Independent auditor's report

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

Opinion

We have audited the accompanying consolidated financial statements of Nagoya Railroad Co., Ltd. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2021 and 2020, the consolidated statements of operations and comprehensive income, changes in net assets and cash flows for the years then ended and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Key Audit Matters

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

Appropriateness of management's judgment on the recoverability of deferred tax assets	
The key audit matter	**How the matter was addressed in our audit**
In the consolidated statement of financial position of Nagoya Railroad Co., Ltd. (hereinafter referred to as "the Company") and consolidated subsidiaries, deferred tax assets of ¥16,772 million were recognized as at March 31, 2021. As described in Note 13, "Income taxes," to the consolidated financial statements, the amount of gross deferred tax assets before being offset by deferred tax liabilities amounted	The primary procedures we performed to assess whether management's judgment on the recoverability of deferred tax assets was appropriate included the following: **(1) Internal control testing** We tested the design and operating effectiveness of certain of the Company's internal controls over the process of planning future taxable income, including the development of the medium-term management plan.

to ¥27,703 million, which was calculated by deducting a valuation allowance of ¥43,049 million from the total amount of deferred tax assets of ¥70,752 million related to deductible temporary differences and tax loss carryforwards. Of this amount, the amount recognized by the Company and accounting for the largest share is particularly significant. Deferred tax assets are recognized to the extent that the reversal of deductible temporary differences or tax loss carryforwards are expected to reduce future taxable income resulting in a reduction in tax payments. The future taxable income of the Company, which was used to determine the recoverability of its deferred tax assets, was estimated based primarily on the medium-term management plan prepared by management. There was a high degree of uncertainty in the forecasts of future operating revenues incorporated into the management plan as they included key assumptions requiring significant management judgment. We, therefore, determined that our assessment of the appropriateness of management's judgment on the recoverability of deferred tax assets was of most significance in our audit of the consolidated financial statements for the current fiscal year and, accordingly, a key audit matter.	**(2) Assessment of the reasonableness of the estimated future taxable income** We assessed the reasonableness of the estimated future taxable income by inquiring of management regarding the basis for key assumptions used to estimate future taxable income, which was important for management's judgment on the recoverability of deferred tax assets. In addition, we: ・confirmed that the medium-term management plan, which formed the basis for planning future taxable income, was appropriately approved and then assessed the consistency of the estimated future taxable income used to determine the recoverability of the deferred tax assets with the details of the medium-term management plan; ・assessed the reasonableness of key assumptions underlying the forecasts of operating revenues from railroad operations included in the medium-term management plan by comparing the medium-term budget for operating revenues from railroad operations with relevant documents, including those describing actual operating revenues from railroad operations before the spread of COVID-19 and market research results published by external research organizations; and ・analyzed the achievement status of the previous plan of future taxable income, including the causes of any differences from actual taxable income, and then assessed the reasonableness and feasibility of the future taxable income considering the achievement of the previous plan.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Azami Kazuhiko
Designated Engagement Partner
Certified Public Accountant

Kishida Yoshihiko
Designated Engagement Partner
Certified Public Accountant

Kosuge Takeharu
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Nagoya Office, Japan

July 30, 2021

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

Nagoya Railroad Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheets

	Millions of yen	
	31 March 2020	31 March 2021
ASSETS		
Current assets		
Cash and deposits (Note 3)	27,702	54,019
Trade notes and accounts receivable (Note 3)	56,644	61,829
Short-term loans receivable	2,084	1,968
Land and buildings for sale	65,804	64,617
Merchandise and finished goods	9,019	6,154
Work in process	1,641	1,846
Raw materials and supplies	4,269	4,566
Others	22,184	20,282
Allowance for doubtful accounts	(208)	(187)
Total current assets	189,143	215,097
Non-current assets		
Property and equipment (Notes 5, 6 and 7)		
Buildings and structures, net	297,403	296,888
Machinery, equipment and vehicles, net	86,005	82,583
Land	367,748	359,179
Lease assets, net	9,679	11,625
Construction in progress	62,158	73,951
Other properties, net	8,776	7,199
Total property and equipment	831,771	831,429
Intangible assets		
Right of using facilities	5,586	5,379
Goodwill	1,211	854
Lease assets	119	75
Other intangible assets	3,085	2,912
Total intangible assets	10,002	9,222
Investments and other assets		
Investment securities (Notes 3 and 4)	98,625	101,642
Long-term loans receivable	549	485
Deferred tax assets (Note 13)	18,665	16,772
Others	16,607	16,858
Allowance for doubtful accounts	(385)	(376)
Total investments and other assets	134,062	135,382
Total non-current assets	975,836	976,033
Total assets	1,164,979	1,191,131

See Notes to Consolidated Financial Statements.

Nagoya Railroad Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheets

	Millions of yen	
	31 March 2020	31 March 2021
LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities		
Trade notes and accounts payable (Note 3)	77,526	72,424
Short-term loans payable (Notes 3 and 7)	45,995	53,920
Current portion of bonds payable (Notes 3 and 7)	10,000	25,000
Lease obligations	1,932	1,727
Income taxes payable	8,180	2,808
Deposits received from employees	19,949	20,680
Provision for bonuses	6,091	5,088
Provision for loss on liquidation	1,088	178
Allowance for loss on collection of gift certificates outstanding	1,838	1,739
Others	90,185	98,212
Total current liabilities	262,787	281,782
Non-current liabilities		
Bonds payable (Notes 3 and 7)	175,100	215,100
Long-term loans payable (Notes 3 and 7)	161,514	156,355
Lease obligations	8,884	11,384
Deferred tax liabilities (Note 13)	3,116	3,770
Deferred tax liabilities for land revaluation	56,110	55,222
Accrued retirement benefits for directors	1,344	1,279
Provision for loss on liquidation	4,403	5,963
Allowance for loss on collection of gift certificates outstanding	380	405
Employee retirement benefit liability (Note 8)	32,514	32,893
Others	20,422	19,461
Total non-current liabilities	463,790	501,836
Total liabilities	726,577	783,619
Net assets (Note 12)		
Shareholders' equity		
Common stock	101,158	101,158
Capital surplus	35,266	35,289
Retained earnings	167,207	132,675
Treasury stock	(59)	(101)
Total shareholders' equity	303,572	269,022
Accumulated other comprehensive income		
Net unrealised gains on available-for-sale securities	13,012	15,402
Deferred gains and losses on hedges	(617)	183
Land revaluation increment	87,227	86,853
Foreign currency translation adjustments	(27)	(35)
Retirement benefit adjustments	603	587
Total accumulated other comprehensive income	100,198	102,991
Non-controlling interests	34,630	35,497
Total net assets	438,401	407,512
Total liabilities and net assets	1,164,979	1,191,131

