¥29,264 million, which was calculated by deducting a valuation allowance of ¥47,569 million from the total amount of deferred tax assets of ¥76,833 million related to deductible temporary differences and tax loss carryforwards. Of this amount, the amount recognized by the Company and accounting for the largest share is particularly significant. Deferred tax assets are recognized to the extent that the reversal of deductible temporary differences or tax loss carryforwards are expected to reduce future taxable income resulting in a reduction in tax payments. The future taxable income of the Company, which was used to determine the recoverability of its deferred tax assets, was estimated based primarily on the medium-term management plan prepared by management. There was a high degree of uncertainty in the forecasts of future operating revenues incorporated into the management plan as they included key assumptions requiring significant management judgment. We, therefore, determined that our assessment of the appropriateness of management's judgment on the recoverability of deferred tax assets was of most significance in our audit of the consolidated financial statements for the current fiscal year and, accordingly, a key audit matter.	of the medium-term management plan. **(2) Assessment of the reasonableness of the estimated future taxable income** We assessed the reasonableness of the estimated future taxable income by inquiring of management regarding the basis for key assumptions used to estimate future taxable income, which was important for management's judgment on the recoverability of deferred tax assets. In addition, we: ・confirmed that the medium-term management plan, which formed the basis for planning future taxable income, was appropriately approved and then assessed the consistency of the estimated future taxable income used to determine the recoverability of the deferred tax assets with the details of the medium-term management plan; ・assessed the appropriateness of key assumptions underlying the forecasts of operating revenues from railroad operations included in the medium-term management plan by comparing the forecasts of operating revenues from railroad operations with relevant documents, including those describing actual operating revenues from railroad operations before the spread of COVID-19 and market research results published by external research organizations; and ・analyzed the achievement status of the previous plan of future taxable income, including the causes of any differences from actual taxable income, and then assessed the reasonableness and feasibility of the future taxable income considering the achievement of the previous plan.

Other Information

The other information comprises the information included in the disclosure documents that contain or accompany the audited financial statements, but does not include the consolidated financial statements and our auditor's reports thereon.

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

Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with corporate auditors and the board of corporate auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

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

Azami Kazuhiko

Designated Engagement Partner

Certified Public Accountant

Kishida Yoshihiko

Designated Engagement Partner

Certified Public Accountant

Inagaki Yoshito

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Nagoya Office, Japan

July 31, 2024

Notes to the Reader of Independent Auditor's Report:
This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.

Nagoya Railroad Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheets

	Millions of yen	
	31 March 2023	31 March 2024
ASSETS		
Current assets		
Cash and deposits(Notes 3 and 7)	55,291	60,388
Trade notes, accounts receivable and contract assets(Notes 3 and 14)	61,109	63,831
Short-term loans receivable	1,834	1,814
Land and buildings for sale	77,275	76,717
Merchandise and finished goods	6,273	6,329
Work in process	670	626
Raw materials and supplies	5,311	5,511
Others	19,411	23,451
Allowance for doubtful accounts	(276)	(185)
Total current assets	226,902	238,484
Non-current assets		
Property and equipment (Notes 5, 6 and 7)		
Buildings and structures, net	301,878	317,548
Machinery, equipment and vehicles, net	78,931	83,615
Land	371,293	381,227
Lease assets, net	10,355	9,569
Construction in progress	82,424	90,654
Other properties, net	9,142	11,008
Total property and equipment	854,026	893,624
Intangible assets		
Right-of-use facilities	7,063	7,945
Goodwill	1,397	2,294
Lease assets	275	217
Other intangible assets	3,116	3,505
Total intangible assets	11,853	13,963
Investments and other assets		
Investment securities (Notes 3 and 4)	104,030	128,202
Long-term loans receivable	358	292
Deferred tax assets (Note 13)	17,769	11,606
Others (Note 7)	16,930	17,525
Allowance for doubtful accounts	(493)	(493)
Total investments and other assets	138,596	157,133
Total non-current assets	1,004,476	1,064,720
Total assets	1,231,378	1,303,205

See Notes to Consolidated Financial Statements.

Nagoya Railroad Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheets

	Millions of yen	
	31 March 2023	31 March 2024
LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities		
Trade notes and accounts payable	73,388	74,816
Short-term loans payable (Notes 3 and 7)	52,876	43,574
Commercial papers (Note 7)	10,000	-
Current portion of bonds payable (Notes 3 and 7)	30,080	40,000
Lease obligations (Note 7)	1,490	1,373
Income taxes payable	5,868	4,619
Deposits received from employees	20,383	19,964
Advances received	55,701	68,511
Provision for bonuses	5,698	5,841
Provision for loss on liquidation	301	29
Allowance for loss on collection of gift certificates outstanding	360	369
Others (Note 14)	47,917	49,848
Total current liabilities	304,067	308,949
Non-current liabilities		
Bonds payable (Notes 3 and 7)	215,000	225,000
Long-term loans payable (Notes 3 and 7)	155,949	179,631
Lease obligations (Note 7)	10,678	9,958
Deferred tax liabilities (Note 13)	3,882	3,750
Deferred tax liabilities for land revaluation	55,506	55,271
Provision for loss on liquidation	5,560	3,906
Employee retirement benefit liability (Note 8)	32,539	32,535
Others	19,103	20,669
Total non-current liabilities	498,221	530,723
Total liabilities	802,289	839,672
Net assets (Note 12)		
Shareholders' equity		
Common stock	101,158	101,158
Capital surplus	40,144	40,426
Retained earnings	158,112	178,946
Treasury stock	(365)	(233)
Total shareholders' equity	299,050	320,297
Accumulated other comprehensive income		
Net unrealized gains on available-for-sale securities	16,490	28,631
Deferred gains and losses on hedges	143	379
Land revaluation increment	87,683	87,298
Foreign currency translation adjustments	11	24
Retirement benefit adjustments	1,053	1,332
Total accumulated other comprehensive income	105,382	117,667
Non-controlling interests	24,655	25,567
Total net assets	429,089	463,532
Total liabilities and net assets	1,231,378	1,303,205

Nagoya Railroad Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Operations and Consolidated Statements of Comprehensive Income
Consolidated Statements of Operations

	Millions of yen	
	1 April 2022 -31 March 2023	1 April 2023 -31 March 2024
Operating revenues (Notes 14 and 15)	551,504	601,121
Operating expenses		
Transportation, other services and cost of sales	478,257	512,245
Selling, general and administrative expenses	50,515	54,125
Total operating expenses	528,773	566,371
Operating income	22,731	34,750
Non-operating income		
Interest income	26	47
Dividend income	1,295	1,379
Equity in net earnings of affiliates	2,637	2,996
Subsidies for employment adjustment	775	38
Miscellaneous income	2,458	2,275
Total non-operating income	7,194	6,737
Non-operating expenses		
Interest expenses	2,819	3,061
Provision for loss on liquidation	218	198
Miscellaneous expenses	524	684
Total non-operating expenses	3,562	3,943
Ordinary income	26,362	37,544
Extraordinary income		
Gain on sales of fixed assets	2,403	1,535
Gain on contributions for construction (Note 2(k))	2,983	1,480
Gain on sales of investment securities	1,845	1,798
Compensation for expropriation	1,319	-
Others	588	574
Total extraordinary income	9,140	5,390
Extraordinary losses		
Loss on sales of fixed assets	108	222
Impairment loss on fixed assets (Note 5)	2,842	1,761
Loss on disposition of fixed assets	472	630
Loss on sales of investment securities	160	2
Loss on valuation of investment securities	32	49
Provision for loss on liquidation	301	18
Loss on reduction of property and equipment (Note 2(k))	2,732	1,691
Loss on subsidy return (Note 2(x))	-	2,552
Others	217	1,460
Total extraordinary losses	6,868	8,388
Profit before income taxes	28,634	34,546
Income taxes – current	8,460	8,489
Income taxes – deferred	333	647
Total income taxes	8,793	9,137
Profit	19,840	25,409
Profit attributable to:		
Non-controlling interests	990	1,009
Owners of the parent	18,850	24,400

See Notes to Consolidated Financial Statements.

Nagoya Railroad Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Comprehensive Income

	Millions of yen	
	1 April 2022 -31 March 2023	1 April 2023 -31 March 2024
Profit	19,840	25,409
Other comprehensive income (Note 16)		
Net unrealized gains and losses on available-for-sale securities	2,929	11,094
Deferred gains and losses on hedges	(615)	242
Land revaluation increment	299	-
Foreign currency translation adjustments	27	13
Retirement benefit adjustments	735	70
Share of other comprehensive income of affiliates accounted for using the equity method	(44)	1,494
Total other comprehensive income	3,332	12,914
Comprehensive income	23,173	38,323
Comprehensive income attributable to:		
Owners of the parent	22,095	37,069
Non-controlling interests	1,077	1,254

See Notes to Consolidated Financial Statements.

