Independent auditor's report

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

Report on the Audit of the Consolidated Financial Statements

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, 2026 and 2025, the consolidated statements of income, 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, 2026 and 2025, 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 of public interest entities 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.

Reasonableness of the estimated net selling price used in measuring an impairment loss on non-current assets of Meitetsu Transportation Co., Ltd.

The key audit matter	How the matter was addressed in our audit
In the consolidated balance sheet for the current fiscal year, Nagoya Railroad Co., Ltd. (hereinafter referred to as the	The primary audit procedures we performed to assess the reasonableness of the estimated net selling price used in measuring an impairment loss on non-current

"Company") and its consolidated subsidiaries (hereinafter collectively referred to as the "Group") reported non-current assets of ¥1,312,449 million. As described in "Significant accounting estimates" in the Notes to Consolidated Financial Statements, of this amount, ¥76,440 million was related to Meitetsu Transportation Co., Ltd. (hereinafter referred to as "Meitetsu Transportation"), a consolidated subsidiary, representing approximately 4.8% of total assets in the consolidated financial statements. These non-current assets are depreciated or amortized in a systematic manner. Whenever an impairment indicator exists, it is necessary to assess whether an impairment loss needs to be recognized by comparing the undiscounted future cash flows that are expected to be generated from the related asset group with its carrying amount. If it is determined necessary to recognize an impairment loss, the carrying amount is reduced to the recoverable amount, and the resulting decrease in the carrying amount is recognized as an impairment loss. Since Meitetsu Transportation has incurred recurring operating losses for two consecutive years, management identified an impairment indicator. As a result, management assessed whether an impairment loss should be recognized, and performed a measurement of the impairment loss. However, as the recoverable amount calculated based on the net selling price in measuring the impairment loss exceeded the carrying amount, no impairment loss was recognized. The net selling price is determined primarily based on the real estate appraisal value obtained from an external valuation firm engaged by management and the value calculated by deducting estimated disposal costs from the estimated purchase prices obtained from dealers. If the assumptions underlying the valuation, valuation methods,	assets of Meitetsu Transportation are set forth below. We involved the component auditor of Meitetsu Transportation by directing and supervising the component auditor and reviewing its work in performing these procedures. (1) Internal control testing We tested the design and operating effectiveness of certain of the Company's internal controls relevant to the measurement of an impairment loss on non-current assets. (2) Assessment of the reasonableness of the estimated net selling price We involved a valuation specialist within our domestic network firms to inquire of the valuation firm engaged by the Company regarding the rationale for its real estate appraisal, which formed the basis for the net selling price. In addition, we: ● assessed the appropriateness of the valuation method and assumptions in light of the requirements of accounting standards; ● assessed the consistency of the assets subject to appraisal with those recorded in the fixed asset subledger; and ● assessed the appropriateness of the net selling price for vehicles by comparing the estimated purchase prices obtained from dealers with selling prices of similar vehicles in external markets.

the scope of assets and estimated disposal costs used by the expert in the valuation are not appropriately reflected in the net selling price, the recoverable amount may fluctuate, which could result in a significant effect on the results of the Company's impairment loss measurement. We, therefore, determined that our assessment of the reasonableness of the estimated net selling price used in measuring an impairment loss on non-current assets of Meitetsu Transportation was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	

Accuracy of revenue recognition for passenger transportation revenue	
The key audit matter	**How the matter was addressed in our audit**
In the consolidated statement of income for the current fiscal year, Nagoya Railroad Co., Ltd. (hereinafter referred to as the "Company") and its consolidated subsidiaries (hereinafter collectively referred to as the "Group") recognized operating revenues of ¥691,583 million. Of this amount, operating revenues from external customers in the traffic segment amounted to ¥175,331 million, accounting for approximately 25.3% of total operating revenues. The traffic segment provides various services including the railroad business and the bus business. Approximately 60% of its segment operating revenues is derived from passenger transportation revenue of the Company, and this proportion has a significant impact on the Group's overall financial performance. Usage data recorded at station equipment, such as automated ticket vending machines installed at each station, and passenger travel data received from contractors responsible for revenue settlement are collected as daily sales data in the revenue management system	The primary audit procedures we performed to assess the accuracy of revenue recognition for passenger transportation revenue, with the involvement of IT specialists within our firm, included the following: (1) Internal control testing We tested the design and operating effectiveness of certain of the Company's internal controls over the operating revenue recording process for passenger transportation revenue. • Interface processing among relevant IT systems, including station equipment, the revenue management system and the accounting system, related to the recognition of passenger transportation revenue; • Automated processing for generating sales data in the revenue management system based on usage data recorded at station equipment; • Automated processing for the pro rata allocation of commuter pass revenue based on the period covered by each commuter pass; • Automated processing for preparing a monthly operating revenue summary report; and • General IT controls, including user access

and subsequently aggregated into monthly sales data, which are used in recording passenger transportation revenue in the accounting system. Accordingly, a mechanism has been established in which multiple IT systems are interconnected across the key processes from transaction initiation to recording, and the recording of passenger transportation revenue is highly dependent upon these IT systems. Since it is critically important for accurate recording of passenger transportation revenue that relevant IT systems are designed and operated appropriately, the involvement of IT specialists was deemed necessary in testing their effectiveness. We, therefore, determined that our assessment of the accuracy of revenue recognition for passenger transportation revenue was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	management, program change management and system operation management over the relevant IT systems, to ensure the consistent operation of the above automated information processing controls throughout the audit period. (2) Assessment of the accuracy of revenue recognition for passenger transportation revenue We assessed the accuracy of revenue recognition for passenger transportation revenue, by performing the following procedures, among others: • performed analytical procedures on passenger transportation revenue using the number of passengers transported, a key performance indicator for railway operators, and assessed the consistency between the output reports from the revenue management system and underlying data, to validate the aggregation process of the passenger counts; and • traced each of monthly revenue settlements to relevant supporting vouchers.

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.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purpose 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, actions taken to eliminate threats or safeguards applied.

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.

Fee-related Information

Fees paid or payable to our firm for audit and non-audit services provided to the Company and its consolidated subsidiaries for the current year are 288 million yen and 3 million yen, respectively

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.

Yoshida Hideki

Designated Engagement Partner

Certified Public Accountant

Inagaki Yoshito

Designated Engagement Partner

Certified Public Accountant

Uchida Hiroki

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Nagoya Office, Japan

July 31, 2026

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.

This document has been extracted and translated from the Japanese original report (Yukashoken-Hokokusho) issued on June 25, 2026, which was prepared in accordance with the Financial Instruments and Exchange Act. This document is for reference only and in the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Nagoya Railroad Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheets

	Millions of yen	
	March 31, 2025	March 31, 2026
ASSETS		
Current assets		
Cash and deposits(Notes 3 and 7)	58,637	57,291
Trade notes, accounts receivable and contract assets(Notes 3 and 14)	71,559	71,656
Short-term loans receivable	96	117
Land and buildings for sale	84,471	97,377
Merchandise and finished goods	7,859	6,841
Work in process	824	650
Raw materials and supplies	6,376	7,471
Others	26,774	31,154
Allowance for doubtful accounts	(182)	(168)
Total current assets	256,417	272,392
Non-current assets		
Property and equipment (Notes 5, 6 and 7)		
Buildings and structures, net	333,452	352,702
Machinery, equipment and vehicles, net	89,238	95,617
Land	421,580	463,021
Lease assets, net	8,854	8,078
Construction in progress	130,782	162,378
Other properties, net	14,073	14,630
Total property and equipment	997,980	1,096,429
Intangible assets		
Right-of-use facilities	8,809	10,263
Goodwill	2,027	3,051
Lease assets	173	115
Other intangible assets	3,941	4,279
Total intangible assets	14,952	17,710
Investments and other assets		
Investment securities (Notes 3 and 4)	147,074	170,157
Long-term loans receivable	238	183
Deferred tax assets (Note 13)	13,178	11,065
Employee retirement benefit asset	27	451
Others (Note 7)	19,432	16,772
Allowance for doubtful accounts	(392)	(320)
Total investments and other assets	179,558	198,309
Total non-current assets	1,192,491	1,312,449
Total assets	1,448,908	1,584,842