Nagoya Railroad Co., Ltd. and Consolidated Subsidiaries

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

	Millions of yen	
	1 April 2019 -31 March 2020	1 April 2020 -31 March 2021
Operating revenues (Note 14)	622,916	481,645
Operating expenses		
Transportation, other services and cost of sales	520,579	451,261
Selling, general and administrative expenses	54,974	46,739
Total operating expenses	575,553	498,000
Operating income (loss)	47,363	(16,354)
Non-operating income		
Interest income	25	25
Dividend income	1,889	1,259
Equity in net earnings of affiliates	2,562	1,253
Subsidies for employment adjustment	-	7,175
Miscellaneous income	1,907	2,913
Total non-operating income	6,384	12,626
Non-operating expenses		
Interest expenses	3,245	3,231
Provision for loss on liquidation	553	122
Miscellaneous expenses	660	1,064
Total non-operating expenses	4,459	4,418
Ordinary income (loss)	49,288	(8,146)
Extraordinary income		
Gain on sales of fixed assets	800	441
Gain on contributions for construction (Note 2(k))	2,018	4,378
Gain on sales of investment securities	1,038	2,520
Reversal of provision for loss on liquidation	4,816	-
Others	614	572
Total extraordinary income	9,287	7,913
Extraordinary losses		
Loss on sales of fixed assets	1,700	215
Impairment loss on fixed assets (Note 5)	6,338	9,334
Loss on disposition of fixed assets	1,019	639
Loss on sales of investment securities	-	3,327
Loss on valuation of investment securities	37	47
Provision for loss on liquidation	276	1,758
Loss on reduction of property and equipment (Note 2(k))	1,770	3,941
Others	95	3,026
Total extraordinary losses	11,238	22,291
Profit (loss) before income taxes	47,337	(22,525)
Income taxes-current	14,987	3,896
Income taxes-deferred	375	1,290
Total income taxes	15,363	5,186
Profit (loss)	31,974	(27,712)
Profit (loss) attributable to:		
Non-controlling interests	3,094	1,057
Owners of the parent	28,879	(28,769)

See Notes to Consolidated Financial Statements.

Nagoya Railroad Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Comprehensive Income

	Millions of yen	
	1 April 2019 -31 March 2020	1 April 2020 -31 March 2021
Profit (loss)	31,974	(27,712)
Other comprehensive income (Note 15)		
Net unrealised gains and losses on available-for-sale securities	(11,741)	2,067
Deferred gains and losses on hedges	(713)	823
Foreign currency translation adjustments	(3)	(8)
Retirement benefit adjustments	(509)	166
Share of other comprehensive income of affiliates accounted for using the equity method	(626)	430
Total other comprehensive income	(13,593)	3,479
Comprehensive income	18,380	(24,232)
Comprehensive income attributable to:		
Owners of the parent	15,476	(25,509)
Non-controlling interests	2,903	1,276

See Notes to Consolidated Financial Statements.

Nagoya Railroad Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Changes in Net Assets
Fiscal year ended 31 March 2020

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the fiscal year start	100,778	34,939	142,912	(30)	278,600
Changes of items during the year					
Issuance of new shares	380	380			760
Cash dividends			(5,398)		(5,398)
Profit attributable to owners of the parent			28,879		28,879
Purchase of treasury stock				(61)	(61)
Disposal of treasury stock		(11)		32	21
Reversal for land revaluation increment			824		824
Transfer from retained earnings to capital surplus		11	(11)		-
Change in the fiscal year of consolidated subsidiaries			-		-
Change in treasury shares arising from change in equity in entities accounted for using equity method				(0)	(0)
Change in ownership interest of parent related to transactions with non-controlling interests		(53)			(53)
Net changes in items other than shareholders' equity for the year					
Total changes of items during the year	380	326	24,295	(28)	24,972
Balance at the fiscal year end	101,158	35,266	167,207	(59)	303,572

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Net unrealised gains on available-for-sale securities	Deferred gains and losses on hedges	Land revaluation increment	Foreign currency translation adjustments	Retirement benefit adjusutments	Total accumulated other comprehensive income		
Balance at the fiscal year start	25,224	81	88,052	(24)	1,092	114,426	32,001	425,027
Changes of items during the year								
Issuance of new shares								760
Cash dividends								(5,398)
Profit attributable to owners of the parent								28,879
Purchase of treasury stock								(61)
Disposal of treasury stock								21
Reversal for land revaluation increment								824
Transfer from retained earnings to capital surplus								-
Change in the fiscal year of consolidated subsidiaries								-
Change in treasury shares arising from change in equity in entities accounted for using equity method								(0)
Change in ownership interest of parent related to transactions with non-controlling interests								(53)
Net changes in items other than shareholders' equity for the year	(12,211)	(698)	(824)	(3)	(489)	(14,227)	2,628	(11,598)
Total changes of items during the year	(12,211)	(698)	(824)	(3)	(489)	(14,227)	2,628	13,373
Balance at the fiscal year end	13,012	(617)	87,227	(27)	603	100,198	34,630	438,401