Nagoya Railroad Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Changes in Net Assets
Fiscal year ended 31 March 2023

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the fiscal year start	101,158	38,405	142,815	(113)	282,266
Restated balance	101,158	38,405	142,815	(113)	282,266
Changes of items during the year					
Cash dividends			(2,458)		(2,458)
Profit attributable to owners of the parent			18,850		18,850
Purchase of treasury stock				(349)	(349)
Disposal of treasury stock		(12)		97	84
Reversal for land revaluation increment			(1,080)		(1,080)
Transfer from retained earnings to capital surplus		14	(14)		-
Change in treasury shares arising from change in equity in entities accounted for using equity method					-
Change in ownership interest of parent related to transactions with non-controlling interests		1,737			1,737
Net changes in items other than shareholders' equity for the year					
Total changes of items during the year	-	1,739	15,297	(252)	16,784
Balance at the fiscal year end	101,158	40,144	158,112	(365)	299,050

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Net unrealized gains on available-for-sale securities	Deferred gains and losses on hedges	Land revaluation increment	Foreign currency translation adjustments	Retirement benefit adjustments	Total accumulated other comprehensive income		
Balance at the fiscal year start	13,616	741	86,257	(16)	457	101,057	27,808	411,132
Restated balance	13,616	741	86,257	(16)	457	101,057	27,808	411,132
Changes of items during the year								
Cash dividends								(2,458)
Profit attributable to owners of the parent								18,850
Purchase of treasury stock								(349)
Disposal of treasury stock								84
Reversal for land revaluation increment								(1,080)
Transfer from retained earnings to capital surplus								-
Change in treasury shares arising from change in equity in entities accounted for using equity method								-
Change in ownership interest of parent related to transactions with non-controlling interests								1,737
Net changes in items other than shareholders' equity for the year	2,874	(597)	1,425	27	595	4,325	(3,153)	1,172
Total changes of items during the year	2,874	(597)	1,425	27	595	4,325	(3,153)	17,956
Balance at the fiscal year end	16,490	143	87,683	11	1,053	105,382	24,655	429,089

Fiscal year ended 31 March 2024

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the fiscal year start	101,158	40,144	158,112	(365)	299,050
Restated balance	101,158	40,144	158,112	(365)	299,050
Changes of items during the year					
Cash dividends			(3,931)		(3,931)
Profit attributable to owners of the parent			24,400		24,400
Purchase of treasury stock				(42)	(42)
Disposal of treasury stock		(20)		173	153
Reversal for land revaluation increment			384		384
Transfer from retained earnings to capital surplus		20	(20)		-
Change in treasury shares arising from change in equity in entities accounted for using equity method				0	0
Change in ownership interest of parent related to transactions with non-controlling interests		281			281
Net changes in items other than shareholders' equity for the year					
Total changes of items during the year	-	281	20,833	131	21,246
Balance at the fiscal year end	101,158	40,426	178,946	(233)	320,297

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Net unrealized gains on available-for-sale securities	Deferred gains and losses on hedges	Land revaluation increment	Foreign currency translation adjustments	Retirement benefit adjustments	Total accumulated other comprehensive income		
Balance at the fiscal year start	16,490	143	87,683	11	1,053	105,382	24,655	429,089
Restated balance	16,490	143	87,683	11	1,053	105,382	24,655	429,089
Changes of items during the year								
Cash dividends								(3,931)
Profit attributable to owners of the parent								24,400
Purchase of treasury stock								(42)
Disposal of treasury stock								153
Reversal for land revaluation increment								384
Transfer from retained earnings to capital surplus								-
Change in treasury shares arising from change in equity in entities accounted for using equity method								0
Change in ownership interest of parent related to transactions with non-controlling interests								281
Net changes in items other than shareholders' equity for the year	12,140	236	(384)	13	279	12,285	911	13,196
Total changes of items during the year	12,140	236	(384)	13	279	12,285	911	34,443
Balance at the fiscal year end	28,631	379	87,298	24	1,332	117,667	25,567	463,532

See Notes to Consolidated Financial Statements.

Nagoya Railroad Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows (Note 17)

	Millions of yen	
	1 April 2022 -31 March 2023	1 April 2023 -31 March 2024
Cash flows from operating activities:		
Profit before income taxes	28,634	34,546
Depreciation	38,247	38,879
Impairment loss on fixed assets	2,842	1,761
Amortisation of goodwill	415	330
Increase (decrease) in allowance for doubtful accounts	85	(90)
Increase (decrease) in provision for bonuses	515	140
Increase (decrease) in provision for loss on liquidation	(53)	(1,926)
Increase (decrease) in other provision	(1,007)	204
Increase (decrease) in employee retirement benefit liability	44	91
Interest and dividend income	(1,322)	(1,427)
Interest expenses	2,819	3,061
Subsidies for employment adjustment	(775)	(38)
Share of (gain) loss of entities accounted for using equity method	(2,637)	(2,996)
Loss (gain) on sales of fixed assets	(2,295)	(1,313)
Loss on disposition of fixed assets	259	399
Loss (gain) on valuation of investment securities	32	49
Loss (gain) on sales of investment securities	(1,685)	(1,796)
Gain on contributions for construction	(2,983)	(1,480)
Compensation for expropriation	(1,319)	-
Decrease (increase) in trade notes, accounts receivable and constract assets	(2,202)	(2,863)
Decrease (increase) in inventories	(3,484)	4,360
Extra retirement payments	83	-
Increase (decrease) in trade notes and accounts payable	10,233	153
Others, net	4,214	(4,857)
Subtotal	68,662	65,184
Interest and dividends received	2,282	2,572
Interest paid	(2,781)	(2,991)
Amount of extra retirement payments	(83)	-
Amount of subsidies for employment adjustment received	908	45
Amount of compensation received for expropriation	1,195	-
Income taxes paid	(8,967)	(9,278)
Net cash provided by (used in) operating activities	61,217	55,533

	Millions of yen	
	1-Apr-22 -31 March 2023	1 April 2023 -31 March 2024
Cash flows from investing activities:		
Purchases of fixed assets	(78,691)	(85,996)
Proceeds from sales of fixed assets	2,767	5,859
Purchases of investment securities	(431)	(5,008)
Proceeds from sales and redemptions of investment securities	5,653	1,980
Purchases of shares of subsidiaries resulting in change in scope of consolidation	(2,312)	(791)
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	(546)	-
Payments of short-term loans receivable	(10)	(13)
Proceeds from collection of short-term loans receivable	128	108
Payments of long-term loans receivable	(27)	(21)
Proceeds from collection of long-term loans receivable	19	12
Proceeds from contribution received for construction	14,166	15,421
Others, net	(86)	18
Net cash provided by (used in) investing activities	(59,372)	(68,430)
Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings	5,702	10,794
Increase (decrease) in commercial papers	(26,001)	(10,000)
Proceeds from long-term debt	27,979	30,755
Repayment of long-term debt	(18,166)	(27,880)
Issuance of bonds	19,893	49,782
Redemption of bonds	-	(30,000)
Purchases of shares of subsidiaries not resulting in no change in scope of consolidation	(2,339)	(17)
Proceeds from sale of shares of subsidiaries not resulting in change in scope of consolidation	3	92
Repayments of lease obligations	(1,490)	(1,385)
Proceeds from sales of treasury stock	0	0
Purchase of treasury stock	(349)	(42)
Dividends paid to non-controlling shareholders	(157)	(136)
Dividends paid to shareholders	(2,466)	(3,927)
Net cash provided by (used in) financing activities	2,608	18,034
Effect of exchange rate changes on cash and cash equivalents	(4)	7
Net increase (decrease) in cash and cash equivalents	4,448	5,145
Cash and cash equivalents at beginning of period	50,430	54,879
Cash and cash equivalents at end of period	54,879	60,025

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 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. 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. Japanese yen figures less than one million yen are rounded down to the nearest million yen, except for per share data. As a result, the totals shown in the accompanying consolidated financial statements in Japanese yen do not necessarily agree with the sums of the individual amounts.

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 amortized on a straight-line over five to fifteen years.

All significant intercompany accounts and transactions have been eliminated on consolidation. All material unrealized 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 2023 and 2024 were as follows.

	2023	2024
Consolidated subsidiaries	107	104
Unconsolidated subsidiaries accounted for using the equity method	―	―
Affiliated companies accounted for using the equity method	13	14
Unconsolidated subsidiaries stated at cost	8	6
Affiliated companies stated at cost	8	8

At 31 March 2023 and 2024, the fiscal year-end dates of three 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

Cash equivalents are cash on hand, demand deposits and short-term highly liquid investments of three months or less from the date of acquisition that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

(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. Held-to-maturity receivables are carried at cost. Investments in securities other than equity securities without market prices are stated at fair value, and net unrealized 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. Investments in securities without market prices are carried at cost, determined using the moving average method.

(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 recognized 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 recognized 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.

The special treatment prescribed in the PITF is applied to all the hedging relationships above included in the scope of Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR (PITF No. 40, 17 March 2022). The details of the hedging relationships to which the PITF is applied are as follows.

Hedge accounting applied: Due to the special treatment of interest rate swaps
Hedging instruments: Interest rate swaps
Hedged items: Long-term borrowing
Categories of hedges: Those that fix cash flows

(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;
(3) Raw materials and supplies: principally by the weighted 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 straight-line method. For buildings and structures, useful lives are from 2-60 years. For machinery, equipment and vehicles useful lives range from 2-18 years.