Nagoya Railroad Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheets

	Millions of yen	
	March 31, 2025	March 31, 2026
LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities		
Trade notes and accounts payable	90,679	84,897
Short-term loans payable (Notes 3 and 7)	75,462	83,374
Commercial papers (Note 7)	10,000	15,000
Current portion of bonds payable (Notes 3 and 7)	25,000	15,000
Lease obligations (Note 7)	1,225	1,175
Income taxes payable	8,981	8,403
Deposits received from employees	4,039	2,576
Advances received	83,856	103,276
Provision for bonuses	6,736	6,942
Provision for loss on liquidation	27	54
Allowance for loss on redemption of gift certificates outstanding	378	371
Others (Note 14)	49,998	49,180
Total current liabilities	356,386	370,251
Non-current liabilities		
Bonds payable (Notes 3 and 7)	270,000	300,000
Long-term loans payable (Notes 3 and 7)	194,533	262,707
Lease obligations (Note 7)	9,286	8,477
Deferred tax liabilities (Note 13)	5,940	14,772
Deferred tax liabilities for land revaluation	56,706	56,772
Provision for loss on liquidation	459	339
Employee retirement benefit liability (Note 8)	35,874	32,271
Others	21,410	22,025
Total non-current liabilities	594,210	697,364
Total liabilities	950,597	1,067,616
Net assets (Note 12)		
Shareholders' equity		
Common stock	101,158	101,158
Capital surplus	35,978	36,281
Retained earnings	211,944	226,841
Treasury stock	(1,116)	(1,011)
Total shareholders' equity	347,965	363,270
Accumulated other comprehensive income		
Net unrealized gains on available-for-sale securities	25,885	32,909
Deferred gains and losses on hedges	107	437
Land revaluation increment	85,629	86,062
Foreign currency translation adjustments	47	49
Retirement benefit adjustments	2,075	2,337
Total accumulated other comprehensive income	113,745	121,795
Non-controlling interests	36,600	32,159
Total net assets	498,311	517,225
Total liabilities and net assets	1,448,908	1,584,842

See Notes to Consolidated Financial Statements.

Nagoya Railroad Co., Ltd. and Consolidated Subsidiaries

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

	Millions of yen	
	April 1, 2024 -March 31, 2025	April 1, 2025 -March 31, 2026
Operating revenues (Notes 14 and 15)	690,720	691,583
Operating expenses		
Transportation, other services and cost of sales	586,267	593,523
Selling, general and administrative expenses	62,376	61,874
Total operating expenses	648,643	655,398
Operating income	42,076	36,185
Non-operating income		
Interest income	227	320
Dividend income	1,938	2,386
Equity in net earnings of affiliates	5,798	3,310
Miscellaneous income	1,898	1,957
Total non-operating income	9,862	7,974
Non-operating expenses		
Interest expenses	3,521	4,997
Miscellaneous expenses	745	798
Total non-operating expenses	4,267	5,796
Ordinary income	47,671	38,363
Extraordinary income		
Gain on sales of fixed assets	1,064	1,462
Gain on contributions for construction (Note 2(k))	2,278	2,559
Gain on sales of investment securities	6,209	2,940
Gain on exchange of shares of affiliated companies	-	5,470
Gain on bargain purchase	4,756	-
Others	1,356	1,231
Total extraordinary income	15,664	13,663
Extraordinary losses		
Loss on sales of fixed assets	197	223
Impairment loss on fixed assets (Note 5)	2,236	5,440
Loss on disposition of fixed assets	1,319	1,823
Loss on valuation of investment securities	97	7
Loss on reduction of property and equipment (Note 2(k))	2,218	2,193
Loss on store closings	-	1,547
Loss on subsidy return	2,696	940
Loss on step acquisitions	1,530	-
Others	1,797	1,070
Total extraordinary losses	12,095	13,247
Profit before income taxes	51,240	38,779
Income taxes – current	11,340	13,235
Income taxes – deferred	2,375	6,719
Total income taxes	13,715	19,954
Profit	37,525	18,824
Profit (loss) attributable to:		
Non-controlling interests	(208)	(4,129)
Owners of the parent	37,733	22,954

See Notes to Consolidated Financial Statements.

Nagoya Railroad Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Comprehensive Income

	Millions of yen	
	April 1, 2024 -March 31, 2025	April 1, 2025 -March 31, 2026
Profit	37,525	18,824
Other comprehensive income (Note 16)		
Net unrealized gains and losses on available-for-sale securities	(3,378)	8,778
Deferred gains and losses on hedges	(278)	344
Land revaluation increment	(1,517)	(85)
Foreign currency translation adjustments	22	(0)
Retirement benefit adjustments	842	238
Share of other comprehensive income of affiliates accounted for using the equity method	444	(1,361)
Total other comprehensive income	(3,864)	7,913
Comprehensive income	33,661	26,738
Comprehensive income attributable to:		
Owners of the parent	33,991	30,508
Non-controlling interests	(330)	(3,770)

See Notes to Consolidated Financial Statements.

Nagoya Railroad Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Changes in Net Assets
Fiscal year ended March 31, 2025

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the fiscal year start	101,158	40,426	179,468	(233)	320,819
Changes of items during the year					
Cash dividends			(5,406)		(5,406)
Profit attributable to owners of the parent			37,733		37,733
Purchase of treasury stock				(1,025)	(1,025)
Disposal of treasury stock		(30)		142	112
Reversal for land revaluation increment			179		179
Transfer from retained earnings to capital surplus		30	(30)		-
Change in ownership interest of parent related to transactions with non-controlling interests		(4,447)			(4,447)
Net changes in items other than shareholders' equity for the year					
Total changes of items during the year	-	(4,447)	32,476	(882)	27,146
Balance at the fiscal year end	101,158	35,978	211,944	(1,116)	347,965

	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	28,631	379	87,298	24	1,332	117,667	25,567	464,054
Changes of items during the year								
Cash dividends								(5,406)
Profit attributable to owners of the parent								37,733
Purchase of treasury stock								(1,025)
Disposal of treasury stock								112
Reversal for land revaluation increment								179
Transfer from retained earnings to capital surplus								-
Change in ownership interest of parent related to transactions with non-controlling interests								(4,447)
Net changes in items other than shareholders' equity for the year	(2,746)	(272)	(1,669)	22	742	(3,922)	11,033	7,110
Total changes of items during the year	(2,746)	(272)	(1,669)	22	742	(3,922)	11,033	34,256
Balance at the fiscal year end	25,885	107	85,629	47	2,075	113,745	36,600	498,311

Fiscal year ended March 31, 2026

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the fiscal year start	101,158	35,978	211,944	(1,116)	347,965
Changes of items during the year					
Cash dividends			(7,549)		(7,549)
Profit attributable to owners of the parent			22,954		22,954
Purchase of treasury stock				(11)	(11)
Disposal of treasury stock		(11)		115	104
Reversal for land revaluation increment			(496)		(496)
Transfer from retained earnings to capital surplus		11	(11)		-
Change in ownership interest of parent related to transactions with non-controlling interests		302			302
Net changes in items other than shareholders' equity for the year					
Total changes of items during the year	-	302	14,897	104	15,305
Balance at the fiscal year end	101,158	36,281	226,841	(1,011)	363,270

	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	25,885	107	85,629	47	2,075	113,745	36,600	498,311
Changes of items during the year								
Cash dividends								(7,549)
Profit attributable to owners of the parent								22,954
Purchase of treasury stock								(11)
Disposal of treasury stock								104
Reversal for land revaluation increment								(496)
Transfer from retained earnings to capital surplus								-
Change in ownership interest of parent related to transactions with non-controlling interests								302
Net changes in items other than shareholders' equity for the year	7,023	330	432	1	262	8,050	(4,441)	3,609
Total changes of items during the year	7,023	330	432	1	262	8,050	(4,441)	18,914
Balance at the fiscal year end	32,909	437	86,062	49	2,337	121,795	32,159	517,225

See Notes to Consolidated Financial Statements.

