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

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

We have audited the accompanying consolidated financial statements of Nagoya Railroad Co., Ltd. (the "Company") and its consolidated subsidiaries, which comprise the consolidated balance sheets as at 31 March 2017 and 2018, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as at 31 March 2017 and 2018, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended 31 March 2018 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 of the Notes to Consolidated Financial Statements.

KPMG AZSA LLC
27 July, 2018
Nagoya, Japan

Nagoya Railroad Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheets

31 March 2017 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2018	2018
ASSETS			
Current assets:			
Cash and cash equivalents (Note 3)	¥ 21,944	¥ 30,855	$ 291,085
Short-term investments (Notes 3 and 4)	759	734	6,925
Trade notes and accounts receivable (Note 3)	57,828	57,808	545,358
Inventories (Note 5)	70,284	70,647	666,481
Deferred tax assets (Note 14)	4,241	4,010	37,830
Others	18,325	18,282	172,472
Less allowance for doubtful accounts	(323)	(290)	(2,736)
Total current assets	173,058	182,046	1,717,415
Property and equipment: (Notes 6, 7 and 8)			
Land	361,851	362,632	3,421,056
Buildings and structures	683,926	691,180	6,520,566
Machinery, equipment and vehicles	314,249	323,094	3,048,057
Other properties	62,283	68,962	650,585
Construction in progress	33,583	41,167	388,368
	1,455,892	1,487,035	14,028,632
Less accumulated depreciation	(676,977)	(697,732)	(6,582,377)
Property and equipment, net	778,915	789,303	7,446,255
Investments and other assets:			
Investment securities (Notes 3 and 4)	73,181	80,477	759,217
Investments in unconsolidated subsidiaries and affiliates (Note 3)	33,157	35,656	336,377
Deferred tax assets (Note 14)	11,913	9,907	93,462
Intangible assets	9,157	8,804	83,057
Other assets	16,386	16,696	157,509
Allowance for doubtful accounts	(1,884)	(1,828)	(17,245)
Total investments and other assets	141,910	149,712	1,412,377
Total assets	¥ 1,093,883	¥ 1,121,061	$ 10,576,047

See Notes to Consolidated Financial Statements.

Nagoya Railroad Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheets

31 March 2017 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2018	2018
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term borrowings (Notes 3 and 8)	¥ 20,790	¥ 22,500	$ 212,264
Current portion of long-term debt (Notes 3 and 8)	79,673	55,867	527,047
Trade notes and accounts payable (Note 3)	71,411	69,163	652,481
Accrued expenses	15,424	15,669	147,821
Income taxes payable	9,158	9,138	86,208
Provisions	2,257	2,137	20,160
Other current liabilities	80,247	85,213	803,896
Total current liabilities	278,960	259,687	2,449,877
Non-current liabilities:			
Long-term debt (Notes 3 and 8)	344,138	348,003	3,283,047
Accrued retirement benefits for directors and corporate auditors	1,699	1,324	12,491
Deferred tax liabilities (Note 14)	4,196	4,230	39,906
Deferred tax liabilities for land revaluation	56,672	56,752	535,396
Provisions	13,135	12,880	121,509
Employee retirement benefit liability (Note 9)	34,315	30,719	289,802
Other non-current liabilities	17,955	17,910	168,962
Total non-current liabilities	472,110	471,818	4,451,113
Total liabilities	751,070	731,505	6,900,990
Contingent liabilities (Notes 10 and 11)			
Net assets:			
Shareholders' equity : (Notes 13 and 17)			
Common stock: authorised - 360,000 thousand shares issued - 183,955 thousand shares at 31 March 2017 and 190,467 thousand shares at 31 March 2018	88,864	95,149	897,632
Capital surplus	23,156	29,270	276,132
Retained earnings	93,165	117,154	1,105,226
Treasury stock - at cost: 125 thousand shares at 31 March 2017 and 27 thousand shares at 31 March 2018	(271)	(30)	(283)
Total shareholders' equity	204,914	241,543	2,278,707
Accumulated other comprehensive income (loss):			
Net unrealised gains on available-for-sale securities	23,908	28,922	272,849
Deferred gains and losses on hedges	(197)	120	1,132
Land revaluation increment	88,835	88,698	836,774
Foreign currency translation adjustments	(13)	(17)	(160)
Retirement benefit adjustments	(1,127)	1,074	10,132
Total accumulated other comprehensive income (loss)	111,406	118,797	1,120,727
Non-controlling interests	26,493	29,216	275,623
Total net assets	342,813	389,556	3,675,057
Total liabilities and net assets	¥ 1,093,883	¥ 1,121,061	$ 10,576,047

＊The company's common stock was consolidated at the ratio of 5 shares to 1 share with an effective date of 1 October 2017. Accordingly, the number of shares of common stock and the number of shares of treasury stock were calculated based on the assumption that the share consolidation was conducted at the beginning of the fiscal year ended 31 March 2017.

Nagoya Railroad Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Income

For the Years Ended 31 March 2017 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2018	2018
Operating revenues (Note 15)	¥ 599,570	¥ 604,804	$ 5,705,698
Operating expenses			
Transportation, other services and cost of sales	503,422	505,776	4,771,472
Selling, general and administrative expenses	51,967	52,051	491,047
Total operating expenses	555,389	557,827	5,262,519
Operating income	44,181	46,977	443,179
Other income (expenses):			
Interest and dividend income	1,448	1,614	15,226
Interest expense	(4,151)	(3,728)	(35,170)
Equity in net earnings of affiliates	2,822	2,926	27,604
Impairment loss on fixed assets (Note 6)	(4,174)	(3,907)	(36,858)
Gain (loss) on sale or disposition of property and equipment, net	(1,187)	197	1,858
Gain on contributions for construction (Note 2(k))	945	976	9,208
Loss on reduction of property and equipment (Note 2(k))	(703)	(890)	(8,396)
Provision for loss on liquidation	(4,986)	(915)	(8,632)
Others, net	2,747	2,167	20,443
Other income (expenses), net	(7,239)	(1,560)	(14,717)
Profit before income taxes	36,942	45,417	428,462
Income taxes:			
Current	13,128	15,407	145,349
Deferred	(1,978)	(1,377)	(12,991)
Total income taxes	11,150	14,030	132,358
Profit	25,792	31,387	296,104
Profit attributable to:			
Owners of the parent	23,433	28,692	270,679
Non-controlling interests	2,359	2,695	25,425
Total profit	¥ 25,792	¥ 31,387	$ 296,104
Per share:			
Net income:			
- Basic	¥ 127.46	¥ 155.04	$ 1.46
- Diluted	111.31	136.31	1.28
Cash dividends	5.00	27.50	0.26

＊The company's common stock was consolidated at the ratio of 5 shares to 1 share with an effective date of 1 October 2017. Accordingly, the net income per share-basic and the net income per share-diluted were calculated based on the assumption that the share consolidation was conducted at the beginning of the fiscal year ended 31 March 2017. The cash dividend per share for the fiscal year ended 31 March 2018 was calculated based on the number of shares after the share consolidation.

See Notes to Consolidated Financial Statements.

Nagoya Railroad Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Comprehensive Income

For the Years Ended 31 March 2017 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2018	2018
Profit	¥ 25,792	¥ 31,387	$ 296,104
Other comprehensive income: (Note 16)			
Net unrealised gains and losses on available-for-sale securities	3,515	5,094	48,057
Deferred gains and losses on hedges	430	338	3,189
Land revaluation increment	14	(175)	(1,651)
Foreign currency translation adjustments	(4)	(4)	(38)
Retirement benefit adjustments	2,583	2,322	21,905
Share of other comprehensive income of affiliates accounted for using the equity method	153	36	340
Total other comprehensive income	6,691	7,611	71,802
Comprehensive income	¥ 32,483	¥ 38,998	$ 367,906
Comprehensive income attributable to:			
Owners of the parent	¥ 29,913	¥ 36,048	$ 340,076
Non-controlling interests	2,570	2,950	27,830
Total comprehensive income	¥ 32,483	¥ 38,998	$ 367,906

See Notes to Consolidated Financial Statements.