(g) Intangible assets

Intangible assets are amortized using the straight-line method. Software for internal use is amortized 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 capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the notes to the lessee's financial statements. The revised accounting standard requires the capitalization of all finance lease transactions, as lessee, so that lease assets and lease obligations are recognized 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 capitalized" 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 recognize 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 recognized 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, seven consolidated subsidiaries (Toyohashi Railroad Co., Ltd., Gifu Bus Co., Ltd., Meitetsu Transportation Co., Ltd., Meitetsu City Design Co., Ltd., MEITETSU DEPARTMENT STORE CO., LTD., Ishikawa Hire & Taxi Co., Ltd., and Meitetsu Kyosho Co., Ltd.) and one affiliated company accounted for using the equity method (Yahagi Construction Co., Ltd.) 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 non-controlling 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 seven consolidated subsidiaries amounted to ¥8,609 million and ¥8,549 million at 31 March 2023 and 2024, respectively. The differences in the Company, Meitetsu City Design Co., Ltd. and Meitetsu Kyosho Co., Ltd. at 31 March 2023 and at 31 March 2024 were not included in the amount at the respective fiscal year-end because the market value was higher than the carrying value of the revaluated lands. 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 ¥417 million and ¥353 million at 31 March 2023 and 2024, 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 recognized 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 recognized as other expenses in the consolidated statements of income. At 31 March 2023 and 2024, cumulative contributions amounting to ¥203,797 million and ¥204,409 million, 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 recognized 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.

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 amortized 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 amortized principally on a straight-line basis over eight to ten years, a specific period not exceeding the average remaining service period of the employees, from the year in which it occurs. 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) Provisions

(1) Provision for loss on liquidation

A provision for loss on liquidation is provided at the estimated amount of losses at the balance sheet date.

(2) 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.

(o) 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 non-controlling interests, have been reported in foreign currency translation adjustments as a component of accumulated other comprehensive income in the accompanying consolidated balance sheets.

(p) Bond issue costs

Bond issue costs are charged to income as incurred.

(q) Recognition of revenue and expenses

The Group has adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, 31 March 2020, Accounting Standards Board of Japan) and the Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, 26 March 2021, Accounting Standards Board of Japan) and recognizes revenue in the amount expected to be received in exchange for promised goods or services when control of promised goods or services is transferred to the customer.

Details are described in the consolidated financial statements Note 14 (2), “A basis for understanding revenue from contracts with customers.”

(r) Income taxes

Income taxes are accounted for using the asset-liability method. Deferred tax assets and liabilities are recognized 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 recognized in the period that includes the enactment date.

(s) 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.

(t) 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. 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 diagram below represent dividends declared by the Company applicable to the respective years indicated, including dividends to be paid after the end of each such year.

Per share information for the years ended 31 March 2023 and 2024 was as follows.

	yen	
	2023	2024
Per share:		
Net income:		
- Basic	95.91	124.13
- Diluted	89.62	116.01
Cash dividends	20.00	27.50

(u) Significant accounting estimates

Recoverability of deferred tax assets recorded by the Company for the year ended 31 March 2023 was as follows:

(1) The carrying values reflecting the possibility of recoverability of deferred tax assets in the consolidated financial statements for the year ended 31 March 2023

	Millions of yen
Deferred tax assets (the Group)	17,769
Deferred tax assets (the Company)	
Subtotal of deferred tax assets	32,578
Valuation allowance	(18,605)
Deferred tax liabilities which were offset	(8,411)
Net deferred tax assets	5,562

(2) Information for significant accounting estimates regarding the carrying values reflecting the possibility of recoverability of deferred tax assets

(i) Method of calculation of amount

The Company estimated the possibility of recoverability of deferred tax assets considering future taxable income based on business plans.

(ii) Major assumptions for calculation of amounts

The Company assumes that the impact of the COVID-19 on domestic economic activity will gradually decrease and the new normal will continue. The Company expects that the railroad business operating revenue will recover to 90% of the level that existed before the spread of COVID-19 in the year ending 31 March 2024.

(iii) The effect on consolidated finance statements for the year ended 31 March 2024

There is a possibility that uncertain economic situation will affect future taxable income. Thus, if the future taxable income is different than what has been predicted, there is a possibility that the effect will be significant on deferred tax assets for the year ending 31 March 2024.

Recoverability of deferred tax assets recorded by the Company for the year ended 31 March 2024 was as follows:

(1) The carrying values reflecting the possibility of recoverability of deferred tax assets in the consolidated financial statements for the year ended 31 March 2024

	Millions of yen
Deferred tax assets (the Group)	11,606
Deferred tax assets (the Company)	
Subtotal of deferred tax assets	30,826
Valuation allowance	(19,151)
Total deferred tax assets (the Group)	11,675
Total deferred tax liabilities (the Group)	(11,995)
Net deferred tax assets	(320)

(2) Information for significant accounting estimates regarding the carrying values reflecting the possibility of recoverability of deferred tax assets

(i) Method of calculation of amount

The Company estimated the possibility of recoverability of deferred tax assets considering future taxable income based on business plans.

(ii) Major assumptions for calculation of amounts

The Company expects that the operating revenue of railroad business will recover to the same level of that before the spread of COVID-19 in the year ending 31 March 2025 due to the impact of fare revisions, etc.

(iii) The effect on consolidated finance statements for the year ending 31 March 2025.

There is a possibility that uncertain economic situation will affect future taxable income. Thus, if the future taxable income is different than what has been predicted, there is a possibility that the effect will be significant on deferred tax assets for the year ending 31 March 2025.

(v) New standards and interpretations not yet adopted by the Company

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

(1) Outline:
The classification of corporate tax, etc., when taxed on other comprehensive income and the treatment of tax effects related to the sale of shares of subsidiaries shares, etc., when the group corporate tax system is adopted, have been stipulated.

(2) Effective date:
The above standards and guidance will become effective from the beginning of the fiscal year ending 31 March 2025.

(3) Effects of adoption:
The Group is in the process of determining the effects of the above standards and guidance on the consolidated fiscal statements.

(w) Change in presentation method

(Notes to Consolidated Balance Sheets)

"Advances received," which was included in "Others" of "Current liabilities" has become financially significant and will be presented independently from this consolidated fiscal year. To reflect this change, the consolidated financial statements for the previous fiscal year are reclassified. As a result, ¥103,619 million, which were presented in "Others" of "Current liabilities" in the consolidated balance sheets for the previous fiscal year, are reclassified as "Advances received" of ¥55,701 million and "Others" of ¥47,917 million.

(x) Consolidated Statements of Operations

(Loss on subsidy return)

It's the amount of the subsidies for employment adjustment, that our consolidated subsidiary Meitetsu World Travel Inc. etc. have already received, and that has been returned or is scheduled to return.

3. Financial instruments

Information on financial instruments for the years ended 31 March 2023 and 2024 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, loans payable 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 loans payable 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 loans payable and bonds payable are used for capital investment. Loans payable with floating interest rates expose the Group to risks associated with fluctuation in interest rates. In connection with some such loans payable, the Group enters into interest rate swap contracts with the intent to manage the risks of interest 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, 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 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 counterparties to derivative financial instruments. However, the Group does not expect any non-performance by its counterparties to the derivative financial instruments 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

Since certain assumptions are used in making estimates, the fair values of financial instruments 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 2023, other than investments in securities without market prices, are set forth in the table below. Notes are omitted for cash, and notes are omitted for deposits, trade notes and accounts receivable, trade notes and accounts payable and short-term borrowings because these items are settled in a short period of time and their market value is close to the book value.

	Carrying value	Fair value	Differences
	Millions of yen		
At 31 March 2023:			
Financial assets:			
Investment securities: *2			
Equity securities of affiliates	10,593	6,924	(3,668)
Available-for-sale securities	51,293	51,293	−
Total	61,887	58,218	(3,668)
Financial liabilities:			
Bonds payable, including current portion	245,080	236,302	(8,777)
Long-term loans payable, including current portion	183,134	181,549	(1,584)
Total	428,214	417,852	(10,362)
Derivative instruments:*4			
Hedge accounting has not been applied	(0)	(0)	−
Hedge accounting has been applied	246	246	−
Total	245	245	−

**1 "Cash" is omitted. "Deposits," "Trade receivables," "Trade payables," and "Short-term loans payable" are omitted mainly because they are settled in a short period of time and their book value approximates their fair value.*
**2 Investments in securities without market prices, etc. and Investments in partnerships and other similar entities that are recorded on a net basis in the consolidated balance sheets are not included in Securities and investment securities.*
**3 Equity investments in partnerships and other similar entities of which equity equivalents are recorded as net amounts in the consolidated balance sheets are not included. The amount of this investment recorded in the consolidated balance sheets is 4 million yen.*
**4 The value of derivative instruments is shown as a net amount, and amounts in parenthesis reflects liabilities.*

The following investments in securities without market prices were not included in the table above.

	Millions of yen
	2023
Carrying value:	
Unlisted investments (equity securities) in unconsolidated subsidiaries and affiliates	31,493
Unlisted equity securities	10,649
Total	42,143

The fair values and carrying values of financial instruments included in the consolidated balance sheets at 31 March 2024, other than investments in securities without market prices, are set forth in the table below. Notes are omitted for cash, and notes are omitted for deposits, trade notes and accounts receivable, trade notes and accounts payable and short-term borrowings because these items are settled in a short period of time and their market value is close to the book value.

	Carrying value	Fair value	Differences
		Millions of yen	
At 31 March 2024:			
Financial assets:			
Investment securities: *2			
Held-to-maturity receivables, including current portion	10	9	(0)
Equity securities of affiliates	11,587	13,047	1,459
Available-for-sale securities	67,752	67,752	－
Total	79,350	80,809	1,459
Financial liabilities:			
Bonds payable, including current portion	265,000	253,036	(11,963)
Long-term loans payable, including current portion	186,300	184,031	(2,269)
Total	451,300	437,067	(14,233)
Derivative instruments: *3			
Hedge accounting has not been applied	1	1	－
Hedge accounting has been applied	659	659	－
Total	660	660	－

**1 "Cash" is omitted. "Deposits," "Trade receivables," "Trade payables," and "Short-term loans payable" are omitted mainly because they are settled in a short period of time and their book value approximates their fair value.*
**2 Investments in securities without market prices, etc. and Investments in partnerships and other similar entities that are recorded on a net basis in the consolidated balance sheets are not included in Securities and investment securities.*
**3 The value of derivative instruments is shown as a net amount, and amounts in parenthesis reflects liabilities.*

The following investments in securities without market prices were not included in the table above.