Nagoya Railroad Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows (Note 17)

	Millions of yen	
	April 1, 2024 -March 31, 2025	April 1, 2025 -March 31, 2026
Cash flows from operating activities:		
Profit before income taxes	51,240	38,779
Depreciation	41,824	46,516
Impairment loss on fixed assets	2,236	5,440
Amortization of goodwill	266	261
Increase (decrease) in allowance for doubtful accounts	(105)	(88)
Increase (decrease) in provision for bonuses	481	204
Increase (decrease) in provision for loss on liquidation	(3,448)	(92)
Increase (decrease) in other provision	(212)	51
Gain on exchange of shares of affiliated companies	-	(5,470)
Gain on bargain purchase	(4,756)	-
Increase (decrease) in employee retirement benefit liability	1,952	(3,762)
Interest and dividend income	(2,165)	(2,706)
Interest expenses	3,521	4,997
Share of (gain) loss of entities accounted for using equity method	(5,798)	(3,310)
Loss (gain) on sales of fixed assets	(866)	(1,239)
Loss on disposition of fixed assets	284	574
Loss (gain) on valuation of investment securities	97	7
Loss (gain) on sales of investment securities	(6,206)	(2,896)
Gain on contributions for construction	(2,278)	(2,559)
Decrease (increase) in trade notes, accounts receivable and contract assets	(5,456)	324
Decrease (increase) in inventories	2,260	6,825
Increase (decrease) in trade notes and accounts payable	6,368	(7,915)
Others, net	5,714	1,161
Subtotal	84,956	75,105
Interest and dividends received	4,022	4,850
Interest paid	(3,508)	(4,618)
Income taxes paid	(6,740)	(13,904)
Net cash provided by (used in) operating activities	78,729	61,433

	Millions of yen	
	April 1, 2024 -March 31, 2025	April 1, 2025 -March 31, 2026
Cash flows from investing activities:		
Decrease (increase) in time deposits	(1,822)	(20)
Purchases of fixed assets	(133,363)	(172,267)
Proceeds from sales of fixed assets	1,855	2,137
Purchases of investment securities	(36,203)	(8,805)
Proceeds from sales and redemptions of investment securities	19,731	3,848
Purchases of shares of subsidiaries resulting in change in scope of consolidation	-	(2,075)
Proceeds from purchase of shares of subsidiaries resulting in changes in scope of consolidation	1,404	-
Payments of short-term loans receivable	(14)	(34)
Proceeds from collection of short-term loans receivable	1,808	88
Payments of long-term loans receivable	(30)	(30)
Proceeds from collection of long-term loans receivable	10	13
Proceeds from contribution received for construction	10,161	26,448
Others, net	(1,669)	(176)
Net cash provided by (used in) investing activities	(138,132)	(150,874)
Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings	17,677	6,451
Increase (decrease) in commercial papers	9,999	4,998
Proceeds from long-term debt	31,461	86,405
Repayment of long-term debt	(8,373)	(16,905)
Issuance of bonds	69,730	44,789
Redemption of bonds	(40,000)	(25,000)
Increase (decrease) in deposits received from employees	(15,925)	(1,462)
Purchases of shares of subsidiaries not resulting in change in scope of consolidation	(1,098)	(279)
Repayments of lease obligations	(1,077)	(1,211)
Proceeds from sales of treasury stock	1	0
Purchase of treasury stock	(1,025)	(11)
Dividends paid to non-controlling shareholders	(136)	(524)
Dividends paid to shareholders	(5,378)	(7,522)
Net cash provided by (used in) financing activities	55,854	89,728
Effect of exchange rate changes on cash and cash equivalents	16	(0)
Net increase (decrease) in cash and cash equivalents	(3,532)	287
Cash and cash equivalents at beginning of period	60,025	56,493
Cash and cash equivalents at end of period	56,493	56,780

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 seventeen 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 March 31, 2025 and 2026 were as follows.

	2025	2026
Consolidated subsidiaries	104	109
Unconsolidated subsidiaries accounted for using the equity method	—	—
Affiliated companies accounted for using the equity method	15	15
Unconsolidated subsidiaries stated at cost	8	9
Affiliated companies stated at cost	7	9

At March 31, 2025 and 2026, the fiscal year-end dates of three consolidated subsidiaries differed from the consolidated fiscal year-end date of the Company, which is March 31. 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," 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.

Investments in limited investment partnerships and similar partnerships (those deemed as securities under Article 2, Paragraph 2 of the Financial Instruments and Exchange Act) are accounted for at the net amount of the Company's equity interest based on the most recent financial statements available as of the reporting date stipulated in the partnership agreement.

(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. The commodity swap applies a general treatment.

(e) Inventories

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

Other inventories are measured at the lower of cost or net selling value. The following types of inventories are measured using the following methods:
(1) Merchandise and finished goods: principally by the retail inventory method or the specific identification method;
(2) Work in process: principally by the specific identification method;
(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 April 1, 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 April 1, 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, six consolidated subsidiaries (Toyohashi Railroad Co., Ltd., Gifu Bus Co., Ltd., Meitetsu Transportation Co., Ltd., Meitetsu City Design 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 March 31, 2000 and March 31, 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 six consolidated subsidiaries amounted to ¥8,106 million and ¥7,942 million at March 31, 2025 and 2026, respectively. The differences in the Company, Meitetsu City Design Co., Ltd. and Meitetsu Kyosho Co., Ltd. at March 31, 2025 and at March 31, 2026 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 fiscal year-end date for the affiliated company accounted for using the equity method amounted to ¥140 million at March 31, 2025. The differences at March 31, 2026 were not included in the amount at the fiscal year-end because the market value was higher than the carrying value of the revaluated lands.

(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 March 31, 2025 and 2026, cumulative contributions amounting to ¥204,970 million and ¥206,314 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.

In calculating the retirement benefit obligations, the amount of retirement benefits is estimated based on the period up to the end of the current fiscal year based on the benefit calculation method.

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.

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 due to contractual obligations is provided at the estimated amount of losses at the balance sheet date.

(2) Allowance for loss on redemption of gift certificates outstanding

An allowance for loss on redemption of gift certificates outstanding issued by certain consolidated subsidiaries is provided to cover for losses that may be incurred in the event that shopping coupons, travel gift coupons or similar coupons for which the liabilities are no longer recognized are redeemed. 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, March 31, 2020) and the Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 26, 2021) 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 March 31, 2025 and 2026 was as follows.

	yen	
	2025	2026
Per share:		
Net income:		
- Basic	192.12	117.05
- Diluted	167.69	104.00
Cash dividends	38.50	40.00

(u) Significant accounting estimates

Recoverability of deferred tax assets recorded by the Company for the year ended March 31, 2025 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 March 31, 2025

	Millions of yen
	2025
Deferred tax assets (the Group)	13,178
Deferred tax assets (the Company)	
Subtotal of deferred tax assets	28,256
Valuation allowance	(20,110)
Total deferred tax assets (the Group)	8,146
Total deferred tax liabilities (the Group)	11,313
Deferred tax liabilities	3,166

(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 estimates 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 domestic economy will continue its gradual recovery and the number of passengers will increase accordingly. The Company expects that the operating revenue of railroad business for the year ending March 31, 2027 will exceed the previous fiscal year.

(iii) The effect on consolidated financial statements for the year ended March 31, 2026

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 ended March 31, 2026.