Nagoya Railroad Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Changes in Net Assets

For the Years Ended 31 March 2017 and 2018

		Shareholders' equity					Accumulated other comprehensive income							
	Number of shares of common stock issued	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealised gains on available-for-sale securities	Deferred gains and losses on hedges	Land revaluation increment	Foreign currency translation adjustments	Retirement benefit adjusuments	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
	Thousands	Millions of yen												
Balance as of 1 April 2016	183,955	¥ 88,864	¥ 23,042	¥ 80,615	¥ (170)	¥ 192,351	¥ 20,355	¥ (615)	¥ 82,538	¥ (9)	¥ (3,628)	¥ 98,641	¥ 22,556	¥ 313,548
Profit attributable to owners of the parent	—	—	—	23,433	—	23,433	—	—	—	—	—	—	—	23,433
Issuance of new shares	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Cash dividends	—	—	—	(4,597)	—	(4,597)	—	—	—	—	—	—	—	(4,597)
Reversal for land revaluation increment	—	—	—	(6,285)	—	(6,285)	—	—	—	—	—	—	—	(6,285)
Transfer from retained earnings to capital surplus	—	—	1	(1)	—	—	—	—	—	—	—	—	—	—
Issuance of treasury stock upon conversion of convertible bonds and other, net of fractional shares acquired	—	—	(2)	—	(101)	(103)	—	—	—	—	—	—	—	(103)
Change in ownership interest of parent related to transactions with non-controlling interests	—	—	115	—	—	115	—	—	—	—	—	—	—	115
Net changes in items other than shareholders' equity for the year	—	—	—	—	—	—	3,553	418	6,297	(4)	2,501	12,765	3,937	16,702
Balance as of 31 March 2017	183,955	88,864	23,156	93,165	(271)	204,914	23,908	(197)	88,835	(13)	(1,127)	111,406	26,493	342,813
Profit attributable to owners of the parent	—	—	—	28,692	—	28,692	—	—	—	—	—	—	—	28,692
Issuance of new shares	6,512	6,285	6,285	—	—	12,570	—	—	—	—	—	—	—	12,570
Cash dividends	—	—	—	(4,596)	—	(4,596)	—	—	—	—	—	—	—	(4,596)
Reversal for land revaluation increment	—	—	—	(36)	—	(36)	—	—	—	—	—	—	—	(36)
Transfer from retained earnings to capital surplus	—	—	71	(71)	—	—	—	—	—	—	—	—	—	—
Issuance of treasury stock upon conversion of convertible bonds and other, net of fractional shares acquired	—	—	(71)	—	241	170	—	—	—	—	—	—	—	170
Change in ownership interest of parent related to transactions with non-controlling interests	—	—	(171)	—	—	(171)	—	—	—	—	—	—	—	(171)
Net changes in items other than shareholders' equity for the year	—	—	—	—	—	—	5,014	317	(137)	(4)	2,201	7,391	2,723	10,114
Balance as of 31 March 2018	190,467	¥ 95,149	¥ 29,270	¥ 117,154	¥ (30)	¥ 241,543	¥ 28,922	¥ 120	¥ 88,698	¥ (17)	¥ 1,074	¥ 118,797	¥ 29,216	¥ 389,556

＊The Company has conducted a share consolidation at the ratio of 5 shares to 1 share effective October 1, 2017.
Accordingly, "Number of shares of common stock issued " has been calculated on the assumption that the share consolidation was conducted at the beginning of FY 2017.

	Shareholders' equity					Accumulated other comprehensive income							
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealised gains on available-for-sale securities	Deferred gains and losses on hedges	Land revaluation increment	Foreign currency translation adjustments	Retirement benefit adjusuments	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
	Thousands of U.S. dollars (Note 1)												
Balance as of 1 April 2017	$ 838,340	$ 218,453	$ 878,915	$ (2,557)	$ 1,933,151	$ 225,547	$ (1,858)	$ 838,066	$ (123)	$ (10,632)	$ 1,051,000	$ 249,934	$ 3,234,085
Profit attributable to owners of the parent	—	—	270,679	—	270,679	—	—	—	—	—	—	—	270,679
Issuance of new shares	59,292	59,292	—	—	118,584	—	—	—	—	—	—	—	118,584
Cash dividends	—	—	(43,358)	—	(43,358)	—	—	—	—	—	—	—	(43,358)
Reversal for land revaluation increment	—	—	(340)	—	(340)	—	—	—	—	—	—	—	(340)
Transfer from retained earnings to capital surplus	—	670	(670)	—	—	—	—	—	—	—	—	—	—
Issuance of treasury stock upon conversion of convertible bonds and other, net of fractional shares acquired	—	(670)	—	2,274	1,604	—	—	—	—	—	—	—	1,604
Change in ownership interest of parent related to transactions with non-controlling interests	—	(1,613)	—	—	(1,613)	—	—	—	—	—	—	—	(1,613)
Net changes in items other than shareholders' equity for the year	—	—	—	—	—	47,302	2,990	(1,292)	(37)	20,764	69,727	25,689	95,416
Balance as of 31 March 2018	$ 897,632	$ 276,132	$ 1,105,226	$ (283)	$ 2,278,707	$ 272,849	$ 1,132	$ 836,774	$ (160)	$ 10,132	$ 1,120,727	$ 275,623	$ 3,675,057

See Notes to Consolidated Financial Statements.

Nagoya Railroad Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows(Note 17)

For the Years Ended 31 March 2017 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2018	2018
Cash flows from operating activities:			
Profit before income taxes	¥ 36,942	¥ 45,417	$ 428,462
Adjustments for:			
Depreciation and amortisation	38,748	38,906	367,038
Impairment loss on fixed assets	4,174	3,907	36,858
Loss (gain) on sale or disposition of property and equipment, net	1,371	(210)	(1,981)
Gain on contributions for construction	(945)	(976)	(9,208)
(Decrease) increase in employee retirement benefit liability	664	(139)	(1,311)
Decrease (increase) in trade notes and accounts receivable	(2,494)	358	3,377
Decrease (increase) in inventories	(8,018)	1,925	18,160
Decrease in trade notes and accounts payable	(345)	(2,838)	(26,774)
Others, net	3,724	(3,703)	(34,933)
Subtotal	73,821	82,647	779,688
Interest and dividends received	2,010	2,186	20,623
Interest paid	(4,225)	(3,777)	(35,632)
Income taxes paid	(10,886)	(15,124)	(142,679)
Net cash provided by operating activities	60,720	65,932	622,000
Cash flows from investing activities:			
Purchases of property and equipment	(46,820)	(50,315)	(474,670)
Proceeds from sales of property and equipment	2,389	2,609	24,613
Proceeds for contributions for construction	6,124	7,059	66,594
Purchases of investments securities	(1,922)	(232)	(2,189)
Proceeds from sales or redemptions of investment securities	1,016	841	7,934
Collections of loans receivable	723	366	3,453
Others, net	(179)	(614)	(5,792)
Net cash used in investing activities	(38,669)	(40,286)	(380,057)
Cash flows from financing activities:			
Increase in long-term debt	53,365	65,386	616,849
Repayment of long-term debt	(61,796)	(79,366)	(748,736)
Net (decrease) increase in short-term borrowings	(5,345)	2,120	20,000
Dividends paid to shareholders	(4,592)	(4,593)	(43,330)
Dividends paid to minority shareholders	(189)	(218)	(2,057)
Others, net	1,531	(61)	(575)
Net cash used in financing activities	(17,026)	(16,732)	(157,849)
Effect of exchange rate changes on cash and cash equivalents	(3)	(3)	(28)
Net increase in cash and cash equivalents	5,022	8,911	84,066
Cash and cash equivalents at beginning of year	16,922	21,944	207,019
Cash and cash equivalents at end of year	¥ 21,944	¥ 30,855	$ 291,085

See Notes to Consolidated Financial Statements.