Fiscal year ended 31 March 2021

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the fiscal year start	101,158	35,266	167,207	(59)	303,572
Changes of items during the year					
Issuance of new shares	-	-			-
Cash dividends			(4,917)		(4,917)
Net loss attributable to owners of the parent			(28,769)		(28,769)
Purchase of treasury stock				(42)	(42)
Disposal of treasury stock		(0)		0	0
Reversal for land revaluation increment			(73)		(73)
Transfer from retained earnings to capital surplus		0	(0)		-
Change in the fiscal year of consolidated subsidiaries			(772)		(772)
Change in treasury shares arising from change in equity in entities accounted for using equity method				-	-
Change in ownership interest of parent related to transactions with non-controlling interests		23			23
Net changes in items other than shareholders' equity for the year					
Total changes of items during the year	-	23	(34,532)	(41)	(34,550)
Balance at the fiscal year end	101,158	35,289	132,675	(101)	269,022

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Net unrealised gains on available-for-sale securities	Deferred gains and losses on hedges	Land revaluation increment	Foreign currency translation adjustments	Retirement benefit adjusutments	Total accumulated other comprehensive income		
Balance at the fiscal year start	13,012	(617)	87,227	(27)	603	100,198	34,630	438,401
Changes of items during the year								
Issuance of new shares								-
Cash dividends								(4,917)
Net loss attributable to owners of the parent								(28,769)
Purchase of treasury stock								(42)
Disposal of treasury stock								0
Reversal for land revaluation increment								(73)
Transfer from retained earnings to capital surplus								-
Change in the fiscal year of consolidated subsidiaries								(772)
Change in treasury shares arising from change in equity in entities accounted for using equity method								-
Change in ownership interest of parent related to transactions with non-controlling interests								23
Net changes in items other than shareholders' equity for the year	2,389	800	(373)	(7)	(16)	2,793	867	3,660
Total changes of items during the year	2,389	800	(373)	(7)	(16)	2,793	867	(30,889)
Balance at the fiscal year end	15,402	183	86,853	(35)	587	102,991	35,497	407,512

See Notes to Consolidated Financial Statements.

Nagoya Railroad Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows (Note 16)

	Millions of yen	
	1 April 2019 -31 March 2020	1 April 2020 -31 March 2021
Cash flows from operating activities:		
Profit (loss) before income taxes	47,337	(22,525)
Depreciation	41,239	39,351
Impairment loss on fixed assets	6,338	9,334
Amortisation of goodwill	356	356
Increase (decrease) in allowance for doubtful accounts	(13)	(24)
Increase (decrease) in provision for bonuses	157	(808)
Increase (decrease) in provision for loss on liquidation	(4,995)	654
Increase (decrease) in other provision	(250)	620
Increase (decrease) in employee retirement benefit liability	392	612
Interest and dividend income	(1,914)	(1,284)
Interest expense	3,245	3,231
Subsidies for employment adjustment	-	(7,296)
Share of (gain) loss of entities accounted for using equity method	(2,562)	(1,253)
Loss (gain) on sales of fixed assets	900	(226)
Loss on disposition of fixed assets	1,048	637
Loss on valuation of investment securities	37	47
Loss (gain) on sales of investment securities	(1,038)	807
Gain on contributions for construction	(2,018)	(4,378)
Decrease (increase) in trade notes and accounts receivable	6,952	(5,889)
Decrease (increase) in inventories	52	8,506
Extra retirement payments	-	12
Increase (decrease) in trade notes and accounts payable	(7,089)	(563)
Others, net	(2,960)	6,858
Subtotal	85,215	26,782
Interest and dividends received	2,597	1,992
Interest paid	(3,250)	(3,219)
Amount of extra retirement payments	-	(12)
Amount of subsidies for employment adjustment received	-	6,733
Income taxes paid	(14,314)	(12,591)
Net cash provided by (used in) operating activities	70,247	19,685

	Millions of yen	
	1 April 2019 -31 March 2020	1 April 2020 -31 March 2021
Cash flows from investing activities:		
Purchases of fixed assets	(75,343)	(62,090)
Proceeds from sales of fixed assets	2,550	1,454
Purchases of investment securities	(2,524)	(110)
Proceeds from sales and redemptions of investment securities	1,329	2,883
Purchases of shares of subsidiaries resulting in change in scope of consolidation	-	(374)
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(31)	(747)
Payments of short-term loans receivable	(26)	(538)
Proceeds from collection of short-term loans receivable	586	416
Payments of long-term loans receivable	(43)	(31)
Proceeds from collection of long-term loans receivable	32	23
Proceeds from contribution received for construction	11,529	14,992
Others, net	(586)	(112)
Net cash provided by (used in) investing activities	(62,527)	(44,235)
Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings	3,264	(2,000)
Proceeds from long-term debt	25,714	26,375
Repayment of long-term debt	(32,033)	(22,583)
Issuance of bonds	19,881	64,707
Redemption of bonds	(10,000)	(10,000)
Purchases of shares of subsidiaries resulting in no change in scope of consolidation	(20)	(31)
Repayments of lease obligations	(1,939)	(1,760)
Proceeds from sales of treasury stock	1	0
Purchase of treasury stock	(61)	(42)
Dividends paid to non-controlling shareholders	(306)	(331)
Dividends paid to shareholders	(5,398)	(4,920)
Net cash provided by (used in) financing activities	(898)	49,413
Effect of exchange rate changes on cash and cash equivalents	(2)	(8)
Net increase (decrease) in cash and cash equivalents	6,819	24,856
Cash and cash equivalents at beginning of period	25,192	32,011
Increase (decrease) in cash and cash equivalents resulting from change in the fiscal period of consolidated subsidiaries	-	(3,407)
Cash and cash equivalents at end of period	32,011	53,459

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 amortised on a straight-line basis principally over ten years.