Impairment of fixed assets recorded by the Company for the year ended March 31, 2026 was as follows:

(1) The impairment of fixed assets in the consolidated financial statements for the year ended March 31, 2026

Meitetsu Transportation Co., Ltd., a consolidated subsidiary, is currently in the process of restructuring its operations under the new organizational framework established following the business integration carried out in the previous fiscal year, and continues to report operating losses. The carrying amount of the relevant fixed assets is ¥76,440 million. Although the Company identified indicators of impairment within this group of assets and performed an assessment of whether an impairment loss should be recognized and measured, no impairment loss was recognized because the recoverable amount exceeded the carrying amount.

(2) Information for significant accounting estimates regarding the impairment of fixed assets

(i) Method of calculation of amount

An impairment loss is recognized when, for an asset or group of assets owned by the Group that shows indicators of impairment, the recoverable amount of the asset or group of assets is less than its carrying amount; in such cases, the carrying amount is reduced to the recoverable amount, and the resulting decrease is recognized as an impairment loss.

(ii) Major assumptions for calculation of amounts

The recoverable amount is measured based on net selling price. The net selling price is calculated by deducting estimated disposal costs from the appraised value (based on real estate appraisal standards) or purchase estimates obtained from dealers.

(iii) The effect on consolidated financial statements for the year ending March 31, 2027

When identifying indicators of impairment and recognizing and measuring impairment losses, if there are changes in the assumptions underlying the estimated values based on real estate appraisal standards due to deteriorating economic conditions or market conditions, an impairment loss on the fixed assets may arise, which could affect the results of operations for the following fiscal year.

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

- ・Accounting Standard for Leases (ASBJ Statement No. 34, September 13, 2024, Accounting Standards Board of Japan)
- ・Implementation Guidance on Accounting Standard for Leases (ASBJ Guidance No.33, September 13, 2024, Accounting Standards Board of Japan)

(1) Outline:
Similar to international accounting standards, the new standard requires lessees to record all leases as assets and liabilities.

(2) Effective date:
The above standard and guidance will become effective from the beginning of the fiscal year ending March 31, 2028.

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

3. Financial instruments

Information on financial instruments for the years ended March 31, 2025 and 2026 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 March 31, 2025, other than investments in securities without market prices, were 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 March 31, 2025:			
Financial assets:			
Investment securities: *2			
Held-to-maturity receivables, including current portion	10	8	(1)
Equity securities of affiliates	32,086	28,736	(3,350)
Available-for-sale securities	63,018	63,018	－
Total	95,114	91,762	(3,351)
Financial liabilities:			
Bonds payable, including current portion	295,000	274,001	(20,998)
Long-term loans payable, including current portion	211,037	204,878	(6,159)
Total	506,037	478,880	(27,157)
Derivative instruments:*3			
Hedge accounting has not been applied	(7)	(7)	－
Hedge accounting has been applied	166	166	－
Total	159	159	－

**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
	2025
Carrying value:	
Unlisted investments (equity securities) in unconsolidated subsidiaries and affiliates	35,648
Unlisted equity securities	8,480
Partnership capital,etc.	7,831
Total	51,960

The fair values and carrying values of financial instruments included in the consolidated balance sheets at March 31, 2026, other than investments in securities without market prices, were 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 March 31, 2026:			
Financial assets:			
Investment securities: *2			
Held-to-maturity receivables, including current portion	10	7	(2)
Equity securities of affiliates	32,863	40,984	8,120
Available-for-sale securities	77,182	77,182	－
Total	110,056	118,174	8,117
Financial liabilities:			
Bonds payable, including current portion	315,000	282,950	(32,050)
Long-term loans payable, including current portion	280,672	265,672	(14,999)
Total	595,672	548,622	(47,049)
Derivative instruments: *3			
Hedge accounting has not been applied	(0)	(0)	－
Hedge accounting has been applied	361	361	－
Total	360	360	－

**1 "Cash" is omitted. "Deposits," "Trade receivables," "Trade payables," "Short-term loans payable," and "Commercial paper" 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
	2026
Carrying value:	
Unlisted investments (equity securities) in unconsolidated subsidiaries and affiliates	18,115
Unlisted equity securities	30,216
Partnership capital, etc.	11,768
Total	60,100

Notes:

(1) Expected maturities of financial assets at March 31, 2025 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 March 31, 2025:				
Cash and deposits	58,637	―	―	―
Trade notes and accounts receivable	68,290	―	―	―
Securities and investment securities				
Held-to-maturity securities(Others)	―	―	―	10
Total	126,928	―	―	10

Expected maturities of financial assets at March 31, 2026 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 March 31, 2026:				
Cash and deposits	57,291	―	―	―
Trade notes and accounts receivable	68,151	―	―	―
Securities and investment securities				
Held-to-maturity securities(Others)	―	―	―	10
Total	125,442	―	―	10

(2) The repayment schedules for short-term loans payable, bonds payable and long-term loans payable with contractual maturities at March 31, 2025 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	58,958	―	―	―	―	―
Bonds payable	25,000	15,000	15,000	20,000	20,000	200,000
Long-term loans payable	16,504	18,486	19,542	6,966	11,560	137,977
Total	100,462	33,486	34,542	26,966	31,560	337,977

The repayment schedules for short-term loans payable, bonds payable and long-term loans payable with contractual maturities at March 31, 2026 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	65,409	―	―	―	―	―
Bonds payable	15,000	15,000	20,000	20,000	30,000	215,000
Long-term loans payable	17,964	20,511	29,042	19,095	39,968	154,090
Total	98,374	35,511	49,042	39,095	69,968	369,090

(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 2025:				
Securities and investment securities ※				
Available-for-sale securities				
Shares	62,644	－	－	62,644
Derivatives				
Foreign currency related transactions	－	(7)	－	(7)
Commodity price related transactions	－	166	－	166
Total assets	62,644	159	－	62,803

※ 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, June 17, 2021) applies is not included in the above table. The amount of investment trusts reported in the consolidated balance sheets is ¥373 million.

Category	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
At March 31, 2026				
Securities and investment securities ※				
Available-for-sale securities				
Shares	76,805	－	－	76,805
Derivatives				
Foreign currency related transactions	－	(0)	－	(0)
Commodity price related transactions	－	361	－	361
Total assets	76,805	360	－	77,166

※ 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, June 17, 2021) applies is not included in the above table. The amount of investment trusts reported in the consolidated balance sheets is ¥376 million.

(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 March 31, 2025:				
Securities and investment securities				
Held-to-maturity receivables				
Others	—	8	—	8
Equity securities of affiliates				
Shares	28,736	—	—	28,736
Total assets	28,736	8	—	28,744
Bonds payable	—	274,001	—	274,001
Long-term loans payable	—	204,878	—	204,878
Total liabilities	—	478,880	—	478,880

Category	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
At March 31, 2026:				
Securities and investment securities				
Held-to-maturity receivables				
Others	—	7	—	7
Equity securities of affiliates				
Shares	40,984	—	—	40,984
Total assets	40,984	7	—	40,991
Bonds payable	—	282,950	—	282,950
Long-term loans payable	—	265,672	—	265,672
Total liabilities	—	548,622	—	548,622

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 March 31, 2025 and 2026, short-term investments consisted of time deposits with original maturities of more than three months.