	Millions of yen
	2024
Carrying value:	
Unlisted investments (equity securities) in unconsolidated subsidiaries and affiliates	33,879
Unlisted equity securities	10,569
Partnership capital,etc.	4,404
Total	48,852

Notes:

(1) Expected maturities of financial assets at 31 March 2023 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 2023:				
Cash and deposits	55,291	−	−	−
Trade notes and accounts receivable	58,885	−	−	−
Total	114,177	−	−	−

Expected maturities of financial assets at 31 March 2024 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 2024:				
Cash and deposits	60,388	−	−	−
Trade notes and accounts receivable	60,936	−	−	−
Securities and investment securities				
Held-to-maturity securities(Others)	−	−	−	10
Total	121,325	−	−	10

(2) The repayment schedules for short-term loans payable, bonds payable and long-term loans payable with contractual maturities at 31 March 2023 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 loans payable	25,691	−	−	−	−	−
Bonds payable	30,080	40,000	25,000	−	15,000	135,000
Long-term loans payable	27,185	6,648	14,875	13,729	16,855	103,840
Total	82,956	46,648	39,875	13,729	31,855	238,840

The repayment schedules for short-term loans payable, bonds payable and long-term loans payable with contractual maturities at 31 March 2024 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 loans payable	36,905	−	−	−	−	−
Bonds payable	40,000	25,000	15,000	15,000	20,000	150,000
Long-term loans payable	6,668	17,212	15,477	16,976	6,950	123,014
Total	83,573	42,212	30,477	31,976	26,950	273,014

(3) Breakdown of fair value of financial instrument by appropriate classifications

The fair value of financial instruments is classified into the following three levels based on the observability and significance of the inputs used to measure the fair value.

Level 1 fair value: Fair value measured using (unadjusted) quoted prices in active markets for identical assets or liabilities
Level 2 fair value: Fair value measured using directly or indirectly observable inputs other than Level 1 inputs
Level 3 fair value: Fair value measured using significant unobservable inputs

If multiple inputs are used that are significant to the fair value measurement, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

(a) Financial instruments measured at fair value

Category	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
At 31 March 2023:				
Securities and investment securities				
Available-for-sale securities				
Shares	51,293	－	－	51,293
Derivatives				
Commodity price related transactions	－	246	－	246
Total assets	51,293	246	－	51,539
Derivatives				
Foreign currency related transactions	－	0	－	0
Total liabilities	－	0	－	0

Category	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
At 31 March 2024:				
Securities and investment securities ※				
Available-for-sale securities				
Shares	67,383	－	－	67,383
Derivatives				
Foreign currency related transactions	－	1	－	1
Commodity price related transactions	－	659	－	659
Total assets	67,383	660	－	68,044

※ Fair value of investment trusts to which the transitional treatments stipulated in Paragraph 24-9 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, 17 June 2021) applies is not included in the above table. The amount of investment trusts reported in the consolidated balance sheets is 369 million yen.

(b) Financial instruments for which book value is not measured at fair value

Category	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
At 31 March 2023:				
Securities and investment securities				
Equity securities of affiliates				
Shares	6,924	—	—	6,924
Total assets	6,924	—	—	6,924
Bonds payable	—	236,302	—	236,302
Long-term loans payable	—	181,549	—	181,549
Total liabilities	—	417,852	—	417,852

Category	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
At 31 March 2024:				
Securities and investment securities				
Held-to-maturity receivables				
Others	—	9	—	9
Equity securities of affiliates				
Shares	13,047	—	—	13,047
Total assets	13,047	9	—	13,056
Bonds payable	—	253,036	—	253,036
Long-term loans payable	—	184,031	—	184,031
Total liabilities	—	437,067	—	437,067

Notes: Valuation techniques and inputs used to measure fair value

1. Securities and investment securities
   Listed stocks are valued using market prices. Since listed stocks are traded in active markets, their fair value is classified as Level 1 fair value.
2. Derivatives
   The fair value of derivative instruments is based on prices provided by financial institutions and is classified as Level 2 fair value. The fair value of interest rate swaps that qualify for special treatment is included in the fair value of the relevant long-term borrowings because the interest rate swaps are accounted for as an integral part of the long-term loans payable that are hedged.
3. Bonds payable (including current portion)
   The fair value of bonds payable issued by the Company is measured based on market prices and classified as Level 2 fair value.
4. Long-term loans payable (including current portion)
   The fair value of long-term loans payable is measured by discounting the total amount of principal and interest by the interest rate that would be applicable to a new loan of the same type. Certain long-term loans payable with floating interest rates are subject to the special treatment for interest rate swaps. The fair value of such long-term loans payable is measured by discounting the total amount of principal and interest treated together with the interest rate swap by the reasonably estimated interest rate that would be applied if a similar loan payable were made, and the fair value is classified as Level 2 fair value.

4. Investments securities

At 31 March 2023 and 2024, short-term investments consisted of time deposits with original maturities of more than three months.

The information on Held-to-maturity bonds at 31 March 2023 was not disclosed due to lack of materiality.

At 31 March 2024, Held-to-maturity bonds consisted of the following:

	Type	Amount recorded in the consolidated balance sheet	Fair value	Difference
		Millions of yen		
Items of which fair value does not exceed the amount recorded in consolidated balance sheet	Government bonds, local government bonds, etc.	–	–	–
	Corporate bonds	–	–	–
	Other	10	9	(0)
Total		10	9	(0)

At 31 March 2023 and 2024, investment securities consisted of the following:

	Millions of yen	
	2023	2024
Listed securities		
Equity securities,etc.	51,293	67,752
Total listed equity securities	51,293	67,752
Unlisted equity securities	10,649	10,569
Total	61,943	78,322

At 31 March 2023 and 2024, the fair values and gross unrealized gains and losses of available-for-sale securities were as follows:

	Cost	Gross unrealized gains	Gross unrealized losses	Fair value and carrying value
	Millions of yen			
At 31 March 2023:				
Equity securities,etc.	28,213	23,551	(470)	51,293
At 31 March 2024:				
Equity securities,etc.	28,580	39,228	(55)	67,752

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 2023	2,038	1,781	0
For the year ended 31 March 2024	1,828	1,798	2

5. Impairment loss on fixed assets

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

The Group has recognized impairment loss on the following fixed assets because of no foreseeable recovery of performance due to worsening operating profitability and/or a significant decline in the fair value of land against its carrying value.

	Millions of yen
At 31 March 2023:	
Property subject to impairment:	Leisure facilities, commercial facilities such as retail stores, bus facilities and others
Impairment loss recorded:	
Buildings and structures	1,790
Machinery, equipment and vehicles	528
Tangible fixed assets and others	523
Total	2,842

	Millions of yen
At 31 March 2024:	
Property subject to impairment:	Rental property, commercial facilities such as department stores,taxi facilities and others
Impairment loss recorded:	
Buildings and structures	1,196
Land	162
Investments,other assets and others	401
Total	1,761

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 1.9% for the year ended 31 March 2023 and 2.6% for the year ended 31 March 2024.

6. 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 2023 and 2024 and the fair values of real estate were as follows:

	Millions of yen	
	2023	2024
Carrying value at beginning of year	144,910	154,286
Net changes during the year	9,375	15,829
Carrying value at end of year	154,286	170,115
Fair value at end of year*	202,229	223,248

**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 years ended 31 March 2023 and 2024 were as follows:

	Millions of yen	
	2023	2024
Income from rental operations	4,360	4,058
Impairment loss on rental properties	2	206

7. Short-term loans payable, commercial paper and long-term debt

Short-term loans payable at 31 March 2023 and 2024 consisted of the following:

	Millions of yen	
	2023	2024
Bank loans with average interest rates of 0.2020% at 31 March 2024:		
Secured	190	599
Unsecured	25,501	36,306
Total	25,691	36,905

Commercial paper at 31 March 2023 and 2024 consisted of the following:

	Millions of yen	
	2023	2024
Commercial paper with average interest rates of (-%) at 31 March 2024:	10,000	-

Long-term debt at 31 March 2023 and 2024 consisted of the following:

	Millions of yen	
	2023	2024
0.001% unsecured bonds, due August 2023	20,000	-
0.001% unsecured bonds, due October 2023	10,000	-
0.310% unsecured bonds, due December 2025	10,000	10,000
0.090% unsecured bonds, due March 2026	15,000	15,000
0.350% unsecured bonds, due March 2027	-	15,000
0.857% unsecured bonds, due April 2027	15,000	15,000
0.375% unsecured bonds, due July 2028 (Sustainability Bond)	-	10,000
0.200% unsecured bonds, due December 2028 (Sustainability Bond)	10,000	10,000
0.549% unsecured bonds, due June 2032	10,000	10,000
0.794% unsecured bonds, due July 2033	-	15,000
0.850% unsecured bonds, due February 2035	15,000	15,000
1.252% unsecured bonds, due March 2036	-	10,000
0.750% unsecured bonds, due August 2036	15,000	15,000
0.806% unsecured bonds, due May 2037	15,000	15,000
0.790% unsecured bonds, due December 2037	10,000	10,000
0.748% unsecured bonds, due May 2038	10,000	10,000
0.863% unsecured bonds, due September 2038	10,000	10,000
0.725% unsecured bonds, due April 2039	10,000	10,000
0.530% unsecured bonds, due September 2039	10,000	10,000
0.780% unsecured bonds, due April 2040	10,000	10,000
0.690% unsecured bonds, due October 2040	10,000	10,000
Zero coupon unsecured convertible bonds, due October 2023	80	-
Zero coupon unsecured convertible bonds, due December 2024	40,000	40,000
Bank loans with average interest rate of 0.6725% at 31 March 2024, due through 2040:		
Secured	958	453
Unsecured	182,176	185,846
Capitalized lease obligations	12,168	11,332
Subtotal	440,383	462,633
Less current portion	(58,755)	(48,042)
Total	381,628	414,590

At 31 March 2024, zero coupon convertible bonds due December 2024 was ¥2,909.9 per share, respectively, and 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 December 2024 for the period from 11 December 2022 at 100% of the principal amount, subject to certain conditions.
At 31 March 2024, the number of shares of common stock necessary for conversion of all convertible bonds outstanding was approximately 14 million.