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

The number of consolidated subsidiaries, unconsolidated subsidiaries and affiliated companies for the years ended 31 March 2020 and 2021 were as follows.

	2020	2021
Consolidated subsidiaries	113	109
Unconsolidated subsidiaries accounted for using the equity method	—	—
Affiliated companies accounted for using the equity method	15	14
Unconsolidated subsidiaries stated at cost	8	7
Affiliated companies stated at cost	11	10

At 31 March 2020, the fiscal year-end dates of six consolidated subsidiaries differed from the consolidated fiscal year-end date of the Company, which is 31 March. At 31 March 2021, the fiscal year-end dates of three consolidated subsidiaries differed from the consolidated fiscal year-end date of the Company, which is 31 March. Because the difference in year-end dates was not more than three months, the Company has consolidated the subsidiaries' accounts as of each of their year-end dates. Significant transactions for the period between each of such subsidiaries fiscal year-end dates and the Company's year-end date have been adjusted on consolidation. In the fiscal year ended 31 March 2021, three consolidated subsidiary changed its fiscal year, resulting in a change in the fiscal year-end date from the end of December to the end of March.

(b) Cash equivalents

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

(c) Investments and marketable securities

The Group classifies certain investments in debt and equity securities as "held-to-maturity," "trading" or "available-for-sale" securities. The classification determines the respective accounting method to be applied under the accounting standard for financial instruments. 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, seven consolidated subsidiaries (Toyohashi Railroad Co., Ltd., Gifu Bus Co., Ltd., Meitetsu Transportation Co., Ltd., Meitetsu Real Estate Development Co., Ltd., MEITETSU DEPARTMENT STORE CO., LTD., Ishikawa Hire & Taxi Co., Ltd., and Meitetsu Kyosho Co., Ltd.) and one affiliated company accounted for using the equity method (Yahagi Construction Co., Ltd.) elected the one-time revaluation option to restate the cost of land used for business at a reassessed value, effective as of the respective fiscal year-end date between 31 March 2000 and 31 March 2002, based on adjustments for land shape and other factors and appraised values issued by the Japanese National Tax Agency or by municipal property tax bases. According to the law, an amount equivalent to the tax effect on the difference between the original carrying value and the reassessed value has been recorded as deferred tax liabilities for land revaluation account. The remaining difference, net of the tax effect and non-controlling interests portion, has been recorded in land revaluation increment as a component of accumulated other comprehensive income in the accompanying consolidated balance sheets.

The difference between the carrying value of land used for business after reassessment over the market value at the respective fiscal year-end of the Company and seven consolidated subsidiaries amounted to ¥9,148 million and ¥8,997 million at 31 March 2020 and 2021, respectively. The differences in the Company, Meitetsu Real Estate Development Co., Ltd. and Meitetsu Kyosho Co., Ltd. at 31 March 2020 and at 31 March 2021, and Kanazawa Meitetsu Marukoshi Department Store Co., Ltd. at 31 March 2020, 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 ¥508 million and ¥235 million at 31 March 2020 and 2021, 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 2020 and 2021, cumulative contributions amounting to ¥178,024 million and ¥181,520 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 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

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

(o) Provisions

(1) Provision for loss on liquidation

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

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

An allowance for loss on collection of gift certificates outstanding issued by certain consolidated subsidiaries is provided to cover for losses due to future use of shopping coupons, travel gift coupons and similar coupons by customers. Such allowance is provided for the non-accrual of liabilities based on past experience plus estimated loss amounts.

(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) Bond issue costs

Bond issue costs are charged to income as incurred.

(r) 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.

(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) Consumption taxes

From 1 April 2019 to 30 September 2019, consumption taxes were levied in Japan on the domestic sale of goods and services at a rate of 8%. From 1 October 2019 to 31 March 2021, consumption taxes were levied in Japan on the domestic sale of goods and services at a rate of 10% or a reduced rate of 8%. Consumption taxes are excluded from revenue and expense amounts.

(u) Per share information

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

Cash dividends per share shown in the diagram below represent dividends declared by the Company applicable to the respective years indicated, including dividends to be paid after the end of each such year.

Per share information for the years ended 31 March 2020 and 2021 was as follows.

	yen	
	2020	2021
Per share:		
Net income (loss):		
- Basic	146.89	(146.29)
- Diluted *1	137.21	−
Cash dividends *2	25.00	−

**1 Net income per share - diluted was not indicated because a net loss per share was indicated for the fiscal year ended 31 March 2021, although there were potential common shares with dilutive effects.*
**2 For the fiscal year ended 31 March 2021, cash dividends were not distributed because of a loss was indicated due to COVID-19, etc.*

(v) Significant Accounting Estimates

Regard to recoverability of deferred tax assets

(1) The carrying values reflecting the possibility of recoverability of deferred tax assets in the consolidated financial statements for the year ended 31 March 2021

	Millions of yen
Deferred tax assets (the Group)	16,772
Deferred tax assets (the Company)	
Subtotal of deferred tax assets	31,237
Valuation allowance	(17,248)
Deferred tax liabilities which were offset	(8,365)
Total deferred tax assets	5,623

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

(i) Method of calculation of amount

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

(ii) The major assumption for calculation of amount

It is difficult to predict when COVID-19, which had a serious impact on business of the Company, will be contained. The Company assumes that the impact of COVID-19 will continue for a certain period of time, although people will gradually become more active and more mobile as vaccinations increase, and operating revenues of railroads will recover to about 80% of normal.