At March 31, 2025, 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 the consolidated balance sheet	Government bonds, local government bonds, etc.	—	—	—
	Corporate bonds	—	—	—
	Other	10	8	(1)
Total		10	8	(1)

At March 31, 2026, 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 the consolidated balance sheet	Government bonds, local government bonds, etc.	—	—	—
	Corporate bonds	—	—	—
	Other	10	7	(2)
Total		10	7	(2)

At March 31, 2025 and 2026, investment securities consisted of the following:

	Millions of yen	
	2025	2026
Listed securities		
Equity securities,etc.	63,018	77,182
Total listed equity securities	63,018	77,182
Unlisted equity securities	8,480	30,218
Total	71,498	107,400

At March 31, 2025 and 2026, 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 March 31, 2025:				
Equity securities,etc.	28,293	34,882	(156)	63,018
At March 31, 2026:				
Equity securities,etc.	29,650	47,660	(128)	77,182

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 March 31, 2025	6,504	6,209	2
For the year ended March 31, 2026	3,535	2,940	44

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 March 31, 2025:	
Property subject to impairment:	Truck facilities, commercial facilities such as department stores, rental properties and others
Impairment loss recorded:	
Buildings and structures	1,286
Land	536
Right-of-use facilities and others	413
Total	2,236

	Millions of yen
At March 31, 2026:	
Property subject to impairment:	Rental properties, truck facilities, other commercial facilities and others
Impairment loss recorded:	
Buildings and structures	3,040
Land	1,210
Goodwill and others	1,189
Total	5,440

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 2.8% for the year ended March 31, 2025 and 2.4% for the year ended March 31, 2026.

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 March 31, 2025 and 2026 and the fair values of real estate were as follows:

	Millions of yen	
	2025	2026
Carrying value at beginning of year	170,115	208,072
Net changes during the year	37,957	36,713
Carrying value at end of year	208,072	244,785
Fair value at end of year*	258,418	314,836

**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 March 31, 2025 and 2026 were as follows:

	Millions of yen	
	2025	2026
Income from rental operations	3,482	2,570
Impairment loss on rental properties	20	1,999

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

Short-term loans payable at March 31, 2025 and 2026 consisted of the following:

	Millions of yen	
	2025	2026
Bank loans with average interest rates of 0.8166% at March 31, 2026:		
Secured	1,367	909
Unsecured	57,590	64,499
Total	58,958	65,409

Commercial paper at March 31, 2025 and 2026 consisted of the following:

	Millions of yen	
	2025	2026
Commercial paper with average interest rates of 0.8780% at March 31, 2026:	10,000	15,000

Long-term debt at March 31, 2025 and 2026 consisted of the following:

	Millions of yen	
	2025	2026
0.310% unsecured bonds, due December 2025	10,000	-
0.090% unsecured bonds, due March 2026	15,000	-
0.350% unsecured bonds, due March 2027	15,000	15,000
0.857% unsecured bonds, due April 2027	15,000	15,000
0.375% unsecured bonds, due July 2028 (Sustainability Bond)	10,000	10,000
0.200% unsecured bonds, due December 2028 (Sustainability Bond)	10,000	10,000
0.993% unsecured bonds, due November 2029	10,000	10,000
0.993% unsecured bonds, due December 2029	10,000	10,000
1.291% unsecured bonds, due June 2030	-	10,000
1.947% unsecured bonds, due March 2031	-	10,000
1.947% unsecured bonds, due March 2031	-	10,000
0.549% unsecured bonds, due June 2032	10,000	10,000
0.794% unsecured bonds, due July 2033	15,000	15,000
0.850% unsecured bonds, due February 2035	15,000	15,000
1.890% unsecured bonds, due June 2035	-	15,000
1.252% unsecured bonds, due March 2036	10,000	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 June 2033	25,000	25,000
Zero coupon unsecured convertible bonds, due June 2034	25,000	25,000
Bank loans with average interest rate of 1.0735% at March 31, 2026, due through 2040:		
Secured	1,228	1,119
Unsecured	209,809	279,552
Capitalized lease obligations	10,512	9,652
Subtotal	516,550	605,324
Less current portion	(42,729)	(34,139)
Total	473,820	571,184

At the 162nd Ordinary General Meeting of Shareholders held on June 25, 2026, the Company plans to submit a proposal for a year-end dividend of ¥40.00 per share. Upon approval of this proposal, the annual dividend amount for the fiscal year ended March 31, 2026 will be determined, and in accordance with the conversion price adjustment clause, the conversion price of the Euro Yen Convertible Bonds due June 2033 will be adjusted from ¥2,051.7 to ¥2,005.7 retroactively as of April 1, 2026, and the conversion price of the Euro Yen Convertible Bonds due June 2034 will be adjusted from ¥2,012.6 to ¥1,967.5 retroactively as of April 1, 2026.

The annual maturities of long-term debt at March 31, 2026 were as follows:

Year ending March 31	Millions of yen
2027	34,139
2028	36,539
2029	49,774
2030	39,515
2031	70,380
2032 and thereafter	374,977
Total	605,324

At March 31, 2025 and 2026, the following assets were pledged for short-term and long-term loans payable.

	Millions of yen	
	2025	2026
Buildings and structures	528	713
Land	1,340	1,614
Others	1,351	1,006
Total	3,219	3,334

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 March 31, 2025 and 2026, 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	
	2025	2026
Balance at beginning of year:	31,517	32,631
Service cost	1,056	1,049
Interest cost	302	484
Actuarial differences incurred	(1,506)	(1,285)
Benefits paid	(4,470)	(3,714)
Past service cost	(62)	44
Increase due to new subsidiaries consolidated	5,794	-
Balance at end of year:	32,631	29,208

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

	Millions of yen	
	2025	2026
Balance at beginning of year:	7,009	4,557
Expected return on plan assets	74	74
Actuarial differences incurred	57	(77)
Contributions paid by the employer	337	344
Benefits paid	(2,921)	(591)
Balance at end of year:	4,557	4,308

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

	Millions of yen	
	2025	2026
Balance at beginning of year:	8,027	7,773
Retirement benefit costs	855	708
Benefits paid	(923)	(712)
Contributions paid by the employer	(186)	(845)
Others	1	(4)
Balance at end of year:	7,773	6,919

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

	Millions of yen	
	2025	2026
Funded retirement benefit obligations	23,314	11,380
Plan assets	(4,752)	(4,510)
	18,562	6,870
Unfunded retirement benefit obligations	17,284	24,948
Employee retirement benefit liability recorded at end of year:	35,847	31,819
Liabilities for retirement benefits	35,874	32,271
Assets for retirement benefits	(27)	(451)
Employee retirement benefit obligations recorded at the end of the year:	35,847	31,819

(e) Net periodic retirement benefit expenses

	Millions of yen	
	2025	2026
Service cost	1,056	1,049
Interest cost	302	484
Expected return on plan assets	(74)	(74)
Net actuarial loss amortization	(323)	(954)
Past service cost amortization	4	22
Retirement benefit costs based on the simplified Method	855	708
Others *1	(57)	(46)
Total net periodic retirement benefit expenses	1,762	1,187

*1） *1 The main components include amounts borne by host companies for employees on secondment.*

2) In addition to the above retirement benefit expenses, the Company recorded ¥1,360 million in extra retirement payments as part of the "Loss on Store Closings" under extraordinary losses for the current fiscal year.

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

	Millions of yen	
	2025	2026
Actuarial differences	1,240	254
Past service cost	67	(22)
Total balance, before tax effects, at end of year:	1,308	232

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

	Millions of yen	
	2025	2026
Actuarial differences yet to be recognized	(3,157)	(3,412)
Past service costs yet to be recognized	50	73
Total balance, before tax effects, at end of year:	(3,107)	(3,339)

(h) Plan assets

1) Plan assets comprise:

	2025	2026
Equity securities	15.1%	21.0%
Bonds	11.9%	27.4%
Cash and deposits	36.9%	8.2%
General accounts	19.8%	22.9%
Others	16.3%	20.5%
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 March 31, 2025 and March 31, 2026 (expressed as weighted averages) were as follows:

	2025	2026
Discount rate	0.8% to 2.1%	1.4% to 2.9%
Long-term expected rate of return	0.0% to 2.0%	0.0% to 2.0%

For the year ended March 31, 2025, the contributions required for defined contribution plans were ¥3,931 million in the Group. For the year ended March 31, 2026, the contributions required for defined contribution plans were ¥3,986 million in the Group.