An appropriation of retained earnings, including the year-end dividends of ¥27.5 per share, was approved at the ordinary shareholders' meeting held on 26 June 2024. In accordance with the provision for adjustment of the conversion price stipulated in the bonds agreement, the conversion price for zero coupon convertible bonds due December 2024 was adjusted retrospectively as of 1 April 2024 from ¥2,909.9 to ¥2,902.6

The annual maturities of long-term debt at 31 March 2024 were as follows:

Year ending 31 March	Millions of yen
2025	48,042
2026	43,276
2027	31,431
2028	32,938
2029	27,405
2030 and thereafter	279,539
Total	462,633

At 31 March 2023 and 2024, the following assets were pledged for short-term and long-term loans payable.

	Millions of yen	
	2023	2024
Buildings and structures	2,331	2,198
Land	3,145	3,124
Others	74	493
Total	5,551	5,816

8. Employee retirement benefit liability

The Company and its domestic consolidated subsidiaries have lump-sum retirement benefit plans, defined benefit pension plans and defined contribution plans. In some cases, extra retirement benefits may be paid to retired employees. One consolidated subsidiary also has trusts set up for their pension plan assets. 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 2023 and 2024, 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	
	2023	2024
Balance at beginning of year:	34,501	32,549
Service cost	1,674	1,515
Interest cost	126	239
Actuarial differences incurred	(1,133)	(82)
Benefits paid	(2,619)	(2,844)
Transfer arising from the change from the simplified method to the principle method	—	138
Balance at end of year:	32,549	31,517

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

	Millions of yen	
	2023	2024
Balance at beginning of year:	9,409	8,176
Expected return on plan assets	69	68
Actuarial differences incurred	(29)	386
Contributions paid by the employer	156	205
Benefits paid	(1,429)	(1,827)
Balance at end of year:	8,176	7,009

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

	Millions of yen	
	2023	2024
Balance at beginning of year:	8,528	8,166
Retirement benefit costs	793	889
Benefits paid	(1,016)	(860)
Contributions paid by the employer	(81)	(179)
Others	(57)	10
Balance at end of year:	8,166	8,027

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

	Millions of yen	
	2023	2024
Funded retirement benefit obligations	24,910	23,800
Plan assets	(8,355)	(7,195)
	16,555	16,605
Unfunded retirement benefit obligations	15,983	15,929
Employee retirement benefit liability recorded at end of year:	32,539	32,535

(e) Net periodic retirement benefit expenses

	Millions of yen	
	2023	2024
Service cost	1,674	1,515
Interest cost	126	239
Expected return on plan assets	(69)	(68)
Net actuarial loss amortization	(53)	(387)
Past service cost amortization	11	24
Retirement benefit costs based on the simplified Method	793	889
Transfer arising from the change from the simplified method to the principle method	—	138
Others	(6)	74
Total net periodic retirement benefit expenses	2,476	2,425

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

	Millions of yen	
	2023	2024
Actuarial differences	1,050	80
Past service cost	11	24
Total balance, before tax effects, at end of year:	1,062	104

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

	Millions of yen	
	2023	2024
Actuarial differences yet to be recognized	(1,836)	(1,917)
Past service costs yet to be recognized	142	118
Total balance, before tax effects, at end of year:	(1,693)	(1,798)

(h) Plan assets

1) Plan assets comprise:

	2023	2024
Equity securities	23.9%	15.8%
Bonds	14.4%	17.1%
Cash and deposits	39.5%	44.1%
General accounts	16.1%	12.9%
Others	6.1%	10.0%
Total	100.0%	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 2023 and 31 March 2024 (expressed as weighted averages) were as follows:

	2023	2024
Discount rate	0.2% to 1.1%	0.8% to 1.3%
Long-term expected rate of return	0.0% to 2.0%	0.0% to 2.0%

For the year ended 31 March 2023, the contributions required for defined contribution plans were ¥3,905 million in the Group. For the year ended 31 March 2024, the contributions required for defined contribution plans were ¥3,777 million in the Group.

9. Contingent liabilities

At 31 March 2023 and 2024, contingent liabilities were as follows:

	Millions of yen	
	2023	2024
Contingently liable for:		
Guarantees of loans of others	848	725
Total	848	725

10. 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. 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:

	Buildings and structures	Total
	Millions of yen	
At 31 March 2023:		
Acquisition cost	1,953	1,953
Accumulated depreciation	1,754	1,754
Net leased property	199	199
At 31 March 2024:		
Acquisition cost	1,561	1,561
Accumulated depreciation	1,448	1,448
Net leased property	113	113

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

	Millions of yen	
	2023	2024
Due within 1 year	146	151
Due after 1 year	221	70
Total	367	221

Lease expense and other information at 31 March 2023 and 2024 were as follows:

	Millions of yen	
	2023	2024
Lease expense	245	230
Imputed depreciation expense *(*1)*	89	85
Imputed interest expense *(*2)*	38	26

**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	
	2023	2024
Due within 1 year	935	782
Due after 1 year	2,378	1,614
Total	3,314	2,396

(As lessor)

(a) Finance leases

Lease investment assets at 31 March 2023 and 2024 were as follows:

	Millions of yen	
	2023	2024
Lease receivables	10,973	12,298
Estimated residual value	212	210
Unearned imputed interest	(1,842)	(1,946)
Lease investment assets included in trade receivables	9,343	10,562

The aggregate annual maturities of lease investments at 31 March 2023 were as follows:

Year ending 31 March	Millions of yen
2024	3,728
2025	3,056
2026	2,122
2027	1,201
2028	606
2029 and thereafter	258
Total	10,973

The aggregate annual maturities of lease investments at 31 March 2024 were as follows:

Year ending 31 March	Millions of yen
2025	4,083
2026	3,426
2027	2,330
2028	1,376
2029	829
2030 and thereafter	251
Total	12,298

(b) Operating leases

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

	Millions of yen	
	2023	2024
Due within 1 year	2,889	2,931
Due after 1 year	9,071	8,545
Total	11,960	11,476

11. Derivatives

At 31 March 2023 and 2024, 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*	Unrealized gain/(loss)
	Millions of yen			
Foreign exchange forward contracts to buy foreign currencies:				
At 31 March 2023	92	–	(0)	(0)
At 31 March 2024	158	–	1	1

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

At 31 March 2023 and 2024, derivative transactions to which hedge accounting was applied were as follows:

(Interest rate related transactions)

			Contract amount		
Method of hedge accounting	Transaction	Major hedged items	Total 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 2023			33,546	20,420	–
At 31 March 2024			20,420	20,000	–

**Derivative instruments such as interest rate swaps 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 2023			2,762	1,913	246
At 31 March 2024			1,913	992	659

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

12. 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 2023 and 2024, 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 ¥2,807 million at 31 March 2023 and 2024.

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.

Total number of shares authorized to be issued as of 31 March 2023 and 2024 was as follows.

	Number of shares (Thousands of shares)	
	2023	2024
Common stock	360,000	360,000

Movements in issued shares of common stock and treasury stock during the years ended 31 March 2023 and 2024 were as follows.

	Number of shares (Thousands of shares)			
	2023			
	1 April 2022	Increase	Decrease	31 March 2023
Issued shares:				
Common stock	196,700	－	－	196,700
Treasury stock	56	157	41	172

	Number of shares (Thousands of shares)			
	2024			
	1 April 2023	Increase	Decrease	31 March 2024
Issued shares:				
Common stock	196,700	－	－	196,700
Treasury stock	172	18	74	116

13. 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 30.6% for the years ended 31 March 2023 and 2024, respectively.