1. Basis of consolidated financial statements

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

The accompanying consolidated financial statements have been restructured and translated into English from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Japanese Financial Instruments and Exchange Act. In preparing these consolidated financial statements, certain reclassifications have been made to the consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan. Certain supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements. In addition, certain comparative figures have been reclassified to conform to the current year's presentation.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan, using the approximate exchange rate prevailing at 31 March 2018, which was ¥106 to U.S. $1.00. Such translations should not be construed as a representation that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2. Summary of significant accounting policies

(a) Basis of consolidation

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

The difference between the acquisition cost of investments in subsidiaries and the underlying equity in the net assets, adjusted based on the fair value at the time of acquisition, is principally deferred as goodwill and amortised on a straight-line basis principally over ten years. At 31 March 2017 and 2018, goodwill of ¥921 million and ¥1,452 million ($13,698 thousand), respectively, were included in intangible assets in the accompanying consolidated balance sheets.

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

The number of consolidated subsidiaries, unconsolidated subsidiaries and affiliated companies for the years ended 31 March 2017 and 2018 were as follows.

	2017	2018
Consolidated subsidiaries	123	119
Unconsolidated subsidiaries accounted for using the equity method	—	—
Affiliated companies accounted for using the equity method	15	16
Unconsolidated subsidiaries stated at cost	7	8
Affiliated companies stated at cost	12	11

At both 31 March 2017 and 2018, the fiscal year-end dates of six consolidated subsidiaries differed from the consolidated fiscal year-end date of the Company, which is 31 March. Because the difference in year-end dates was not more than three months, the Company has consolidated the subsidiaries' accounts as of each of their year-end dates. Significant transactions for the period between each of such subsidiaries fiscal year-end dates and the Company's year-end date have been adjusted on consolidation. In the fiscal year ended 31 March 2018, two of the consolidated subsidiaries changed their fiscal years, resulting in a change in the fiscal year-end date from the end of February to the end of March. As a result, the consolidated financial statements for the fiscal year ended 31 March 2018 included the financial information of the two consolidated subsidiaries for a 13-month period ended 31 March 2018.

(b) Cash equivalents

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

(c) Investments and marketable securities

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

(d) Accounting for derivatives

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

(e) Inventories

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

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

(1) Merchandise and finished goods: principally by the retail inventory method or the specific identification method;
(2) Work in process: principally by the specific identification method
(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 amortised using the straight-line method. Software for internal use is amortised using the straight-line method over the estimated useful life.

(h) Leases

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

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

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

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

(i) Impairment of fixed assets

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

(j) Land revaluation

In accordance with the Act on Revaluation of Land in Japan, the Company, nine consolidated subsidiaries (Toyohashi Railroad Co., Ltd., Gifu Bus Co., Ltd., Meitetsu Transportation Co., Ltd., Meitetsu Real Estate Development Co., Ltd., Meitetsu Building Administration Co., Ltd., MEITETSU DEPARTMENT STORE CO., LTD., Ishikawa Hire & Taxi Co., Ltd., Kanazawa Meitetsu Marukoshi Department Store Co., Ltd. and Meitetsu Kyosho Co., Ltd.) and one affiliated company accounted for using the equity method (Yahagi Construction Co., Ltd.) elected the one-time revaluation option to restate the cost of land used for business at a reassessed value, effective as of the respective fiscal year-end date between 31 March 2000 and 31 March 2002, based on adjustments for land shape and other factors and appraised values issued by the Japanese National Tax Agency or by municipal property tax bases. According to the law, an amount equivalent to the tax effect on the difference between the original carrying value and the reassessed value has been recorded as deferred tax liabilities for land revaluation account. The remaining difference, net of the tax effect and non-controlling interests portion, has been recorded in land revaluation increment as a component of accumulated other comprehensive income in the accompanying consolidated balance sheets.

The difference between the carrying value of land used for business after reassessment over the market value at the respective fiscal year-end of the Company and nine consolidated subsidiaries amounted to ¥9,068 million and ¥9,092 million ($85,774thousand) at 31 March 2017 and 2018, respectively. The differences in the Company, Meitetsu Real Estate Development Co., Ltd., Meitetsu Kyosho Co., Ltd. and Kanazawa Meitetsu Marukoshi Department Store Co., Ltd. at 31 March 2017 and at 31 March 2018 were not included in the amount at the respective fiscal year-end because the market value was higher than the carrying value of the revaluated lands. The difference between the carrying value of land used for business after reassessment over the market value at the respective fiscal year-end date for the affiliated company accounted for using the equity method amounted to ¥965 million and ¥933 million ($8,802thousand) at 31 March 2017 and 2018, respectively.

(k) Contributions for construction work

In connection with construction related to railroad facilities, such as construction involving grade separations and the widening of railroad crossings, the Company and a certain consolidated subsidiary may receive contributions from the Japanese national government, local governments and/or other corporations to pay for part of the cost of construction. Such contributions are recognised as other income in the accompanying consolidated statements of income. An amount corresponding to such contributions is directly deducted from the acquisition costs of the related assets upon completion of construction, and the deducted amount is recognised as other expenses in the consolidated statements of income. At 31 March 2017 and 2018, cumulative contributions amounting to ¥175,993 million and ¥176,593 million ($1,665,972 thousand), respectively, were deducted from the acquisition costs of property and equipment for the railroad business.

(l) Allowance for doubtful accounts

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

(m) Employee retirement benefit liability

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

Actuarial differences arising from changes in the projected benefit obligation or the value of pension plan assets from the amounts assumed and from changes in the assumptions themselves are amortised principally on a straight-line basis over one to ten years, a specific period not exceeding the average remaining service period of employees, from the year following the year in which they arise. Past service cost is amortised principally on a straight-line basis over ten years, a specific period not exceeding the average remaining service period of the employees, from the year in which it occurs. In calculating retirement benefits obligations, the benefit formula basis is used to attribute the expected benefit attributable to the respective fiscal year.

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

(n) Accrued retirement benefits for directors and corporate auditors

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

(o) Provisions

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

(i) Provision for loss on liquidation

A provision for loss on liquidation is provided at the estimated amount of losses at the balance sheet date. At 31 March 2017 and 2018, the following amounts were included in "Provisions" in the accompanying consolidated balance sheets.

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Provision in:			
Current liabilities	¥363	¥175	$1,651
Non-current liabilities	11,292	11,224	105,887
Total	¥11,655	¥11,399	$107,538

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

An allowance for loss on collection of gift certificates outstanding issued by certain consolidated subsidiaries is provided to cover for losses due to future use of shopping coupons, travel gift coupons and similar coupons by customers. Such allowance is provided for the non-accrual of liabilities based on past experience plus estimated loss amounts. At 31 March 2017 and 2018, the following amounts were included in "Provisions" in the accompanying consolidated balance sheets.

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Provision in:			
Current liabilities	¥1,815	¥1,844	$17,396
Non-current liabilities	401	412	3,887
Total	¥2,216	¥2,256	$21,283

(p) Translation of foreign currency accounts

Receivables, payables and securities, other than stocks of subsidiaries, are translated into Japanese yen at exchange rates at the fiscal year-end. For financial statement items of the overseas consolidated subsidiaries, all asset and liability accounts and all income and expense accounts are translated at the exchange rate in effect at the respective fiscal year-end. Translation differences, after allocating portions attributable to 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.