(iii) The effect on consolidated finance statements for the year ended 31 March 2022

There is a possibility that COVID-19 or other uncertain economic situation will effect 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 31 March 2022.

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

(Accounting Standards for Revenue Recognition, etc.)

- ・Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, 31 March 2020, Accounting Standards Board of Japan)
- ・Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, 26 March 2021, 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 31 March 2022.

(3) Effects of adoption:

Regarding the adoption of the Accounting Standards for Revenue Recognition, etc., the Company follows the transitional treatment provided for in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition. The above standard and guidance will become effective from the beginning the fiscal year ending 31 March 2022, after which the Company will add the amount of the cumulative effect of the retrospective application before the adoption to or subtract it from the beginning balance of retained earnings of fiscal year ending 31 March 2022. The effect of the adoption on consolidated financial statements for the year ended 31 March 2022 is expected to be immaterial.

(Accounting Standard for Fair Value Measurement, etc.)

- Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, 4 July 2019, Accounting Standards Board of Japan)
- Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, 4 July 2019, Accounting Standards Board of Japan)
- Accounting Standard for Measurement of Inventories (ASBJ Statement No. 9, 4 July 2019, Accounting Standards Board of Japan)
- Accounting Standard for Financial Instruments (ASBJ Statement No. 10, 4 July 2019, Accounting Standards Board of Japan)
- Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, 31 March 2020, Accounting Standards Board of Japan)

(1) Outline:

In order to enhance comparability with internationally recognized accounting standards, "Accounting Standard for Fair Value Measurement" and "Implementation Guidance on Accounting Standard for Fair Value Measurement" (together, hereinafter referred to as "Fair Value Accounting Standards") were developed and guidance on methods for measuring fair value was issued. The Fair Value Accounting Standards are applicable to the fair value measurement of the following items:

- Financial instruments in "Accounting Standard for Financial Instruments" and
- Inventories held for trading purposes in "Accounting Standard for Measurement of Inventories."

In addition, the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" has been revised and a note on the breakdown of financial instruments by market price level has been set.

(2) Effective date:

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

(3) Effects of adoption:

The Group are currently in the process of determining the effects of the above standards and guidance on the consolidated financial statements.

(x) Changes in presentation method

(Adoption of Accounting Standard for Disclosure of Accounting Estimates)

The Company has adopt Accounting Standards for Disclosure of Accounting Estimates (ASBJ Statement No. 31, 31 March 2020, Accounting Standards Board of Japan) and has included notes about significant accounting estimates in the Notes to Consolidated Financial Statements from the year ended 31 March 2021. And the Company did not include notes about significant accounting estimates in the Notes to Consolidated Financial Statements for the year ended 31 March 2020 pursuant to the transitional treatment provided for in the proviso of Paragraph 11 of the accounting standard.

3. Financial instruments

Information on financial instruments for the years ended 31 March 2020 and 2021 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. Loans payable denominated in foreign currencies expose the Group to risks associated with fluctuation in exchange rates. In connection with some such loans payable, 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 2020 and 2021, 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 2020:			
Financial assets:			
Cash and deposits	27,702	27,702	—
Trade notes and accounts receivable	56,644	56,644	—
Investment securities:			
Equity securities of affiliates	9,098	6,559	(2,539)
Available-for-sale securities	52,243	52,243	—
Total	145,689	143,150	(2,539)
Financial liabilities:			
Trade notes and accounts payable	77,526	77,526	—
Short-term loans payable	23,501	23,501	—
Bonds payable, including current portion	185,100	191,316	6,216
Long-term loans payable, including current portion	184,008	187,875	3,866
Total	470,136	480,220	10,083
Derivative instruments:*			
Hedge accounting has not been applied	3	3	—
Hedge accounting has been applied	(918)	(918)	—
Total	(915)	(915)	—

	Carrying value	Fair value	Differences
	Millions of yen		
At 31 March 2021:			
Financial assets:			
Cash and deposits	54,019	54,019	—
Trade notes and accounts receivable	61,829	61,829	—
Investment securities:			
Equity securities of affiliates	9,486	7,038	(2,447)
Available-for-sale securities	49,643	49,643	—
Total	174,978	172,530	(2,447)
Financial liabilities:			
Trade notes and accounts payable	72,424	72,424	—
Short-term loans payable	22,584	22,584	—
Bonds payable, including current portion	240,100	243,721	3,621
Long-term loans payable, including current portion	187,691	190,405	2,713
Total	522,800	529,136	6,335
Derivative instruments:*			
Hedge accounting has not been applied	0	0	—
Hedge accounting has been applied	277	277	—
Total	277	277	—

**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 deposits, short-term investments, trade receivables, short-term loans payable 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	
	2020	2021
Carrying value:		
Unlisted investments (equity securities) in unconsolidated subsidiaries and affiliates	28,185	28,737
Unlisted equity securities	14,097	13,775
Total	42,283	42,513

(3) Expected maturities of financial assets at 31 March 2021 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 2021:				
Cash and deposits	54,019	—	—	—
Trade notes and accounts receivable	61,829	—	—	—
Securities and investment securities	—	—	—	—
Total	115,848	—	—	—

(4) The repayment schedules for short-term loans payable, bonds payable and long-term loans payable with contractual maturities at 31 March 2021 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	22,584	—	—	—	—	—
Bonds payable	25,000	—	30,100	40,000	15,000	130,000
Long-term loans payable	31,335	18,133	26,799	3,519	5,345	102,557
Total	78,919	18,133	56,899	43,519	20,345	232,557

4. Investments securities

At 31 March 2020 and 2021, short-term investments consisted of time deposits with original maturities of more than three months.