Significant components of the Groups' deferred tax assets and liabilities as of 31 March 2023 and 2024 were as follows:

	Millions of yen	
	2023	2024
Deferred tax assets:		
Tax loss carryforwards (Note)	22,632	21,111
Employee retirement benefit liability	12,598	12,013
Investment securities etc.	11,360	11,299
Impairment loss on fixed assets	11,504	10,686
Depreciation	4,404	4,414
Elimination of unrealized profit	4,027	4,081
Provision for bonuses	1,774	1,922
Valuation loss on fixed assets	1,458	1,616
Provision for loss on liquidation	1,708	1,195
Loss on valuation of land caused by restructuring	827	800
Accrued enterprise taxes and accrued business office taxes	649	644
Allowance for doubtful accounts	172	205
Allowance for loss on collection of gift certificates outstanding	124	127
Loss on valuation of inventories	89	111
Others	7,023	6,605
Subtotal of deferred tax assets	80,358	76,833
Valuation allowance pertaining to tax loss carryforwards (Note)	(17,540)	(16,728)
Valuation allowance pertaining to deductible temporary difference etc.	(31,981)	(30,840)
Subtotal of less valuation allowance	(49,522)	(47,569)
Total deferred tax assets	30,836	29,264
Deferred tax liabilities:		
Net unrealized gains on available-for-sale securities	(6,667)	(11,657)
Gain on valuation of land caused by restructuring	(2,644)	(2,362)
Gain on valuation of investment securities	(2,083)	(2,083)
Deferred capital gains	(1,100)	(1,074)
Retained earnings	(653)	(702)
Trust for employee retirement benefits	(476)	(63)
Others	(3,323)	(3,464)
Total deferred tax liabilities	(16,949)	(21,408)
Net deferred tax assets	13,887	7,855

In assessing the realizability of deferred tax assets, management of the Group considers whether some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible. At 31 March 2023 and 2024, valuation allowance was provided to reduce deferred tax assets to the amount management believed would be realizable.

(Note)

Tax loss carryforwards and amount of deferred tax assets by period due

At 31 March 2023	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	Total
	Millions of yen						
Tax loss carryforwards*1	546	751	280	62	128	20,863	22,632
Valuation allowance	(546)	(751)	(257)	(62)	(128)	(15,794)	(17,540)
Deferred tax assets	—	—	23	—	—	5,068	*2 5,091

**1 Tax loss carryforwards are shown in the amount multiplied by the effective statutory tax rate.*
**2 Deferred tax assets of 5,091 million yen were booked for tax loss carryforwards 22,632 million yen (amount multiplied by the effective statutory tax rate). The main breakdown of the deferred tax assets pertained to tax loss carryforwards of the Company, and valuation allowance is not recognized for a portion of the tax loss carryforwards judged to be collectible because of estimated future taxable income.*

At 31 March 2024	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	Total
	Millions of yen						
Tax loss carryforwards*1	299	246	72	224	1,094	19,173	21,111
Valuation allowance	(299)	(233)	(72)	(120)	(1,075)	(14,927)	(16,728)
Deferred tax assets	—	12	—	104	18	4,246	*2 4,382

**1 Tax loss carryforwards are shown in the amount multiplied by the effective statutory tax rate.*
**2 Deferred tax assets of 4,382 million yen were booked for tax loss carryforwards 21,111 million yen (amount multiplied by the effective statutory tax rate). The main breakdown of the deferred tax assets pertained to tax loss carryforwards of the Company, and valuation allowance is not recognized for a portion of the tax loss carryforwards judged to be collectible because of estimated future taxable income.*

For the year ended 31 March 2024, a reconciliation of the differences between the combined Japanese statutory tax rate and the effective income tax rate on pre-tax income reflected in the accompanying consolidated statements of income was as follows:

A reconciliation for the year ended 31 March 2023 was not disclosed as the difference between the rates was not material.

	Percentage of pre-tax income
	2024
Japanese statutory tax rate	30.6%
Increase (decrease) due to:	
Permanently non-deductible expenses	0.6
Local minimum taxes per capita levy	1.2
Elimination of unrealized profit excluding income taxes	(0.4)
The deduction amount for tax loss carryforwards at certain subsidiaries	(4.0)
Permanently non-additional profit	(2.7)
Equity in net earnings of affiliates	(2.7)
Changes in valuation allowance	0.5
Others	3.3
Effective income tax rate	26.4%

14. Revenue recognition

(1) Breakdown of revenue from contracts with customers

	Reportable segments								
	Traffic	Transport	Real Estate	Leisure and Services	Distribution	Aviation Services	Subtotal	Others *(*)*	Total
	Millions of yen								
For the year 2023:									
Railroad	80,839	—	—	—	—	—	80,839	—	80,839
Bus	29,952	—	—	—	—	—	29,952	—	29,952
Taxi	18,989	—	—	—	—	—	18,989	—	18,989
Truck	—	153,610	—	—	—	—	153,610	—	153,610
Maritime Transport	—	16,318	—	—	—	—	16,318	—	16,318
Real Estate Rental	—	—	17,381	—	—	—	17,381	—	17,381
Real Estate Condo Sales	—	—	39,338	—	—	—	39,338	—	39,338
Real Estate Management	—	—	13,487	—	—	—	13,487	—	13,487
Hotel	—	—	—	16,459	—	—	16,459	—	16,459
Tourist Facilities	—	—	—	17,595	—	—	17,595	—	17,595
Travel	—	—	—	47,624	—	—	47,624	—	47,624
Department Store	—	—	—	—	17,412	—	17,412	—	17,412
Other Goods Sold	—	—	—	—	48,953	—	48,953	—	48,953
Aviation Services	—	—	—	—	—	25,890	25,890	—	25,890
Equipment Maintenance	—	—	—	—	—	—	—	27,292	27,292
Others	—	—	—	—	—	—	—	15,256	15,256
Intersegment sales/transfers	(4,587)	(33,296)	(5,831)	(1,125)	(3,173)	(311)	(48,326)	(20,780)	(69,106)
Revenue from contracts with customers	125,194	136,632	64,376	80,554	63,192	25,578	495,529	21,769	517,298
Other earnings	4,375	—	21,887	—	—	—	26,263	7,941	34,205
Operating revenue to external customers	129,569	136,632	86,264	80,554	63,192	25,578	521,792	29,711	551,504

* *"Others" is a business segment that is not considered a reportable segment. It includes the business of equipment maintenance, information processing, insurance agency and others.*

	Reportable segments								
	Traffic	Transport	Real Estate	Leisure and Services	Distribution	Aviation Services	Subtotal	Others *(*)*	Total
	Millions of yen								
For the year 2024:									
Railroad	88,338	—	—	—	—	—	88,338	—	88,338
Bus	35,723	—	—	—	—	—	35,723	—	35,723
Taxi	21,186	—	—	—	—	—	21,186	—	21,186
Truck	—	154,118	—	—	—	—	154,118	—	154,118
Maritime Transport	—	16,778	—	—	—	—	16,778	—	16,778
Real Estate Rental	—	—	18,572	—	—	—	18,572	—	18,572
Real Estate Condo Sales	—	—	49,150	—	—	—	49,150	—	49,150
Real Estate Management	—	—	14,139	—	—	—	14,139	—	14,139
Hotel	—	—	—	21,838	—	—	21,838	—	21,838
Tourist Facilities	—	—	—	19,382	—	—	19,382	—	19,382
Travel	—	—	—	58,133	—	—	58,133	—	58,133
Department Store	—	—	—	—	17,762	—	17,762	—	17,762
Other Goods Sold	—	—	—	—	49,088	—	49,088	—	49,088
Aviation Services	—	—	—	—	—	26,605	26,605	—	26,605
Equipment Maintenance	—	—	—	—	—	—	—	31,039	31,039
Others	—	—	—	—	—	—	—	17,348	17,348
Intersegment sales/transfers	(4,719)	(33,012)	(5,887)	(1,167)	(2,962)	(382)	(48,132)	(22,528)	(70,660)
Revenue from contracts with customers	140,529	137,884	75,974	98,186	63,888	26,222	542,686	25,860	568,546
Other earnings	3,332	—	20,676	—	—	—	24,008	8,566	32,575
Operating revenue to external customers	143,862	137,884	96,650	98,186	63,888	26,222	566,695	34,426	601,121

** "Others" is a business segment that is not considered a reportable segment. It includes the business of equipment maintenance, information processing, insurance agency and others.*

(2) A basis for understanding revenue from contracts with customers

"Traffic"

The "Traffic" business is the railroad business, bus business and taxi business. The primary performance obligations are passenger transportation by railroad, bus and taxi. We mainly recognize the revenue judging that the performance obligations will be satisfied when the service is completed. However, for commuter passes in the railroad business and the bus business, revenue is recognized as the period from the month in which the validity of the pass begins to the month it ends. Consideration for the transactions is generally received in a single month, mainly at the time of prepayment or when the provision of services is completed.

"Transport"

The "Transport" business is the truck business and maritime transport business. The primary performance obligations are freight transportation by truck and passenger and freight transportation by ferry. Revenue is recognized over a period of time, mainly due to the satisfaction of performance obligations. Consideration for the transactions is generally received within two months after prepayment or when the provision of services is completed.

“Real Estate”

The “Real Estate” business is the real estate leasing business, real estate condo sales business and real estate management business. The primary performance obligations are the operation of coin parking, the sale of condominiums, etc., and the management of buildings and condominiums. Revenue from sales of real estate is recognized judging that the performance obligations will be satisfied at the time of delivery of the product to the customer, and at the time the provision of services is completed for real estate rental and contract management of buildings, etc.

“Leisure and Services”

The “Leisure and Services” business is the hotel business, tourist facilities business and travel business. The primary performance obligations are the provision of facilities and services related to accommodation and banquets, the sale and operation of domestic and overseas travel products and the operation of theme parks and ropeways. Revenue is recognized mainly judging that the performance obligations will be satisfied when the service is completed. Consideration for the transactions is generally received in a single month, mainly at the time of prepayment or completion of service provision.