9. Contingent liabilities

At March 31, 2025 and 2026, contingent liabilities were as follows:

	Millions of yen	
	2025	2026
Contingently liable for:		
Guarantees of loans of others	562	—
Total	562	—

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 April 1, 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 March 31, 2025:		
Acquisition cost	1,561	1,561
Accumulated depreciation	1,528	1,528
Net leased property	33	33

- Consolidated fiscal year ended March 31, 2026
  None

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

	Millions of yen	
	2025	2026
Due within 1 year	70	–
Due after 1 year	–	–
Total	70	–

Lease expense and other information at March 31, 2025 and 2026 were as follows:

	Millions of yen	
	2025	2026
Lease expense	209	–
Imputed depreciation expense *(*1)*	79	–
Imputed interest expense *(*2)*	13	–

**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	
	2025	2026
Due within 1 year	734	1,268
Due after 1 year	986	4,103
Total	1,720	5,281

(As lessor)
(a) Finance leases

Lease investment assets at March 31, 2025 and 2026 were as follows:

	Millions of yen	
	2025	2026
Lease receivables	13,987	17,952
Estimated residual value	206	197
Unearned imputed interest	(2,123)	(2,423)
Lease investment assets included in trade receivables	12,070	15,725

The aggregate annual maturities of lease investments at March 31, 2025 were as follows:

Year ending March 31	Millions of yen
2026	4,529
2027	3,664
2028	2,641
2029	1,765
2030	1,036
2031 and thereafter	349
Total	12,298

The aggregate annual maturities of lease investments at March 31, 2026 were as follows:

Year ending March 31	Millions of yen
2027	5,566
2028	4,918
2029	3,534
2030	2,144
2031	1,339
2032 and thereafter	449
Total	17,590

(b) Operating leases

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

	Millions of yen	
	2025	2026
Due within 1 year	2,712	2,962
Due after 1 year	7,784	10,222
Total	10,496	13,185

11. Derivatives

At March 31, 2025 and 2026, 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 March 31, 2025	316	―	(7)	(7)
At March 31, 2026	361	―	(0)	(0)

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

At March 31, 2025 and 2026, 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 March 31, 2025			20,000	20,000	―
At March 31, 2026			36,500	36,500	―

**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		Fair value*
			Total amount	Due after 1 year	
			Millions of yen		
General treatment for commodity swaps:	Commodity swaps-pay fixed and receive floating	Ship fuel			
At March 31, 2025			2,018	995	166
At March 31, 2026			1,024	370	361

**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 March 31, 2025 and 2026, 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 March 31, 2025 and 2026.

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 March 31, 2025 and 2026 was as follows.

	Number of shares (Thousands of shares)	
	2025	2026
Common stock	360,000	360,000

Movements in issued shares of common stock and treasury stock during the years ended March 31, 2025 and 2026 were as follows.

	Number of shares (Thousands of shares)			
	2025			
	April 1, 2024	Increase	Decrease	March 31, 2025
Issued shares:				
Common stock	196,700	—	—	196,700
Treasury stock	116	573	63	627

	Number of shares (Thousands of shares)			
	2026			
	April 1, 2025	Increase	Decrease	March 31, 2026
Issued shares:				
Common stock	196,700	—	—	196,700
Treasury stock	627	6	63	570

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 year ended March 31, 2025 and 2026.

Although the Company and its consolidated subsidiaries currently apply the separate tax filing system, the Company submitted an application for approval of the group tax sharing system during the current fiscal year. Consequently, the Company and certain consolidated subsidiaries will adopt the group tax sharing system starting from the next fiscal year. Furthermore, effective as of the end of the current fiscal year, the Company has applied the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (PITF No. 42, August 12, 2021) with respect to the accounting treatment and disclosure of tax effect accounting related to income taxes and local income taxes.

Significant components of the Groups' deferred tax assets and liabilities as of March 31, 2025 and 2026 were as follows:

	Millions of yen	
	2025	2026
Deferred tax assets:		
Tax loss carryforwards *2	19,552	24,175
Investment securities etc.	12,500	12,505
Impairment loss on fixed assets	11,593	11,911
Employee retirement benefit liability	12,101	11,542
Depreciation	4,344	5,263
Elimination of unrealized profit	4,197	4,515
Provision for bonuses	2,250	2,366
Valuation loss on fixed assets	1,663	1,725
Accrued enterprise taxes and accrued business office taxes	813	820
Loss on valuation of land caused by restructuring	809	816
Loss on valuation of inventories	107	166
Allowance for doubtful accounts	83	145
Allowance for loss on redemption of gift certificates outstanding	133	130
Provision for loss on liquidation	143	106
Others	8,503	8,874
Subtotal of deferred tax assets	78,798	85,065
Valuation allowance pertaining to tax loss carryforwards *2	(17,151)	(22,909)
Valuation allowance pertaining to deductible temporary difference etc.	(32,886)	(34,208)
Subtotal of less valuation allowance *1	(50,037)	(57,118)
Total deferred tax assets	28,760	27,947
Deferred tax liabilities:		
Net unrealized gains on available-for-sale securities	(10,583)	(14,613)
Gain on valuation of land caused by restructuring	(2,525)	(2,268)
Gain on valuation of investment securities	(2,144)	(9,115)
Deferred capital gains	(1,432)	(1,144)
Retained earnings	(743)	(742)
Trust for employee retirement benefits	(64)	(64)
Others	(4,028)	(3,705)
Total deferred tax liabilities	(21,522)	(31,654)
Net deferred tax assets	7,238	(3,706)

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 March 31, 2025 and 2026, valuation allowance was provided to reduce deferred tax assets to the amount management believed would be realizable.

*1 The valuation allowance increased by ¥7,080 million. This increase is primarily attributable to an increase in the valuation allowance related to tax loss carryforwards at certain consolidated subsidiaries.

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

At March 31, 2025	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	235	48	123	1,064	5,102	12,977	19,552
Valuation allowance	(235)	(48)	(123)	(1,055)	(4,005)	(11,683)	(17,151)
Deferred tax assets	—	—	—	9	1,096	1,294	*2 2,401

**1 Tax loss carryforwards are shown in the amount multiplied by the effective statutory tax rate.*
**2 Deferred tax assets of ¥2,401 million were booked for tax loss carryforwards ¥19,552 million (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 March 31, 2026	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	34	98	971	3,426	4,395	15,249	24,175
Valuation allowance	(34)	(94)	(948)	(2,921)	(4,005)	(14,856)	(22,909)
Deferred tax assets	—	4	23	505	340	392	*2 1,266

**1 Tax loss carryforwards are shown in the amount multiplied by the effective statutory tax rate.*
**2 Deferred tax assets of ¥1,266 million were booked for tax loss carryforwards ¥24,175 million (amount multiplied by the effective statutory tax rate). The main breakdown of the deferred tax assets pertained to tax loss carryforwards of consolidated subsidiaries, 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 March 31, 2025 and 2026, a reconciliation of the differences between the combined Japanese statutory tax rate and the effective income tax rate on pre-tax income reflected in the accompanying consolidated statements of income was as follows:

	Percentage of pre-tax income	
	2025	2026
Japanese statutory tax rate	30.6%	30.6%
Increase (decrease) due to:		
Permanently non-deductible expenses	0.3	0.5
Local minimum taxes per capita levy	0.8	1.2
Elimination of unrealized profit excluding income taxes	0.3	(0.4)
The deduction amount for tax loss carryforwards at certain subsidiaries	(1.9)	(1.9)
Permanently non-additional profit	(1.0)	(1.7)
Equity in net earnings of affiliates	(3.5)	(2.6)
Changes in valuation allowance	1.7	21.9
Adjustment of year-end deferred tax assets due to change in tax rate	(0.4)	—
Impact of the group tax sharing system	—	(4.6)
Gain on exchange of shares of affiliated companies	—	12.9
Gain on bargain purchase	(2.8)	—
Loss on step acquisitions	0.9	—
Impact of sale of shares of subsidiaries	—	(3.4)
Loss on valuation of shares of subsidiaries	—	(1.5)
Others	1.8	0.5
Effective income tax rate	26.8%	51.5%