At 31 March 2020 and 2021, investment securities consisted of the following:

	Millions of yen	
	2020	2021
Listed securities		
Equity securities	47,243	49,643
Others	—	—
Total listed equity securities	47,243	49,643
Unlisted equity securities	14,097	13,775
Total	61,340	63,419

At 31 March 2020 and 2021, 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 2020:				
Equity securities	28,715	19,899	(1,371)	47,243
Others	—	—	—	—
At 31 March 2021:				
Equity securities	28,415	22,167	(939)	49,643
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 2020	970	901	—
For the year ended 31 March 2021	2,912	2,520	0

5. 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, aviation services 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	
	2020	2021
Property subject to impairment:	Idle assets, commercial facilities such as department stores, rental property and others	Leisure facilities, hotels, idle assets and others
Impairment loss recorded:		
Buildings and structures	2,158	4,999
Land	3,149	2,925
Others	1,030	1,409
Total	6,338	9,334

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 1.2% for the year ended 31 March 2020 and 1.8% for the year ended 31 March 2021.

6. Real estate for rent

The Company and some of the consolidated subsidiaries own real estate such as office buildings, parking lots and other facilities for rent. The carrying values of such real estate in the consolidated balance sheets, changes during the years ended 31 March 2020 and 2021 and the fair values of real estate were as follows:

	Millions of yen	
	2020	2021
Carrying value at beginning of year	131,828	134,953
Net changes during the year	3,125	516
Carrying value at end of year	134,953	135,469
Fair value at end of year*	176,283	176,955

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

Profits or losses recorded for rental properties for the years ended 31 March 2020 and 2021 were as follows:

	Millions of yen	
	2020	2021
Income from rental operations	4,730	5,475
Impairment loss on rental properties	832	1,108

7. Short-term loans payable and long-term debt

Short-term loans payable at 31 March 2020 and 2021 consisted of the following:

	Millions of yen	
	2020	2021
Bank loans with average interest rates of 0.2241% at 31 March 2021:		
Secured	2,588	1,196
Unsecured	20,912	21,388
Total	23,501	22,584

Long-term debt at 31 March 2020 and 2021 consisted of the following:

	Millions of yen	
	2020	2021
1.26% unsecured bonds, due October 2020	10,000	—
0.557% unsecured bonds, due April 2021	15,000	15,000
1.35% unsecured bonds, due July 2021	10,000	10,000
0.001% unsecured bonds, due August 2023	—	20,000
0.001% unsecured bonds, due October 2023	—	10,000
0.09% unsecured bonds, due March 2026	—	15,000
0.857% unsecured bonds, due April 2027	15,000	15,000
0.85% unsecured bonds, due February 2035	15,000	15,000
0.75% unsecured bonds, due August 2036	15,000	15,000
0.806% unsecured bonds, due May 2037	15,000	15,000
0.79% 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
0.53% unsecured bonds, due September 2039	10,000	10,000
0.78% unsecured bonds, due April 2040	—	10,000
0.69% unsecured bonds, due October 2040	—	10,000
Zero coupon unsecured convertible bonds, due October 2023	100	100
Zero coupon unsecured convertible bonds, due December 2024	40,000	40,000
Bank loans with average interest rate of 0.6859% at 31 March 2021, due through 2039:		
Secured	3,506	1,363
Unsecured	180,502	186,328
Capitalised lease obligations	10,816	13,112
Subtotal	379,925	440,903
Less current portion	(34,426)	(58,063)
Total	345,499	382,840

At 31 March 2021, zero coupon convertible bonds due October 2023 and zero coupon convertible bonds due December 2024 were ¥1,926.7 and ¥2,909.9 per share, respectively, and subject to adjustment in certain circumstances, including in the event of a stock split. The Company may, at its call option, redeem all, but not some only, of the zero coupon convertible bonds due October 2023 for the period from 5 October 2020 at 100% of the principal amount, subject to certain conditions. And the Company may, at its call option, redeem all, but not some only, of the zero coupon convertible bonds due December 2024 for the period from 11 December 2022 at 100% of the principal amount, subject to certain conditions.

At 31 March 2021, the number of shares of common stock necessary for conversion of all convertible bonds outstanding was approximately 14 million.

The annual maturities of long-term debt at 31 March 2021 were as follows:

Year ending 31 March	Millions of yen
2022	58,063
2023	19,809
2024	57,914
2025	44,247
2026	20,745
2027 and thereafter	240,123
Total	440,903

At 31 March 2020 and 2021, the following assets were pledged for short-term and long-term loans payable.

	Millions of yen	
	2020	2021
Buildings and structures	2,733	2,532
Land	4,456	3,486
Others	2,552	911
Total	9,741	6,930

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. The Company and one consolidated subsidiary also have trusts set up for their pension plan assets. The projected benefit obligations of certain consolidated subsidiaries with less than 300 employees were calculated using the simplified calculation method permitted under the accounting standard for employee retirement benefits.

As of and for the years ended 31 March 2020 and 2021, 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	
	2020	2021
Balance at beginning of year:	34,927	34,650
Service cost	1,629	1,670
Interest cost	69	113
Actuarial differences incurred	(166)	(143)
Benefits paid	(1,809)	(1,986)
Transfer amount arising from the change from the simplified method to the principle method	−	689
Others	(0)	−
Balance at end of year:	34,650	34,992

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

	Millions of yen	
	2020	2021
Balance at beginning of year:	13,080	11,331
Expected return on plan assets	67	64
Actuarial differences incurred	(863)	154
Contributions paid by the employer	205	181
Benefits paid	(1,158)	(1,194)
Balance at end of year:	11,331	10,538

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

	Millions of yen	
	2020	2021
Balance at beginning of year:	9,559	9,195
Retirement benefit costs	989	719
Benefits paid	(1,299)	(1,002)
Contributions paid by the employer	(14)	(66)
Transfer amount arising from the change from the simplified method to the principle method	—	(384)
Others	(39)	(22)
Balance at end of year:	9,195	8,438