“Distribution”

The “Distribution” business is the department store business and other goods sales. The primary performance obligations are the sale of products at department stores, convenience stores, dealers, etc. For the sale of products that we are deemed to be an agent, revenue is recognized at the net amount obtained by subtracting the amount paid to another party from the gross amount received in exchange for the products provided by another party. Consideration for the transactions is generally received in a single month, mainly at the time of prepayment or delivery of goods.

“Aviation Services”

The primary performance obligations of “Aviation Services” are the surveying business using airplanes and helicopters and the preparation of meals provided on board. In the surveying business, revenue is recognized over a period of time determined by the satisfaction of performance obligations. If the result of the performance obligations can be reasonably measured, the progress related to the satisfaction of the performance obligations is estimated with the output method to calculate by the ratio of the total amount of goods or services to be transferred. For small and very short-term deals, we recognize revenue when the performance obligations are completely satisfied. Consideration for the transactions is generally received within two months after the provision of services is completed.

“Others”

The “Others” business is the business of equipment maintenance and the other businesses. The primary performance obligations are planning, design and construction of electrical equipment, vehicle maintenance for buses, taxis and passenger cars, system development and maintenance, car leasing and car sharing. For construction contracts for electrical equipment, etc., and system development, revenue is recognized over a period of time determined by the satisfaction of performance obligations. If the result of the performance obligations can be reasonably measured, the progress related to the satisfaction of the performance obligations are estimated with the input method to calculate it by the ratio of the actual cost to the estimated total cost. For small and very short-term deals, we recognize revenue when the performance obligations are completely satisfied. Consideration for the transactions is generally received within three months after the provision of services is completed.

(3) Relationship between the satisfaction of performance obligations under contracts with customers and cash flows from such contracts and the amount and timing of revenue expected to be recognized from contracts with customers that existed at the end of the current fiscal year and are expected to be recognized in the following fiscal year

(a) Balance of contract assets and contract liabilities, etc.

	Millions of yen	Millions of yen
	1 April 2022 -31 March 2023	1 April 2023 -31 March 2024
Receivables from contracts with customers (balance at beginning of period)		
Notes receivable	3,952	4,032
Accounts receivable	52,299	53,595
Receivables from contracts with customers (balance at end of period)		
Notes receivable	4,032	4,333
Accounts receivable	53,595	55,010
Contract assets (balance at beginning of period)	1,628	2,223
Contract assets (balance at end of period)	2,223	2,894
Contract liabilities (balance at beginning of period)	22,331	24,575
Contract liabilities (balance at end of period)	24,575	25,629

Contract assets are related mainly to the rights of consolidated subsidiaries to unbilled consideration arising from construction contracts for which performance obligations have been satisfied as construction progresses as of the reporting date.

Contract assets are reclassified to receivables arising from contracts with customers when the consolidated subsidiaries' rights to the consideration become unconditional.

Contract liabilities are included in others in current liabilities on the balance sheets. Contract liabilities are related mainly to the consideration received from customers representing the unexpired months of rail and bus commuter passes. These contract liabilities are reversed upon revenue recognition.

For the year ended 31 March 2023, the amount of revenue recognized during the fiscal year that was included in the contract liability balance at the beginning of the fiscal year was 13,783 million yen.

For the year ended 31 March 2024, the amount of revenue recognized during the fiscal year that was included in the contract liability balance at the beginning of the fiscal year was 15,882 million yen.

(b) Transaction price allocated to remaining performance obligations
The Company and its consolidated subsidiaries apply the practical expedient and omit notes for transaction prices allocated to remaining performance obligations since there are no significant contracts with a term initially expected to be more than one year. In addition, there were no material amounts of consideration arising from contracts with customers that were not included in the transaction price.

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, aviation services, equipment maintenance and others. On the basis of the above activities, the Company's reportable segments are "Traffic," "Transport," "Real Estate," "Leisure and Services," "Distribution" and "Aviation Services."

The business descriptions of the reportable segments are as follows:

-Traffic: business related to railroads, buses and taxis
-Transport: business related to trucking and maritime transportation
-Real Estate: real estate development, real estate leasing and building maintenance
-Leisure and Services: business related to hotels, restaurants, tourist facilities and travel
-Distribution: department store operations and distributions of other merchandise sales
-Aviation Services: business related to general aviation and flight catering

(2) Basis of measurement for reportable segment operating revenues, income (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 (loss) figures are based on an operating income (loss). Intersegment sales and transfers are based on prevailing market prices.

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

Information about reportable segments as of and for the year ended 31 March 2023 was as follows:

	Reportable segments									Consolidated financial statements
	Traffic	Transport	Real Estate	Leisure and Services	Distribution	Aviation Services	Others *(*1)*	Total	Adjustments *(*2)*	*(*3)*
	Millions of yen									
For the year 2023:										
Operating revenues:										
External customers	129,569	136,632	86,264	80,554	63,192	25,578	29,711	551,504	-	551,504
Intersegment sales/transfers	2,913	365	10,432	494	3,070	-	20,359	37,636	(37,636)	-
Total	132,483	136,998	96,696	81,049	66,263	25,578	50,070	589,140	(37,636)	551,504
Segment income (loss)	4,614	3,398	13,830	(375)	(2,475)	1,346	2,619	22,958	(227)	22,731
Segment assets	513,761	123,212	332,747	31,368	37,751	31,554	72,894	1,143,290	88,088	1,231,378
Other material items:										
Depreciation	17,702	6,889	5,475	1,108	1,130	2,765	3,614	38,685	(437)	38,247
Amortization of goodwill	-	-	305	37	67	-	4	415	-	415
Impairment loss on fixed assets	344	0	175	1,562	681	21	57	2,842	-	2,842
Increase in property and equipment and intangible assets	21,909	9,755	18,588	1,935	1,069	4,879	4,214	62,351	-	62,351

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

**2) Adjustment is as follows*

(1) Segment income (loss) adjustment amounting to ¥(227) million was treated as intersegment elimination.

(2) Segment assets adjustment amounting to ¥88,088 million consisted of unallocated general corporate assets amounting to ¥123,780 million, net of intersegment elimination of ¥(35,691) million. Such general corporate assets consisted mainly of cash, deposits and investment securities.

(3) Depreciation adjustment amounting to ¥(437) million was treated as intersegment elimination.

**3) Segment income (loss) 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 2024 was as follows:

	Reportable segments									
	Traffic	Transport	Real Estate	Leisure and Services	Distribution	Aviation Services	Others *(*1)*	Total	Adjustments *(*2)*	Consolidated financial statements *(*3)*
	Millions of yen									
For the year 2024:										
Operating revenues:										
External customers	143,862	137,884	96,650	98,186	63,888	26,222	34,426	601,121	-	601,121
Intersegment sales/transfers	2,720	424	11,255	585	2,788	55	21,957	39,786	(39,786)	-
Total	146,582	138,308	107,906	98,772	66,676	26,278	56,383	640,908	(39,786)	601,121
Segment income (loss)	12,980	1,792	15,967	2,671	(2,697)	1,087	3,299	35,101	(351)	34,750
Segment assets	527,196	123,265	362,492	32,882	34,776	32,879	83,784	1,197,275	105,929	1,303,205
Other material items:										
Depreciation	17,847	7,120	5,594	1,134	1,217	2,790	3,630	39,334	(454)	38,879
Amortization of goodwill	-	-	155	37	115	-	21	330	-	330
Impairment loss on fixed assets	99	0	1,207	173	406	-	13	1,900	(139)	1,761
Increase in property and equipment and intangible assets	25,578	7,053	30,515	1,839	1,635	4,211	5,985	76,818	-	76,818

**1) "Others" is a business segment that is not considered a reportable segment. It includes the business of equipment maintenance, information processing, insurance agency and others.*
**2) Adjustment is as follows*
(1) Segment income (loss) adjustment amounting to ¥(351) million was treated as intersegment elimination.
(2) Segment assets adjustment amounting to ¥105,929 million consisted of unallocated general corporate assets amounting to ¥141,686 million, net of intersegment elimination of ¥(35,756) million. Such general corporate assets consisted mainly of cash, deposits and investment securities.
(3) Depreciation adjustment amounting to ¥(454) million was treated as intersegment elimination.
**3) Segment income (loss) 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 of operating revenue in the consolidated statements of income.

(4) Information on goodwill by reportable segment

	Traffic	Transport	Real Estate	Leisure and Services	Distribution	Aviation Services	Others	Eliminations	Consolidated
	Millions of yen								
Balance of goodwill:									
At 31 March 2023	–	–	187	123	1,085	–	0	–	1,397
At 31 March 2024	–	–	31	85	969	–	1,207	–	2,294

Note: Amortization 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 2023 and 2024
None

16. Comprehensive income

Amounts reclassified to net income (loss) in the current year that were recognized in other comprehensive income in the current or previous years and the tax effects for each component of other comprehensive income for the years ended 31 March 2023 and 2024 were as follows.