(q) Revenue recognition for the construction business

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

(r) Bond issue costs

Bond issue costs are charged to income as incurred.

(s) Income taxes

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

(t) Enterprise taxes

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

(u) Consumption taxes

For the years ended 31 March 2017 and 2018, consumption taxes were levied in Japan on the domestic sale of goods and services at a rate of 8%. Consumption taxes are excluded from revenue and expense amounts.

(v) Per share information

Basic net income per share is based on the weighted average number of shares of common stock outstanding during the respective year, retroactively adjusted for stock splits. Unless there is an anti-dilutive effect, diluted net income per share is calculated to reflect the potential dilution assuming that all convertible bonds are converted at the time of issue.

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

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

(Implementation Guidelines on Accounting Standards for Tax Effect Accounting , etc.)

・Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28, 16 February 2018, Accounting Standards Board of Japan)
・Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, 16 February 2018, Accounting Standards Board of Japan)

(1) Outline:
The above guidance was revised in regard to the treatments for taxable temporary differences for investments in subsidiaries within the context of non-consolidated financial statements, and to clarify the treatments in determining recoverability of deferred tax assets in a company which was categorized as 'Type1' according to the guidance.

(2) Effective date:
The above guidance will become effective from the beginning of the fiscal year ending on 31 March 2019.

(3) Effects of adoption of the implementation guidance:
The Company and its consolidated subsidiaries are currently in the process of determining the effects of the above guidance on the consolidated financial statements.

(Accounting Standards for Revenue Recognition , etc.)

- ・Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, 30 March 2018, Accounting Standards Board of Japan)
- ･Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, 30 March 2018, Accounting Standards Board of Japan)

(1) Outline:

The International Accounting Standards Board (IASB) and US Financial Accounting Standards Board (FASB) co-developed a new comprehensive revenue recognition standard and published "Revenue from Contracts with Customers" in May 2014 (IFRS 15 by IASB, Topic 606 by FASB). Considering IFRS 15 will be adopted from the fiscal year beginning on or after 1 January 2018 and Topic 606 from the fiscal year beginning after 15 December 2017, the Accounting Standards Board of Japan developed comprehensive Accounting Standards for Revenue Recognition and published them together with implementation guidelines.

In developing its Accounting Standards for Revenue Recognition, the Accounting Standards Board of Japan incorporated the fundamental policy of IFRS 15 as the starting point from the perspective of comparability of financial statements, which is the one of the benefits of achieving consistency with IFRS 15. If there is any item that arises in accounting practice in Japan that requires additional alternative treatment, the treatment will be added to the extent that comparability of financial statements is not impaired.

(2) Effective date:

The above guidance will become effective from the beginning of the fiscal year ending on 31 March 2022.

(3) Effects of adoption of the implementation guidance:

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

3. Financial instruments

Information on financial instruments for the years ended 31 March 2017 and 2018 are set forth below.

(1) Qualitative information on financial instruments

(a) Policy for financial instruments

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

(b) Financial instruments and risk management

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

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

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

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

The Group is a party to derivative financial instruments in the normal course of business. These instruments include foreign currency exchange forward contracts, currency swap, interest rate swap and commodity swap contracts, in the normal course of business. The Group enters into these instruments for hedging purposes so that it can reduce its own exposure to fluctuations in exchange rates, interest rates and fuel prices. Pursuant to the Group's internal rules for risk management policies, contract balances for derivatives are limited to certain anticipated transactions and reported regularly. In connection with these instruments, the Group is exposed to the risk of credit loss in the event of non-performance by 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

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

(2) Fair values of financial instruments

The fair values and carrying values of financial instruments included in the consolidated balance sheets at 31 March 2017 and 2018, other than those for which the fair values was extremely difficult to determine, are set forth in the table below.

	Carrying value	Fair value	Differences
		Millions of yen	
At 31 March 2017:			
Financial assets:			
Cash and cash equivalents	¥21,944	¥21,944	¥―
Short-term investments	759	759	―
Trade notes and accounts receivable	57,828	57,828	―
Investment securities:			
Equity securities of affiliates	7,337	8,229	892
Available-for-sale securities	60,929	60,929	―
Total	¥148,797	¥149,689	¥892
Financial liabilities:			
Short-term borrowings	¥20,790	¥20,790	¥―
Trade notes and accounts payable	71,411	71,411	―
Bonds payable, including current portion	209,990	222,895	12,905
Long-term bank loans, including current portion	205,909	210,886	4,977
Total	¥508,100	¥525,982	¥17,882
Derivative instruments:*			
Hedge accounting has not been applied	¥28	¥28	¥―
Hedge accounting has been applied	(309)	(309)	―
Total	¥(281)	¥(281)	¥―

	Carrying value	Fair value	Differences
		Millions of yen	
At 31 March 2018:			
Financial assets:			
Cash and cash equivalents	¥30,855	¥30,855	¥―
Short-term investments	734	734	―
Trade notes and accounts receivable	57,808	57,808	―
Investment securities:			
Equity securities of affiliates	7,960	6,581	(1,379)
Available-for-sale securities	68,146	68,146	―
Total	¥165,503	¥164,124	¥(1,379)
Financial liabilities:			
Short-term borrowings	¥22,500	¥22,500	¥―
Trade notes and accounts payable	69,163	69,163	―
Bonds payable, including current portion	187,180	197,640	10,460
Long-term bank loans, including current portion	204,150	208,717	4,567
Total	¥482,993	¥498,020	¥15,027
Derivative instruments:*			
Hedge accounting has not been applied	¥2	¥2	¥―
Hedge accounting has been applied	178	178	―
Total	¥180	¥180	¥―

	Carrying value	Fair value	Differences
	Thousands of U.S. dollars		
At 31 March 2018:			
Financial assets:			
Cash and cash equivalents	$291,085	$291,085	$―
Short-term investments	6,925	6,925	―
Trade notes and accounts receivable	545,358	545,358	―
Investment securities:			
Equity securities of affiliates	75,094	62,085	(13,009)
Available-for-sale securities	642,887	642,887	―
Total	$1,561,349	$1,548,340	$(13,009)
Financial liabilities:			
Short-term borrowings	$212,264	$212,264	$―
Trade notes and accounts payable	652,481	652,481	―
Bonds payable, including current portion	1,765,849	1,864,528	98,679
Long-term bank loans, including current portion	1,925,943	1,969,028	43,085
Total	$4,556,537	$4,698,301	$141,764
Derivative instruments:*			
Hedge accounting has not been applied	$19	$19	$―
Hedge accounting has been applied	1,679	1,679	―
Total	$1,698	$1,698	$―

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

Notes:

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

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

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

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Carrying value:			
Unlisted investments (equity securities) in unconsolidated subsidiaries and affiliates	¥25,748	¥27,625	$260,613
Unlisted equity securities	12,252	12,331	116,330
Total	¥38,000	¥39,956	$376,943

(3) Expected maturities of financial assets at 31 March 2018 were as follows:

	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
	Millions of yen			
At 31 March 2018:				
Cash and cash equivalents	¥30,855	¥—	¥—	¥—
Short-term investments	734	—	—	—
Trade notes and accounts receivable	57,808	—	—	—
Total	¥89,397	¥—	¥—	¥—
	Thousands of U.S. dollars			
At 31 March 2018:				
Cash and cash equivalents	$291,085	$—	$—	$—
Short-term investments	6,925	—	—	—
Trade notes and accounts receivable	545,358	—	—	—
Total	$843,368	$—	$—	$—

The repayment schedules for borrowings and other debts with contractual maturities at 31 March 2018 were as follows:

	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
	Millions of yen					
Short-term borrowings	¥22,500	¥—	¥—	¥—	¥—	¥—
Bonds payable	20,000	10,000	10,000	25,000	—	122,180
Long-term bank loans	33,298	31,619	21,788	30,163	13,728	73,554
Total	¥75,798	¥41,619	¥31,788	¥55,163	¥13,728	¥195,734
	Thousands of U.S. dollars					
Short-term borrowings	$212,264	$—	$—	$—	$—	$—
Bonds payable	188,679	94,340	94,340	235,849	—	1,152,642
Long-term bank loans	314,132	298,292	205,547	284,557	129,509	693,906
Total	$715,075	$392,632	$299,887	$520,406	$129,509	$1,846,548

4. Investments securities

At 31 March 2017 and 2018, short-term investments consisted of time deposits with original maturities of more than three months.