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

	Millions of yen	
	2020	2021
Funded retirement benefit obligations	27,686	27,178
Plan assets	(11,503)	(10,694)
	16,182	16,484
Unfunded retirement benefit obligations	16,331	16,409
Employee retirement benefit liability recorded at end of year:	32,514	32,893

(e) Net periodic retirement benefit expenses

	Millions of yen	
	2020	2021
Service cost	1,629	1,670
Interest cost	69	113
Expected return on plan assets	(67)	(64)
Net actuarial loss amortisation	(2)	(23)
Prior service cost amortisation	(20)	(21)
Retirement benefit costs based on the simplified Method	989	719
Others	(78)	(46)
Total net periodic retirement benefit expenses	2,518	2,346

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

	Millions of yen	
	2020	2021
Actuarial differences	(699)	274
Past service cost	(20)	(21)
Total balance, before tax effects, at end of year:	(720)	252

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

	Millions of yen	
	2020	2021
Actuarial differences yet to be recognised	(500)	(774)
Past service costs yet to be recognised	(46)	(24)
Total balance, before tax effects, at end of year:	(546)	(799)

(h) Plan assets

1) Plan assets comprise:

	2020	2021
Equity securities	15.0%	23.6%
Bonds	6.3%	19.9%
Cash and deposits	56.2%	41.6%
General accounts	8.8%	9.7%
Others	13.7%	5.2%
Total	100.0%	100.0%

2) Long-term expected rate of return

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

(i) Actuarial assumptions

The principal actuarial assumptions at 31 March 2020 and 31 March 2021 (expressed as weighted averages) were as follows:

	2020	2021
Discount rate	0.3% to 0.5%	0.2% to 0.4%
Long-term expected rate of return	0.0% to 2.0%	0.0% to 2.0%

For the year ended 31 March 2020, the contributions required for defined contribution plans were ¥4,174 million in the Group. For the year ended 31 March 2021, the contributions required for defined contribution plans were ¥4,165 million in the Group.

9. Contingent liabilities

At 31 March 2020 and 2021, contingent liabilities were as follows:

	Millions of yen	
	2020	2021
Contingently liable for:		
Guarantees of loans of others	634	673
Total	634	673

10. Lease transactions

(As lessee)

(a) Finance leases

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

	Machinery, equipment and vehicles	Others	Total
	Millions of yen		
At 31 March 2020:			
Acquisition cost	7,077	2,737	9,814
Accumulated depreciation	7,031	2,231	9,262
Net leased property	46	505	552
At 31 March 2021:			
Acquisition cost	4,011	2,737	6,748
Accumulated depreciation	4,011	2,348	6,359
Net leased property	—	389	389

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

	Millions of yen	
	2020	2021
Due within 1 year	246	163
Due after 1 year	679	516
Total	926	679

Lease expense and other information at 31 March 2020 and 2021 were as follows:

	Millions of yen	
	2020	2021
Lease expense	733	371
Imputed depreciation expense *(*1)*	462	162
Imputed interest expense *(*2)*	89	67

**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	
	2020	2021
Due within 1 year	406	546
Due after 1 year	2,694	2,415
Total	3,100	2,961

(As lessor)

(a) Finance leases

Lease investment assets at 31 March 2020 and 2021 were as follows:

	Millions of yen	
	2020	2021
Lease receivables	8,959	9,448
Estimated residual value	174	192
Unearned imputed interest	(1,623)	(1,665)
Lease investment assets included in trade receivables	7,511	7,976

The aggregate annual maturities of lease investments at 31 March 2020 were as follows:

Year ending 31 March	Millions of yen
2021	2,711
2022	2,350
2023	1,823
2024	1,217
2025	681
2026 and thereafter	174
Total	8,956

The aggregate annual maturities of lease investments at 31 March 2021 were as follows:

Year ending 31 March	Millions of yen
2022	2,933
2023	2,480
2024	1,946
2025	1,261
2026	584
2027 and thereafter	242
Total	9,448

(b) Operating leases

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

	Millions of yen	
	2020	2021
Due within 1 year	2,543	2,697
Due after 1 year	6,791	7,689
Total	9,334	10,386

11. Derivatives

At 31 March 2020 and 2021, 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 2020	257	―	3	3
At 31 March 2021	22	―	0	0

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

At 31 March 2020 and 2021, derivative transactions to which hedge accounting was applied were as follows:

(Foreign currency related transactions)

			Contract amount		
Method of hedge accounting	Transaction	Major hedged items	Total 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 2020			8,500	5,500	―
At 31 March 2021			5,500	―	―

**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		
Special treatment for interest rate swaps:	Interest rate swaps - pay fixed rate and receive floating rate	Long-term bank loans			
At 31 March 2020			50,427	50,301	−
At 31 March 2021			50,301	43,675	−

**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 2020			3,152	2,049	(918)
At 31 March 2021			2,049	987	277

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

12. Net assets

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

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

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

At 31 March 2020 and 2021, capital surplus consisted principally of additional paid-in capital. In addition, retained earnings included the legal earnings reserve of the Company in the amounts of ¥2,807 million at 31 March 2020 and 2021.

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

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

Total number of shares authorized to be issued as of 31 March 2020 and 2021 was as follows.

	Number of shares (Thousands of shares)	
	2020	2021
Common stock	360,000	360,000

Movements in issued shares of common stock and treasury stock during the years ended 31 March 2020 and 2021 were as follows.

	Number of shares (Thousands of shares)			
	2020			
	1 April 2019	Increase	Decrease	31 March 2020
Issued shares:				
Common stock	196,306	394	−	196,700
Treasury stock	27	19	11	36

	Number of shares (Thousands of shares)			
	2021			
	1 April 2020	Increase	Decrease	31 March 2021
Issued shares:				
Common stock	196,700	−	−	196,700
Treasury stock	36	14	0	50

13. Income taxes

The Company and its domestic consolidated subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a statutory effective tax rate of approximately 30.6% for the years ended 31 March 2020 and 2021, respectively.