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 2025:									
Railroad	97,910	-	-	-	-	-	97,910	-	97,910
Bus	38,099	-	-	-	-	-	38,099	-	38,099
Taxi	21,936	-	-	-	-	-	21,936	-	21,936
Truck	-	196,601	-	-	-	-	196,601	-	196,601
Maritime Transport	-	18,554	-	-	-	-	18,554	-	18,554
Real Estate Rental	-	-	18,997	-	-	-	18,997	-	18,997
Real Estate Condo Sales	-	-	66,159	-	-	-	66,159	-	66,159
Real Estate Management	-	-	15,519	-	-	-	15,519	-	15,519
Hotel	-	-	-	24,402	-	-	24,402	-	24,402
Tourist Facilities	-	-	-	20,634	-	-	20,634	-	20,634
Travel	-	-	-	58,184	-	-	58,184	-	58,184
Department Store	-	-	-	-	17,209	-	17,209	-	17,209
Other Goods Sold	-	-	-	-	52,159	-	52,159	-	52,159
Aviation Services	-	-	-	-	-	30,133	30,133	-	30,133
Equipment Maintenance	-	-	-	-	-	-	-	39,049	39,049
Others	-	-	-	-	-	-	-	20,436	20,436
Intersegment sales/transfers	(5,024)	(35,398)	(6,844)	(1,163)	(3,840)	(404)	(52,675)	(28,106)	(80,781)
Revenue from contracts with customers	152,922	179,757	93,831	102,057	65,529	29,729	623,827	31,380	655,207
Other earnings	4,020	-	22,576	-	-	-	26,597	8,915	35,512
Operating revenue to external customers	156,942	179,757	116,408	102,057	65,529	29,729	650,424	40,295	690,720

**"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 2026:									
Railroad	101,450	-	-	-	-	-	101,450	-	101,450
Bus	49,792	-	-	-	-	-	49,792	-	49,792
Taxi	23,506	-	-	-	-	-	23,506	-	23,506
Truck	-	189,410	-	-	-	-	189,410	-	189,410
Maritime Transport	-	18,673	-	-	-	-	18,673	-	18,673
Real Estate Rental	-	-	19,652	-	-	-	19,652	-	19,652
Real Estate Condo Sales	-	-	44,825	-	-	-	44,825	-	44,825
Real Estate Management	-	-	16,008	-	-	-	16,008	-	16,008
Hotel	-	-	-	25,842	-	-	25,842	-	25,842
Tourist Facilities	-	-	-	22,381	-	-	22,381	-	22,381
Travel	-	-	-	59,317	-	-	59,317	-	59,317
Department Store	-	-	-	-	18,081	-	18,081	-	18,081
Other Goods Sold	-	-	-	-	52,127	-	52,127	-	52,127
Aviation Services	-	-	-	-	-	32,980	32,980	-	32,980
Equipment Maintenance	-	-	-	-	-	-	-	38,237	38,237
Others	-	-	-	-	-	-	-	22,420	22,420
Intersegment sales/transfers	(5,102)	(37,723)	(7,143)	(1,384)	(4,361)	(345)	(56,059)	(29,307)	(85,367)
Revenue from contracts with customers	169,647	170,360	73,342	106,156	65,848	32,635	617,991	31,350	649,341
Other earnings	5,683	-	26,988	-	-	-	32,672	9,570	42,242
Operating revenue to external customers	175,331	170,360	100,331	106,156	65,848	32,635	650,663	40,920	691,583

**"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 over 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	
	April 1, 2024 -March 31, 2025	April 1, 2025 -March 31, 2026
Receivables from contracts with customers (balance at beginning of period)		
Notes receivable	4,333	3,061
Accounts receivable	55,010	63,347
Receivables from contracts with customers (balance at end of period)		
Notes receivable	3,061	2,705
Accounts receivable	63,347	63,261
Contract assets (balance at beginning of period)	2,894	3,269
Contract assets (balance at end of period)	3,269	3,505
Contract liabilities (balance at beginning of period)	25,629	24,942
Contract liabilities (balance at end of period)	24,942	21,355

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 March 31, 2025, 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 ¥17,989 million.

For the year ended March 31, 2026, 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 ¥17,687 million.

(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 March 31, 2025 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 2025:										
Operating revenues:										
External customers	156,942	179,757	116,408	102,057	65,529	29,729	40,295	690,720	-	690,720
Intersegment sales/transfers	2,882	425	12,620	625	3,583	52	27,678	47,867	(47,867)	-
Total	159,825	180,183	129,028	102,682	69,112	29,781	67,973	738,587	(47,867)	690,720
Segment income (loss)	19,602	(3,721)	18,947	2,546	(1,292)	2,266	4,622	42,971	(895)	42,076
Segment assets	573,396	141,236	424,888	33,710	34,078	37,892	88,982	1,334,186	114,722	1,448,908
Other material items:										
Depreciation	18,666	8,316	6,196	1,232	1,427	2,703	3,881	42,425	(601)	41,824
Amortization of goodwill	-	-	31	37	115	-	81	266	-	266
Impairment loss on fixed assets	176	1,065	240	256	472	-	25	2,236	-	2,236
Increase in property and equipment and intangible assets	35,504	10,164	60,994	2,347	1,802	5,103	5,539	121,455	-	121,455

**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 ¥ (895) million was treated as intersegment elimination.
(2) Segment assets adjustment amounting to ¥114,722 million consisted of unallocated general corporate assets amounting to ¥157,069 million, net of intersegment elimination of ¥ (42,347) million. Such general corporate assets consisted mainly of cash, deposits and investment securities.
(3) Depreciation adjustment amounting to ¥ (601) 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 March 31, 2026 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 2026:										
Operating revenues:										
External customers	175,331	170,360	100,331	106,156	65,848	32,635	40,920	691,583	-	691,583
Intersegment sales/transfers	2,941	397	14,448	622	3,786	-	28,664	50,861	(50,861)	-
Total	178,272	170,758	114,779	106,779	69,635	32,635	69,584	742,445	(50,861)	691,583
Segment income (loss)	21,803	(7,711)	13,573	3,429	(1,900)	2,583	5,340	37,118	(932)	36,185
Segment assets	614,540	139,088	510,018	36,054	26,564	43,817	99,546	1,469,630	115,211	1,584,842
Other material items:										
Depreciation	21,054	8,592	7,699	1,280	1,383	2,943	4,025	46,978	(462)	46,516
Amortization of goodwill	-	-	26	37	115	-	81	261	-	261
Impairment loss on fixed assets	410	1,007	2,780	147	809	-	284	5,440	-	5,440
Increase in property and equipment and intangible assets	44,418	11,802	82,362	2,503	992	9,238	4,662	155,980	-	155,980

**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 ¥(932) million was treated as intersegment elimination.
(2) Segment assets adjustment amounting to ¥115,211 million consisted of unallocated general corporate assets amounting to ¥159,806 million, net of intersegment elimination of ¥(44,595) million. Such general corporate assets consisted mainly of cash, deposits and investment securities.
(3) Depreciation adjustment amounting to ¥(462) 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 in each reporting segment

	Traffic	Transport	Real Estate	Leisure and Services	Distribution	Aviation Services	Others	Eliminations	Consolidated
	Millions of yen								
Balance of goodwill:									
At March 31, 2025	—	—	—	47	854	—	1,125	—	2,027
At March 31, 2026	—	—	1,997	9	—	—	1,043	—	3,051

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

(5) Information on gain on bargain purchase in each reporting segment

- Consolidated fiscal year ended March 31, 2025

In the “Transport” business, a gain on bargain purchase was recorded due to the acquisition of shares of NX Transport Co., Ltd. on April 1, 2024, which was included in the scope of consolidation, and the succession of the Combined Delivery Service Business of Nippon Express Co., Ltd. on January 1, 2025. The amount of the gain on bargain purchase is ¥1,224 million. Since the gain on bargain purchase is included in extraordinary income, it is not included in segment income (loss).