At 31 March 2017 and 2018, investment securities consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Marketable securities			
Equity securities	¥60,730	¥68,146	$642,887
Others	199	—	—
Total marketable securities	60,929	68,146	642,887
Nonmarketable securities	12,252	12,331	116,330
Total	¥73,181	¥80,477	$759,217

At 31 March 2017 and 2018, the fair values and gross unrealised gains and losses of available-for-sale securities were as follows:

	Cost	Gross unrealised gains	Gross unrealised losses	Fair value and carrying value
	Millions of yen			
At 31 March 2017:				
Equity securities	¥27,695	¥33,283	¥ (248)	¥60,730
Others	199	—	—	199
At 31 March 2018:				
Equity securities	27,699	40,798	(351)	68,146
Others	—	—	—	—
	Thousands of U.S. dollars			
At 31 March 2018:				
Equity securities	$261,311	$384,887	$(3,311)	$642,887
Others	—	—	—	—

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

	Sales amounts	Gains	Losses
	Millions of yen		
Equity securities and others:			
For the year ended 31 March 2017	¥729	¥681	¥2
For the year ended 31 March 2018	840	620	—
	Thousands of U.S. dollars		
Equity securities and others:			
For the year ended 31 March 2018	$7,925	$5,849	$—

5. Inventories

Inventories at 31 March 2017 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Land and buildings for sale	¥57,909	¥57,211	$539,726
Merchandise and finished goods	7,607	8,698	82,057
Work in process	873	646	6,094
Raw materials and supplies	3,895	4,092	38,604
Total	¥70,284	¥70,647	$666,481

6. Impairment loss on fixed assets

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

The Group has recognised impairment loss on 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		Thousands of U.S. dollars
	2017	2018	2018
Property subject to impairment:	Department stores and commercial facilities, truck facilities, idle assets and others	Idle assets, rental property and others	
Impairment loss recorded:			
Buildings and structures	¥1,898	¥1,710	$16,132
Land	1,919	2,114	19,943
Others	357	83	783
Total	¥4,174	¥3,907	$36,858

The Group applied either the net selling price or value in use to determine the recoverable amounts of the asset groups described in the above table. The net selling price was based on the appraised value obtained from a professional real estate appraiser, estate tax valuations determined through land assessments or property tax bases with adjustments as applicable. The value in use was based on the present value of expected cash flows discounted at 1.8% for the years ended 31 March 2017 and 2018.

7. Real estate for rent

The Company and some of the consolidated subsidiaries own real estate such as office buildings, parking lots and other facilities for rent. The carrying values of such real estate in the consolidated balance sheets, changes during the years ended 31 March 2017 and 2018 and the fair values of real estate were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Carrying value at beginning of year	¥121,635	¥129,912	$1,225,585
Net changes during the year	8,277	4,272	40,302
Carrying value at end of year	129,912	134,184	1,265,887
Fair value at end of year*	¥160,857	¥162,422	$1,532,283

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

Profits or losses recorded for rental properties for the fiscal years ended 31 March 2017 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Income from rental operations	¥5,188	¥5,479	$51,689
Impairment loss on rental properties	985	2,415	22,783

8. Short-term borrowings and long-term debt

Short-term borrowings at 31 March 2017 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Bank loans with average interest rates of 0.212% at 31 March 2018:			
Secured	¥3,608	¥3,433	$32,387
Unsecured	17,182	19,067	179,877
Total	¥20,790	¥22,500	$212,264

Long-term debt at 31 March 2017 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
0.3% unsecured bonds, due June 2017	¥10,000	¥—	$—
2.01% unsecured bonds, due September 2017	10,000	—	—
1.88% unsecured bonds, due February 2018	15,000	—	—
1.94% unsecured bonds, due September 2018	10,000	10,000	94,340
0.24% unsecured bonds, due December 2018	10,000	10,000	94,340
2.05% unsecured bonds, due August 2019	10,000	10,000	94,340
1.26% unsecured bonds, due October 2020	10,000	10,000	94,340
0.557% unsecured bonds, due April 2021	15,000	15,000	141,509
1.35% unsecured bonds, due July 2021	10,000	10,000	94,340
0.857% unsecured bonds, due April 2027	15,000	15,000	141,509
0.85% unsecured bonds, due February 2035	15,000	15,000	141,509
0.75% unsecured bonds, due August 2036	15,000	15,000	141,509
0.806% unsecured bonds, due May 2037	—	15,000	141,509
0.79% unsecured bonds, due December 2037	—	10,000	94,340
Zero coupon unsecured convertible bonds, due October 2023	24,990	12,180	114,906
Zero coupon unsecured convertible bonds, due December 2024	40,000	40,000	377,358
Bank loans with average interest rate of 0.7723% at 31 March 2018, due through 2032:			
Secured	41,936	30,167	284,595
Unsecured	163,972	173,983	1,641,349
Capitalised lease obligations	7,913	12,540	118,302
Subtotal	423,811	403,870	3,810,094
Less current portion	(79,673)	(55,867)	(527,047)
Total	¥344,138	¥348,003	$3,283,047

At 31 March 2018, zero coupon convertible bonds due October 2023 and zero coupon convertible bonds due December 2024 were ¥1,930 and ¥2,915 per share, respectively, and subject to adjustment in certain circumstances, including in the event of a stock split. The Company may, at its call option, redeem all, but not some only, of the zero coupon convertible bonds due October 2023 for the period from 5 October 2020 at 100% of the principal amount, subject to certain conditions. And the Company may, at its call option, redeem all, but not some only, of the zero coupon convertible bonds due December 2024 for the period from 11 December 2022 at 100% of the principal amount, subject to certain conditions.

An appropriation of retained earnings, including the year-end dividends of ¥27.5 per share, was approved at the ordinary shareholders' meeting held on 27 June 2018. In accordance with the provision for adjustment of the conversion price stipulated in the bonds agreement, the conversion price for zero coupon convertible bonds due October 2023 and the conversion price for zero coupon convertible bonds due October 2024 were adjusted retrospectively as of April 1, 2018 from ¥1,930 to ¥1,928.3 and from ¥2,915 to ¥2,912.4 respectively.

At 31 March 2018, the number of shares of common stock necessary for conversion of all convertible bonds outstanding was approximately 20 million.

The annual maturities of long-term debt at 31 March 2018 were as follows:

Year ending 31 March	Millions of yen	Thousands of U.S. dollars
2019	¥55,867	$527,047
2020	44,422	419,075
2021	33,180	313,019
2022	56,034	528,622
2023	14,938	140,925
2024 and thereafter	199,429	1,881,406
Total	¥403,870	$3,810,094

At 31 March 2017 and 2018, the following assets were pledged for short-term and long-term bank loans.