	Millions of yen	
	2023	2024
Net unrealized gains and losses on available-for-sale securities, net of taxes:		
Amount arising during the year	5,965	17,883
Reclassification adjustments	(1,755)	(1,791)
Subtotal, before tax	4,210	16,091
The amount of tax effect	(1,281)	(4,997)
Subtotal, net of tax	2,929	11,094
Deferred gains and losses on hedges, net of taxes:		
Amount arising during the year	92	805
Reclassification adjustments	(1,030)	(435)
Subtotal, before tax	(938)	370
The amount of tax effect	322	(127)
Subtotal, net of tax	(615)	242
Land revaluation increments, net of taxes:		
The amount of tax effect	299	—
Subtotal, net of tax	299	—
Foreign currency translation adjustments		
Amount arising during the year	27	13
Reclassification adjustments	—	—
Subtotal, before tax	27	13
The amount of tax effect	—	—
Subtotal, net of tax	27	13
Retirement benefit adjustments		
Amount arising during the year	1,103	468
Reclassification adjustments	(41)	(363)
Subtotal, before tax	1,062	104
The amount of tax effect	(326)	(34)
Subtotal, net of tax	735	70
Share of other comprehensive income of affiliates accounted for using the equity method:		
Amount arising during the year	(115)	1,482
Reclassification adjustments	70	11
Subtotal	(44)	1,494
Total other comprehensive income	3,332	12,914

17. Supplemental information to consolidated statements of cash flows

Components of cash and cash equivalents at end of the year that are in the consolidated balance sheet

	Millions of yen	
	2023	2024
Cash and deposits	55,291	60,388
Time deposits with maturities of more than three months	(411)	(362)
Cash and cash equivalents	54,879	60,025

18. Subsequent events

(1) Cash dividends

An appropriation of retained earnings for the year ended 31 March 2024 was duly approved at the ordinary shareholders' meeting held on 26 June 2024 as follows:

	Millions of yen
Cash dividends (¥27.50 per share)	5,406

The above dividends became payable to shareholders of record as of 31 March 2024. However, the appropriation had not been accrued in the consolidated financial statements as of 31 March 2024 as such appropriations are recognized in the period in which they are approved by the shareholders.

(2)Business combination through acquisition

Based on the resolution of the Board of Directors of the Company on 14 February 2024, Meitetsu Transportation Co., Ltd. acquired shares of NX Transport Co., Ltd. and Meitetsu Transportation Co., Ltd. and Nippon Express Co., Ltd. concluded a share transfer agreement. As a result, NX Transport Co., Ltd. has been a consolidated subsidiary since 1 April 2024.

1. Outline of the business combination

(a)Name of the acquired company and its business

Name of the acquired company : NX Transport Co., Ltd.

Business lines : Road freight transportation business, cargo transportation business, warehousing business, etc.

(b)Main reasons for the business combination

Meitetsu Transportation Co., Ltd. and Nippon Express Co., Ltd. signed a capital and business alliance agreement on 25 December 2015. Since that time, the companies have collaborated in the Combined Delivery Services Business. At the same time, rising energy prices, chronic labor shortages for truck drivers, changes in laws concerning work-style reform, etc. have combined in recent years to cause rising labor and outsourcing costs. Further, total domestic freight volume is likely to decline due to a decreasing population in Japan and changes to the industrial structure. Accordingly, the industry does not expect meaningful increases in total freight volume for the combined delivery services market in the future. Given this environment, the companies in question determined that the further mutual use of business resources, expertise, and other management resources of the two groups will be essential in solving issues and improving service levels in response to changes in the business environment. It aims to promote and develop the Combined Delivery Services Business. The transaction consists of two stages. The first transaction is stock transfer. And as the second transaction, the succession of the rights and obligations held by Nippon Express Co.,Ltd. concerning the Combined Delivery Services Business in Japan to Meitetsu Transportation Co., Ltd. will be executed through the absorption-type split in exchange for shares of Meitetsu Transportation Co., Ltd. on 1 January 2025 (planned).

(c)Date of business combination
1 April 2024
(d)Legal form of the business combinations
Purchase of stock for cash
(e)Name of the controlling entity after the business combination
No change
(f)Percentage share of voting rights after acquisition
100%
(g)Main reason for deciding to acquire the company
Meitetsu Transportation Co., Ltd. acquire shares for cash

2. Acquisition cost of the acquired company
Unsettled
3. Contents and amounts of major acquisition-related costs
Unsettled
4. Goodwill, reason for recognizing goodwill, amortization method and amortization period
Unsettled
5. Amounts of assets and liabilities acquired on the day of the business combination
Unsettled
6. Allocation of acquisition cost
Unsettled

(3)Affiliated company accounted for using the equity method through share acquisition

At a meeting of the Board of Directors held on 24 May 2024, the Company resolved to enter into a capital and business alliance with Tosei Corporation and to acquire shares of Tosei Corporation. On the same day, the two companies signed a capital and business alliance agreement and a share transfer agreement. As a result, Tosei Corporation has become an affiliated company accounted for using the equity method since the fiscal year ending 31 March 2025.

1. Reasons for the share acquisition

Tosei Corporation is a comprehensive real estate company engaged in a wide range of real estate-related businesses, with a focus on real estate revitalization. Tosei Corporation conducts well-balanced management by leveraging the growth potential of its real estate revitalization business, which acquires used properties with lost value and creates new value through revitalization, and the stability of its real estate fund and consulting business, which manages real estate assets. Tosei Corporation has an advantage in the Tokyo metropolitan area, which has a large market and can cater to a wide range of products, customer segments, and price ranges. As a result of repeated discussions between the Company and Tosei Corporation regarding the possibility of collaboration in the real estate businesses, we have determined that we can expect synergies by leveraging the Group's customer base and reliable proposal capabilities rooted in the Chubu region, together with Tosei Corporation's strengths in the business know-how of wide-ranging real estate solutions in the Tokyo metropolitan area. In order to advance these collaborations, it is essential to build a close mid- to long-term relationship, and the two companies came to the conclusion that the most effective way to do so would be to have a capital relationship, leading to the agreement on this capital and business alliance.

2. Outline of the company that the Company acquired the shares
Name : Tosei Corporation
Address : 4-5-4 Shibaura, Minato-ku, Tokyo
Title and name of representative : President Seiichiro Yamaguchi
Business lines : Real estate revitalization business, development businesses, real estate rental business, etc.
Capital: ¥6,624 million
Date of establishment: 2 February 1950

3. Date of share acquisition: 30 May 2024

4. Number of shares acquired: 7,500,100 shares

5. Shares acquisition price: 17,775 million

6. Equity ratio after acquisition of shares: 15.48%

7. Payment method
The Company's own funds

(4)The Zero Coupon Convertible Bonds issuance

The Company issued the Zero Coupon Convertible Bonds due in 2033 and 2034 based on a resolution of the Board of Directors on 30 May 2024 and completed the transactions on 17 June 2024.
The details are as follows:

The Zero Coupon Convertible Bonds due in 2033

1. Total amount of issue: ¥25,000,000,000 and the aggregate principal amount of the Bonds concerning the replacement certificates of Bonds with Stock Acquisition Rights

2. Issue value (paid-in amount) : 100.0% of the principal amount (principal amount of each Bond : ¥10,000,000)

3. Issue price (offering price) : 102.5% of the principal amount

4. Coupon : Zero

5. Redemption price : 100.0% of the principal amount

6. Maturity date : 17 June 2033 (London time)

7. Matters regarding the Stock Acquisition Rights

(a) Class of shares subject to the Stock Acquisition Rights
Shares of Common stock of the Company

(b) Number of Stock Acquisition Rights to be issued
The aggregate number of 2,500 rights and the number obtained by dividing the aggregate of the principal amount of the Bonds related to the replacement certificates of Bonds with Stock Acquisition Rights by ¥10,000,000.

(c) Initial Conversion Price
¥2,098.0 per Share

(d) Exercise Period of Stock Acquisition Rights
The exercise period shall be from 1 July 2024 to 3 June 2033 (local time at the location where the Stock Acquisition Rights is to be exercised)

8. Payment date and issuance date of the Bonds : 17 June 2024 (London time)

9. Security or guarantee of the Bonds : No security or guarantee

10. Use of Proceeds

(a) Approximately 7 billion yen will be invested in railway-related projects (improving station functions, streamlining station and operation operations, etc.).

(b) Approximately 23 billion yen will be for real estate-related investments (development around train stations, acquisition of profitable buildings, etc.).

(c) The remaining balance will be for repayment of corporate bonds and borrowings due by the end of March 2026.

The Zero Coupon Convertible Bonds due in 2034

1. Total amount of issue: ¥25,000,000,000 and the aggregate principal amount of the Bonds concerning the replacement certificates of Bonds with Stock Acquisition Rights

2. Issue value (Paid-in amount) : 100.0% of the principal amount (principal amount of each Bond : ¥10,000,000)

3. Issue price (offering price) : 102.5% of the principal amount

4. Coupon : Zero

5. Redemption price : 100.0% of the principal amount

6. Maturity date : 16 June 2034 (London time)

7. Matters regarding the Stock Acquisition Rights
(a) Class of shares subject to the Stock Acquisition Rights
Shares of Common stock of the Company
(b) Number of Stock Acquisition Rights to be issued
The aggregate number of 2,500 rights and the number obtained by dividing the aggregate of the principal amount of the Bonds related to the replacement certificates of Bonds with Stock Acquisition Rights by ¥10,000,000.
(c) Initial Conversion Price
¥2,058.0 per Share
(d) Exercise Period of Stock Acquisition Rights
The exercise period shall be from 1 July 2024 to 2 June 2034 (local time at the location where the Stock Acquisition Rights is to be exercised)

8. Payment date and issuance date of the Bonds : 17 June 2024 (London time)

9. Security or guarantee of the Bonds : No security or guarantee

10. Use of Proceeds
(a) Approximately 7 billion yen will be invested in railway-related projects (improving station functions, streamlining station and operation operations, etc.).
(b) Approximately 23 billion yen will be for real estate-related investments (development around train stations, acquisition of profitable buildings, etc.).
(c) The remaining balance will be for repayment of corporate bonds and borrowings due by the end of March 2026.