In the “Traffic” business, a gain on bargain purchase was recorded due to the additional acquisition of Miyagi Transportation Co., Ltd. on March 31, 2025, and the inclusion of the company and its four subsidiaries in the scope of consolidation. The amount of the gain on bargain purchase is ¥3,531 million. Since the gain on bargain purchase is included in extraordinary income, it is not included in segment income (loss).

- Consolidated fiscal year ended March 31, 2026

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 and tax effects for each component of other comprehensive income for the years ended March 31, 2025 and 2026 were as follows.

	Millions of yen	
	2025	2026
Net unrealized gains and losses on available-for-sale securities, net of taxes:		
Amount arising during the year	1,733	15,229
Reclassification adjustments	(6,194)	(2,421)
Subtotal, before tax and tax effect	(4,460)	12,808
The amount of tax and tax effect	1,081	(4,030)
Subtotal, net of tax	(3,378)	8,778
Deferred gains and losses on hedges, net of taxes:		
Amount arising during the year	(46)	624
Reclassification adjustments	(378)	(90)
Subtotal, before tax and tax effect	(424)	533
The amount of tax and tax effect	146	(189)
Subtotal, net of tax	(278)	344
Land revaluation increments, net of taxes:		
The amount of tax and tax effect	(1,517)	(85)
Subtotal, net of tax	(1,517)	(85)
Foreign currency translation adjustments		
Amount arising during the year	22	(0)
Reclassification adjustments	—	—
Subtotal, before tax and tax effect	22	(0)
The amount of tax and tax effect	—	—
Subtotal, net of tax	22	(0)
Retirement benefit adjustments		
Amount arising during the year	1,627	942
Reclassification adjustments	(318)	(710)
Subtotal, before tax and tax effect	1,308	232
The amount of tax and tax effect	(465)	6
Subtotal, net of tax	842	238
Share of other comprehensive income of affiliates accounted for using the equity method:		
Amount arising during the year	535	626
Reclassification adjustments	(90)	(1,990)
Subtotal	444	(1,361)
Total other comprehensive income	(3,864)	7,913

17. Supplemental information to consolidated statements of cash flows

(a) Components of cash and cash equivalents at end of the year that were in the consolidated balance sheet

	Millions of yen	
	2025	2026
Cash and deposits	58,637	57,291
Time deposits with maturities of more than three months	(2,144)	(510)
Cash and cash equivalents	56,493	56,780

(b) Major breakdown of assets and liabilities of the company newly consolidated as a result of share acquisition

- Consolidated fiscal year ended March 31, 2025

The breakdown of assets and liabilities at the time of consolidation, as well as the relationship between the acquisition price of NX Transport Co., Ltd. shares and the net proceeds from the acquisition, due to NX Transport Co., Ltd. becoming a consolidated subsidiary through the acquisition of shares by Meitetsu Transportation Co., Ltd., a consolidated subsidiary of the Company, were as follows:

	Millions of yen
	2025
Current assets	5,796
Non-current assets	8,309
Current liabilities	(8,950)
Non-current liabilities	(3,335)
Gain on bargain purchase	(1,210)
Non-controlling interests	(610)
Acquisition price of shares	0
Cash and cash equivalents	(12)
Net proceeds from acquisition	(12)

In addition, the breakdown of assets and liabilities at the time of consolidation due to the new consolidation of Miyagi Transportation Co., Ltd. and its four subsidiaries through the acquisition of shares by the Company, as well as the relationship between the acquisition price of Miyagi Transportation Co., Ltd. shares and the net proceeds from the acquisition were as follows:

	Millions of yen
	2025
Current assets	4,025
Non-current assets	11,984
Current liabilities	(3,935)
Non-current liabilities	(4,542)
Gain on bargain purchase	(3,531)
Non-controlling interests	(1,496)
Valuation of interests until acquisition of control	(2,953)
Loss on step acquisitions	1,530
Acquisition price of shares	1,082
Cash and cash equivalents	(2,473)
Net proceeds from acquisition	(1,391)

- Consolidated fiscal year ended March 31, 2026

None

(c) Significant non-cash transactions

- Consolidated fiscal year ended March 31, 2025

  On August 21, 2024, Meitetsu Transportation Co., Ltd., a consolidated subsidiary of the Company, entered into an absorption-type split agreement to take over the Combined Delivery Service Business from Nippon Express Co., Ltd. through an absorption-type split with the shares of Meitetsu Transportation Co., Ltd. as consideration, and took over the business on January 1, 2025.

  In addition, the increase in capital surplus due to the issuance of shares by Meitetsu Transportation Co., Ltd. to Nippon Express Co., Ltd. as consideration for the absorption-type split was as follows:

  Increase in capital surplus due to issuance of new shares　¥6,000 million

- Consolidated fiscal year ended March 31, 2026

  None

18. Subsequent events

Changes to Reportable Segments

The Company has changed its reportable segments effective from the beginning of the fiscal year ending March 31, 2027, for the purpose of eliminating the fragmentation of segment classifications and providing clearer information disclosure that better reflects actual conditions, based on the positioning of each business for the growth of the entire Group.

Accordingly, the previous seven segments—the Traffic business, Transport business, Real Estate business, Leisure and Services business, Distribution business, Aviation Services business, and Other businesses—will be changed to the following five segments: the Traffic business, Transport business, Real Estate business, Leisure and Lifestyle Services business, and Aviation, IT and Engineering Services business.

Furthermore, information regarding operating revenue and profit or loss for each reportable segment for the current consolidated fiscal year ended March 31, 2026, based on the segment classifications after the change, is as follows.

	Reportable segments							Consolidated financial statements
	Traffic	Transport	Real Estate	Leisure and Lifestyle Services	Aviation, IT and Engineering Services	Total	Adjustments *(*1)*	*(*2)*
	Millions of yen							
For the year 2026:								
Operating revenues:	178,272	170,758	114,779	199,503	78,290	741,604	(50,020)	691,583
Segment income (loss)	21,803	(7,711)	13,573	2,658	6,786	37,111	(925)	36,185

**1) Segment income (loss) adjustment amounting to ¥ (925) million was treated as intersegment elimination.*

**2) Segment income (loss) was reconciled to operating income in the accompanying consolidated statements of income.*

19. Related party information

(a) Related party transactions

(1) Transactions between the Company and its related parties
-Consolidated fiscal years ended March 31, 2025 and 2026.
None

(2) Transactions between the consolidated subsidiaries of the Company and related parties
(i) Non-consolidated subsidiaries and affiliates of the Company

Significant related party transaction for the year ended March 31, 2025 was as follows:

(millions of yen)

Type	Name of company	Location	Share capital or investments in capital	Description of business or occupation	Ratio of voting rights holding (%)	Relationship with the related party	Summary of transaction	Transaction amount	Account	Balance at end of period
Non-consolidated subsidiary	O·T·1 Special Purpose Company	Chiyoda-ku, Tokyo	40	Operations related to liquidation of assets	(Holding) Indirect: 100.00	Acquisition of beneficial interests in trust	Acquisition of beneficial interests in trust	34,098	-	-

Note: Transaction amount is determined based on real estate appraisals.

-Consolidated fiscal year ended March 31, 2026
None

(ii) Directors and major shareholders (limited to individuals) of the Company
-Consolidated fiscal year ended March 31, 2025 and 2026
None

(b) Notes on the parent company and significant affiliates
-Consolidated fiscal years ended March 31, 2025 and 2026.
None