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Land	¥95,282	¥82,113	$774,651
Buildings and structures	133,157	129,034	1,217,302
Machinery, equipment and vehicles	13,009	13,769	129,896
Others	1,506	2,366	22,321
Total	¥242,954	¥227,282	$2,144,170

9. Employee retirement benefit liability

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

As of and for the years ended 31 March 2017 and 2018, the details of the defined benefit plans were as follows:

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

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Balance as of the beginning of the period:	¥39,382	¥36,070	$340,283
Service cost	1,663	1,698	16,019
Interest cost	94	103	972
Actuarial differences incurred	(145)	(19)	(179)
Benefits paid	(1,933)	(3,032)	(28,604)
Transfers due to a change from the principle method to the simplified method	(2,012)	—	—
Transfers due to a change from the simplified method to the principle method	—	347	3,274
Decrease due to partial termination of retirement benefit plans	(979)	—	—
Others	—	180	1,697
Balance as of the end of the period:	¥36,070	¥35,347	$333,462

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

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Balance as of the beginning of the period:	¥10,391	¥11,647	$109,877
Expected return on plan assets	49	70	660
Actuarial differences incurred	1,091	2,042	19,264
Contributions paid by the employer	354	1,244	11,736
Benefits paid	(238)	(677)	(6,386)
Balance as of the end of the period:	¥11,647	¥14,326	$135,151

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

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Balance as of the beginning of the period:	¥8,350	¥9,891	$93,311
Retirement benefit costs	999	961	9,066
Benefits paid	(1,212)	(854)	(8,056)
Contributions paid by the employer	(13)	(13)	(123)
Transfers due to changing from the principle method to the simplified method	2,012	—	—
Transfers due to a change from the simplified method to the principle method	—	(347)	(3,274)
Decrease due to partial termination of retirement benefit plans	(247)	—	—
Others	2	60	567
Balance as of the end of the period:	¥9,891	¥9,698	$91,491

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

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Funded retirement benefit obligations	¥28,922	¥28,279	$266,783
Plan assets	(11,805)	(14,494)	(136,736)
	17,117	13,785	130,047
Unfunded retirement benefit obligations	17,198	16,934	159,755
Employee retirement benefit liability recorded as of the end of the period:	¥34,315	¥30,719	$289,802

(e) Net periodic retirement benefit expenses

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Service cost	¥1,662	¥1,698	$16,019
Interest cost	94	103	972
Expected return on plan assets	(49)	(70)	(660)
Net actuarial loss amortisation	2,268	1,329	12,538
Prior service cost amortisation	(16)	(19)	(179)
Retirement benefit costs based on the simplified method	999	961	9,066
Others	(93)	81	763
Total net periodic retirement benefit expenses	¥4,865	¥4,083	$38,519

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

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Actuarial differences	¥3,707	¥3,390	$31,981
Past service cost	(17)	(19)	(179)
Total balance, before tax effects, as of the end of the period:	¥3,690	¥3,371	$31,802

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

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Actuarial differences yet to be recognised	¥2,307	¥ (1,082)	$(10,207)
Past service costs yet to be recognised	(105)	(87)	(821)
Total balance, before tax effects, as of the end of the period:	¥2,202	¥(1,169)	$(11,028)

(h) Plan assets

1) Plan assets comprise:

Equity securities	26.5%
Bonds	10.7%
Cash and cash equivalents	50.7%
General accounts	9.0%
Others	3.1%
Total	100.0%

2) Long-term expected rate of return

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

(i) Actuarial assumptions

The principal actuarial assumptions at 31 March 2018 (expressed as weighted averages) are as follows:

Discount rate	0.2% to 0.4%
Long-term expected rate of return	0.0% to 2.0%

For the year ended 31 March 2018, the contributions required for defined contribution plans were ¥3,881 million ($36,613 thousand) in the Group.

10. Contingent liabilities

At 31 March 2017 and 2018, contingent liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Contingently liable for:			
Guarantees of loans of others	¥605	¥593	$5,594
Guarantees under debt assumption agreements	10,000	—	—
Total	¥10,605	¥593	$5,594

11. Lease transactions

(As lessee)

(a) Finance leases

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

	Machinery, equipment and vehicles	Others	Total
	Millions of yen		
At 31 March 2017:			
Acquisition cost	¥16,119	¥3,225	¥19,344
Accumulated depreciation	13,880	2,291	16,171
Accumulated impairment loss	233	1	234
Net leased property	¥2,006	¥933	¥2,939
At 31 March 2018:			
Acquisition cost	¥7,077	¥3,032	¥10,109
Accumulated depreciation	6,160	2,254	8,414
Net leased property	¥917	¥778	¥1,695
	Thousands of U.S. dollars		
At 31 March 2018:			
Acquisition cost	$66,764	$28,604	$95,368
Accumulated depreciation	58,113	21,264	79,377
Net leased property	$8,651	$7,340	$15,991

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

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Due within 1 year	¥1,454	¥802	$7,566
Due after 1 year	2,315	1,512	14,264
Total	¥3,769	¥2,314	$21,830

Lease expense and other information at 31 March 2017 and 2018 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Lease expense	¥1,829	¥1,639	$15,462
Reversal of allowance for impairment loss on leased property	2	―	―
Imputed depreciation expense *(*1)*	1,435	1,211	11,425
Imputed interest expense *(*2)*	196	153	1,443
Impairment loss	―	―	―

**1) Depreciation was calculated using the straight-line method with the useful life equal to the lease period and residual value zero.*

**2) Imputed interest expense is the difference between total lease payments and the acquisition costs and was calculated based on the interest method.*

(b) Operating leases

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

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Due within 1 year	¥376	¥270	$2,547
Due after 1 year	663	500	4,717
Total	¥1,039	¥770	$7,264

(As lessor)

(a) Finance leases

Lease investment assets at 31 March 2017 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Lease receivables	¥5,121	¥6,197	$58,463
Estimated residual value	137	134	1,264
Unearned imputed interest	(960)	(1,128)	(10,642)
Lease investment assets included in trade receivables	¥4,298	¥5,203	$49,085

The aggregate annual maturities of lease investments at 31 March 2018 were as follows:

Year ending 31 March	Millions of yen	Thousands of U.S. dollars
2019	¥1,932	$18,226
2020	1,524	14,378
2021	1,200	11,321
2022	775	7,311
2023	404	3,811
2024 and thereafter	362	3,415
Total	¥6,197	$58,462

(b) Operating leases

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

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Due within 1 year	¥2,369	¥2,406	$22,698
Due after 1 year	6,931	6,660	62,830
Total	¥9,300	¥9,066	$85,528

12. Derivatives

At 31 March 2017 and 2018, derivative transactions to which hedge accounting was not applied were as follows:

(Foreign currency related transactions)

	Contract amount			
	Total amount	Due after 1 year	Fair value*	Unrealised gain/(loss)
	Millions of yen			
Foreign exchange forward contracts to buy foreign currencies:				
At 31 March 2017	¥319	―	¥28	¥28
At 31 March 2018	119	―	2	2
	Thousands of U.S. dollars			
Foreign exchange forward contracts to buy foreign currencies:				
At 31 March 2018	$1,123	$―	$19	$19

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

At 31 March 2017 and 2018, derivative transactions to which hedge accounting was applied were as follows:

(Foreign currency related transactions)

Method of hedge accounting	Transaction	Major hedged items	Contract amount: Total amount	Contract amount: Due after 1 year	Fair value*
			Millions of yen		
Allocation method for foreign exchange forward contracts:	Currency swaps - pay fixed rate and receive floating rate - pay Japanese yen receive U.S. dollar	Long-term bank loans			
At 31 March 2017			¥12,904	¥10,338	¥―
At 31 March 2018			10,338	9,725	―
			Thousands of U.S. dollars		
Allocation method for foreign exchange forward contracts:	Currency swaps - pay fixed rate and receive floating rate - pay Japanese yen receive U.S. dollar	Long-term bank loans			
At 31 March 2018			$97,528	$91,745	$―

**Derivative instruments such as currency 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).*

(Interest rate related transactions)

Method of hedge accounting	Transaction	Major hedged items	Contract amount: Total amount	Contract amount: Due after 1 year	Fair value*
			Millions of yen		
General treatment for interest rate swaps:	Interest rate swaps - pay fixed rate and receive floating rate	Long-term bank loans			
At 31 March 2017			¥1,575	¥1,400	¥2
At 31 March 2018			1,400	1,225	5
			Thousands of U.S. dollars		
General treatment for interest rate swaps:	Interest rate swaps - pay fixed rate and receive floating rate	Long-term bank loans			
At 31 March 2018			$13,208	$11,557	$47

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

Method of hedge accounting	Transaction	Major hedged items	Contract amount: Total amount	Contract amount: Due after 1 year	Fair value*
			Millions of yen		
Special treatment for interest rate swaps:	Interest rate swaps - pay fixed rate and receive floating rate	Long-term bank loans			
At 31 March 2017			¥92,788	¥80,808	¥—
At 31 March 2018			80,808	63,000	—
			Thousands of U.S. dollars		
Special treatment for interest rate swaps:	Interest rate swaps - pay fixed rate and receive floating rate	Long-term bank loans			
At 31 March 2018			$762,340	$594,340	$—

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

(Commodity price - related transactions)

Method of hedge accounting	Transaction	Major hedged items	Contract amount: Total amount	Contract amount: Due after 1 year	Fair value*
			Millions of yen		
General treatment for commodity swaps:	Commodity swaps-pay fixed and receive floating	Ship fuel			
At 31 March 2017			¥1,634	¥364	¥(311)
At 31 March 2018			1,139	437	173
			Thousands of U.S. dollars		
General treatment for commodity swaps:	Commodity swaps-pay fixed and receive floating	Ship fuel			
At 31 March 2018			$10,745	$4,123	$1,632

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

13. Net assets

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

Under the Companies Act, in cases in which a dividend distribution of surplus is made, the smaller of the amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of the additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. The additional paid-in-capital and legal earnings reserve have been included in capital surplus and retained earnings, respectively, in the accompanying consolidated balance sheets.
Under the Companies Act, the legal earnings reserve and additional paid-in capital can be used to eliminate or reduce a deficit by a resolution at the shareholders' meeting. The additional paid-in capital and legal earnings reserve may not be distributed as dividends. All additional paid-in capital and legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which may become available for distribution as dividends.

At 31 March 2017 and 2018, 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 ¥2,808 million and ¥2,808 million ($26,491 thousand) at 31 March 2017 and 2018, respectively.

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

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

14. Income taxes

The Company and its domestic consolidated subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a statutory effective tax rate of approximately 30.7% for the years ended 31 March 2017 and 2018.

Significant components of the Groups' deferred tax assets and liabilities as of 31 March 2017 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Deferred tax assets:			
Employee retirement benefit liability	¥14,310	¥13,552	$127,849
Impairment loss on fixed assets	12,407	12,796	120,717
Loss on valuation of investment securities	5,404	5,343	50,406
Elimination of unrealised profit	4,668	4,569	43,104
Depreciation	3,399	3,688	34,793
Tax loss carryforwards	3,865	3,476	32,792
Provision for loss on liquidation	3,508	3,445	32,500
Valuation loss on fixed assets	3,127	3,270	30,849
Accrued bonus	1,837	1,862	17,566
Loss on valuation of land caused by restructuring	840	843	7,953
Accrued enterprise taxes and accrued business office Taxes	889	833	7,858
Allowance for loss on exchange of gift certificates Outstanding	749	758	7,151
Allowance for doubtful accounts	679	650	6,132
Provision for retirement benefits for directors	555	431	4,066
Loss on valuation of inventories	272	210	1,981
Others	3,414	3,187	30,066
Subtotal of deferred tax assets	59,923	58,913	555,783
Less valuation allowance	(27,451)	(27,348)	(258,000)
Total deferred tax assets	32,472	31,565	297,783
Deferred tax liabilities:			
Net unrealised gains on available-for-sale securities	(9,642)	(11,959)	(112,821)
Gain on valuation of land caused by restructuring	(3,187)	(3,388)	(31,962)
Gain on valuation of investment securities	(2,076)	(2,083)	(19,651)
Deferred capital gains	(935)	(908)	(8,566)
Trust for employee retirement benefits	(1,810)	(635)	(5,991)
Others	(2,865)	(2,906)	(27,415)
Total deferred tax liabilities	(20,515)	(21,879)	(206,406)
Net deferred tax assets	¥11,957	¥9,686	$91,377

At 31 March 2017 and 2018, deferred tax assets and liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Deferred tax assets:			
Current	¥4,241	¥4,010	$37,830
Noncurrent	11,913	9,907	93,462
Deferred tax liabilities:			
Current	1	1	9
Noncurrent	4,196	4,230	39,906

In assessing the realisability of deferred tax assets, management of the Group considers whether some portion or all of the deferred tax assets will not be realised. The ultimate realisation of deferred tax assets is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible. At 31 March 2017 and 2018, a valuation allowance was provided to reduce deferred tax assets to the amount management believed would be realisable.

A reconciliation for the year ended 31 March 2017 and 2018 was not disclosed as the difference between the rates was not material.

15. Segment information

(1) General information about reportable segments

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

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

The business descriptions of the reportable segments are as follows:

-Traffic: business related to railroads, buses and taxis

-Transport: business related to trucking and maritime transportation

-Real Estate: real estate development and real estate leasing

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

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

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

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

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

Information about reportable segments as of and for the year ended 31 March 2017 was as follows:

	Reportable segments								Consolidated financial statements
	Traffic	Transport	Real Estate	Leisure and Services	Distribution	Others *(*1)*	Total	Adjustments	
	Millions of yen								
For the year 2017:									
Operating revenues:									
External customers	¥ 162,873	¥ 129,416	¥ 74,251	¥ 53,465	¥ 124,826	¥ 54,739	¥ 599,570	¥ −	¥ 599,570
Intersegment sales/transfer	2,310	449	7,032	1,647	9,572	18,792	39,802	(39,802)	−
Total	¥ 165,183	¥ 129,865	¥ 81,283	¥ 55,112	¥ 134,398	¥ 73,531	¥ 639,372	¥ (39,802)	¥ 599,570
Segment income *(*2)*	22,723	5,690	8,997	1,766	928	4,031	44,135	46	44,181
Segment assets *(*3)*	479,513	108,906	281,611	36,466	45,222	77,966	1,029,684	64,199	1,093,883
Other material items:									
Depreciation and amortisation *(*4)*	18,117	5,985	5,906	1,366	1,632	6,244	39,250	(502)	38,748
Amortisation of goodwill	−	32	127	−	13	−	172	−	172
Impairment loss on fixed assets	182	990	1,035	235	1,711	21	4,174	−	4,174
Increase in property and equipment and intangible assets	18,825	7,458	12,744	1,763	780	6,551	48,121	−	48,121

**1) "Others" is a business segment that is not considered a reportable segment. It includes the business of equipment maintenance, air transportation, building maintenance, insurance agency and others.*
**2) Segment income adjustment amounting to ¥46 million was treated as intersegment elimination.*
**3) Segment assets adjustment amounting to ¥64,199 million consisted of unallocated general corporate assets amounting to ¥93,126 million, net of intersegment elimination of ¥28,927 million. Such general corporate assets consisted mainly of cash, deposits and investment securities.*
**4) Depreciation and amortisation adjustment amounting to ¥502 million was treated as intersegment elimination.*
5) Segment income was reconciled to operating income in the accompanying consolidated statements of income.

Information about reportable segments as of and for the year ended 31 March 2018 was as follows:

	Reportable segments								Consolidated financial statements
	Traffic	Transport	Real Estate	Leisure and Services	Distribution	Others *(*1)*	Total	Adjustments	
	Millions of yen								
For the year 2018:									
Operating revenues:									
External customers	¥ 164,771	¥ 131,767	¥ 78,360	¥ 52,751	¥ 123,385	¥ 53,770	¥ 604,804	¥ −	¥ 604,804
Intersegment sales/transfer	2,275	424	7,745	1,484	11,068	19,749	42,745	(42,745)	−
Total	¥ 167,046	¥ 132,191	¥ 86,105	¥ 54,235	¥ 134,453	¥ 73,519	¥ 647,549	¥ (42,745)	¥ 604,804
Segment income *(*2)*	23,942	5,690	10,493	1,509	1,267	3,668	46,569	408	46,977
Segment assets *(*3)*	482,436	113,343	282,571	32,681	46,791	81,058	1,038,880	82,181	1,121,061
Other material items:									
Depreciation and amortisation *(*4)*	18,500	5,920	6,071	1,250	1,447	6,190	39,378	(472)	38,906
Amortisation of goodwill	−	−	173	−	−	−	173	−	173
Impairment loss on fixed assets	12	73	3,584	208	6	24	3,907	−	3,907
Increase in property and equipment and intangible assets	18,830	8,768	12,874	1,056	1,169	9,540	52,237	−	52,237

	Reportable segments								
	Traffic	Transport	Real Estate	Leisure and Services	Distribution	Others *(*1)*	Total	Adjustments	Consolidated financial statements
	Thousands of U.S. dollars								
For the year 2018:									
Operating revenues:									
External customers	$ 1,554,444	$ 1,243,085	$ 739,245	$ 497,651	$ 1,164,009	$ 507,264	$ 5,705,698	$ —	$ 5,705,698
Intersegment sales/transfer	21,462	4,000	73,066	14,000	104,416	186,311	403,255	(403,255)	—
Total	$ 1,575,906	$ 1,247,085	$ 812,311	$ 511,651	$ 1,268,425	$ 693,575	$ 6,108,953	$ (403,255)	$ 5,705,698
Segment income *(*2)*	225,868	53,679	98,991	14,236	11,953	34,604	439,331	3,848	443,179
Segment assets *(*3)*	4,551,283	1,069,274	2,665,764	308,311	441,425	764,698	9,800,755	775,292	10,576,047
Other material items:									
Depreciation and amortisation *(*4)*	174,528	55,849	57,274	11,792	13,651	58,396	371,490	(4,452)	367,038
Amortisation of goodwill	—	—	1,632	—	—	—	1,632	—	1,632
Impairment loss on fixed assets	113	689	33,811	1,962	57	226	36,858	—	36,858
Increase in property and equipment and intangible assets	177,642	82,717	121,453	9,962	11,028	89,999	492,801	—	492,801

**1) "Others" is a business segment that is not considered a reportable segment. It includes the business of equipment maintenance, air transportation, building maintenance, insurance agency and others.*
**2) Segment income adjustment amounting to ¥408 million ($3,848 thousand) was treated as intersegment elimination.*
**3) Segment assets adjustment amounting to ¥82,181 million ($775,292 thousand) consisted of unallocated general corporate assets amounting to ¥111,753 million ($1,054,273 thousand), net of intersegment elimination of ¥29,572 million ($278,981 thousand). Such general corporate assets consisted mainly of cash, deposits and investment securities.*
**4) Depreciation and amortisation adjustment amounting to ¥472million ($4,452 thousand) was treated as intersegment elimination.*
5) Segment income was reconciled to operating income in the accompanying consolidated statements of income.

(Related information)

(1) Information about products and services
As this information has been presented under segment information above, such information has been omitted.

(2) Information about geographic areas
(Operating revenues)
As operating revenues attributable to external customers in Japan represented more than 90% of operating revenues in the consolidated statements of income, such information has been omitted.

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

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

(4) Information on goodwill by reportable segment

	Traffic	Transport	Real Estate	Leisure and Services	Distribution	Others	Eliminations	Consolidated
	Millions of yen							
Balance of goodwill:								
At 31 March 2017	¥−	¥−	¥921	¥−	¥−	¥−	¥−	¥921
At 31 March 2018	−	−	1,436	−	−	16	−	1,452

	Traffic	Transport	Real Estate	Leisure and Services	Distribution	Others	Eliminations	Consolidated
	Thousands of U.S. dollars							
Balance of goodwill:								
At 31 March 2018	$−	$−	$13,547	$−	$−	$151	$−	$13,698

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

(5) Information about reportable segment gain on negative goodwill
- Consolidated fiscal year ended 31 March 2017 and 2018

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

16. Comprehensive income

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

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Unrealised gains on available-for-sale securities, net of taxes:			
Amount arising during the year	¥5,731	¥8,037	$75,821
Reclassification adjustments	(706)	(620)	(5,849)
Subtotal, before tax	5,025	7,417	69,972
The amount of tax effect	(1,510)	(2,323)	(21,915)
Subtotal, net of tax	3,515	5,094	48,057
Deferred gains and losses on hedges, net of taxes:			
Amount arising during the year	669	493	4,651
Reclassification adjustments	(49)	(5)	(47)
Subtotal, before tax	620	488	4,604
The amount of tax effect	(190)	(150)	(1,415)
Subtotal, net of tax	430	338	3,189
Land revaluation increments, net of taxes:			
The amount of tax effect	14	(175)	(1,651)
Subtotal, net of tax	14	(175)	(1,651)
Foreign currency translation adjustments			
Amount arising during the year	(4)	(4)	(38)
Reclassification adjustments	―	―	―
Subtotal, before tax	(4)	(4)	(38)
The amount of tax effect	―	―	―
Subtotal, net of tax	(4)	(4)	(38)
Retirement benefit adjustments			
Amount arising during the year	1,233	2,061	19,443
Reclassification adjustments	2,457	1,310	12,358
Subtotal, before tax	3,690	3,371	31,801
The amount of tax effect	(1,107)	(1,049)	(9,896)
Subtotal, net of tax	2,583	2,322	21,905
Share of other comprehensive income of affiliates accounted for using equity method:			
Amount arising during the year	151	27	255
Reclassification adjustments	2	9	85
Subtotal	153	36	340
Total other comprehensive income	¥6,691	¥7,611	$71,802

17. Supplemental Information to Consolidated Statements of Cash Flows

Significant non-cash transactions

During the years ended 31 March 2017 and 2018, stock subscription rights were exercised and the related convertible bonds were converted to shares of common stock without any cash settlement. Relevant changes resulting from the exercise stock subscription rights are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Increase in common stock	¥ー	¥6,285	$59,292
Increase in capital surplus	ー	6,285	59,292
Loss on disposal of treasury stock	(3)	(72)	(679)
Decrease in treasury stock	13	312	2,944
Decrease in convertible bonds	¥10	¥12,810	$120,849

18. Subsequent events

Cash dividends

An appropriation of retained earnings for the year ended 31 March 2018 was duly approved at the ordinary shareholders' meeting held on 27 June 2018 as follows:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥27.50 per share)	¥5,238	$49,413

The Company consolidated its common stock in the ratio of 5 shares to 1 share with an effective date of 1 October 2017. The cash dividend per share, which included special dividends of ￥2.5, for the fiscal year ended 31 March 2018 was calculated based on the number of shares after the share consolidation.

The above dividends became payable to shareholders of record as of 31 March 2018. However, such appropriation has not been accrued in the consolidated financial statements as of 31 March 2018 as such appropriation is recognised in the period in which it is approved by the shareholders.

Bonds issued

Based on the resolution of the Board of Directors of the Company on 26 March 2018, the Company issued the 56th Series Unsecured Straight Bonds as shown below.
The details are as follows:

56th Series Unsecured Straight Bonds

1. Total amount of issue: 10 billion yen
2. Issue value: 100 yen per face value of 100 yen
3. Coupon: 0.748% per annum
4. Issue date: 25 May 2018
5. Maturity date: 25 May 2038
6. Use of proceeds: Redemption of bonds