Significant components of the Groups' deferred tax assets and liabilities as of 31 March 2020 and 2021 were as follows:

	Millions of yen	
	2020	2021
Deferred tax assets:		
Tax loss carryforwards (Note2)	4,768	19,808
Employee retirement benefit liability	13,470	13,242
Impairment loss on fixed assets	11,527	12,026
Loss on valuation of investment securities	5,277	5,328
Depreciation	4,390	4,423
Elimination of unrealised profit	4,447	4,211
Valuation loss on fixed assets	3,232	2,048
Provision for loss on liquidation	1,581	1,807
Provision for bonuses	1,981	1,666
Loss on valuation of land caused by restructuring	821	821
Allowance for loss on collection of gift certificates outstanding	749	737
Accrued retirement benefits for directors	444	427
Accrued enterprise taxes and accrued business office taxes	786	234
Allowance for doubtful accounts	184	232
Loss on valuation of inventories	190	98
Others	3,455	3,637
Subtotal of deferred tax assets	57,310	70,752
Valuation allowance pertaining to tax loss carryforwards (Note2,3)	－	(15,341)
Valuation allowance pertaining to deductible temporary difference etc. (Note3)	－	(27,707)
Subtotal of less valuation allowance (Note1)	(27,978)	(43,049)
Total deferred tax assets	29,332	27,703
Deferred tax liabilities:		
Net unrealised gains on available-for-sale securities	(5,408)	(6,113)
Gain on valuation of land caused by restructuring	(2,664)	(2,661)
Gain on valuation of investment securities	(2,083)	(2,083)
Retained earnings	(1,118)	(946)
Deferred capital gains	(851)	(824)
Trust for employee retirement benefits	(510)	(510)
Others	(1,146)	(1,562)
Total deferred tax liabilities	(13,782)	(14,701)
Net deferred tax assets	15,549	13,002

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 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 2020 and 2021, valuation allowance was provided to reduce deferred tax assets to the amount management believed would be realisable.

(Notes)

1. Valuation allowance for the year ended 31 March 2021 increaed 15,071 million yen from the previous fiscal year. The main factor for this increase was the valuation allowance pertaining to tax loss carryforwards of Nagoya Railroad Co., Ltd and Consolidated Subsidiaries (+10,896 million yen) and the valuation allowance pertaining to impairment loss on fixed assets (+2,351 million yen).

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

	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
At 31 March 2021	Millions of yen						
Tax loss carryforwards*1	50	244	351	737	372	18,051	19,808
Valuation allowance	(50)	(244)	(351)	(737)	(330)	(13,626)	(15,341)
Deferred tax assets	—	—	—	—	42	4,424	*2 4,466

**1 Tax loss carryforwards are shown in the amount multiplied by the effective statutory tax rate.*

**2 Deferred tax assets of 4,466 million yen were booked for tax loss carryforwards 19,808 million yen (amount multiplied by the effective statutory tax rate). The main breakdown of the deferred tax assets pertained to tax loss carryforwards of the Company, and valuation allowance is not recognized for a portion of the tax loss carryforwards judged to be collectible because of estimated future taxable income.*

3. About the previous fiscal year, a breakdown of the valuation allowance, tax loss carryforwards and deferred tax assets by the period due is omitted because the valuation allowance pertaining to tax loss carryforwards for the year ended 31 March 2020 was not significant.

For the year ended 31 March 2020, a reconciliation of the differences between the combined Japanese statutory tax rate and the effective income tax rate on pre-tax income reflected in the accompanying consolidated statements of income was as follows:

A reconciliation for the year ended 31 March 2021 was not disclosed because of net loss before taxes.

	Percentage of pre-tax income
	2020
Japanese statutory tax rate	30.6%
Increase (decrease) due to:	
Permanently non-deductible expenses	0.4
Local minimum taxes per capita levy	0.9
Changes in valuation allowance	6.3
Elimination of unrealised profit excluding income taxes	(0.6)
Permanently non-additional profit	(1.5)
Equity in net earnings of affiliates	(1.7)
Changes in retained earnings	(2.6)
Others	0.7
Effective income tax rate	32.5%

14. 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, 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 (loss) 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 2020 was as follows:

	Reportable segments									
	Traffic	Transport	Real Estate	Leisure and Services	Distribution	Aviation Services	Others *(*1)*	Total	Adjustments *(*2)*	Consolidated financial statements *(*3)*
	Millions of yen									
For the year 2020:										
Operating revenues:										
External customers	161,214	137,798	90,372	48,806	127,608	27,251	29,866	622,916	–	622,916
Intersegment sales/transfer	2,330	421	10,497	1,331	12,930	—	22,257	49,769	(49,769)	–
Total	163,544	138,220	100,869	50,137	140,538	27,251	52,123	672,686	(49,769)	622,916
Segment income	21,577	5,342	14,309	611	330	2,616	2,854	47,642	(279)	47,363
Segment assets	504,719	118,032	305,528	38,488	47,213	24,986	66,112	1,105,081	59,897	1,164,979
Other material items:										
Depreciation	18,577	6,873	6,483	1,120	2,384	2,689	3,547	41,676	(437)	41,239
Amortisation of goodwill	–	–	351	–	–	–	5	356	–	356
Impairment loss on fixed assets	817	247	3,212	251	1,484	–	324	6,338	–	6,338
Increase in property and equipment and intangible assets	24,706	10,566	19,897	3,548	2,239	5,827	6,499	73,286	–	73,286

**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 adjustment amounting to ¥(279) million was treated as intersegment elimination.
(2) Segment assets adjustment amounting to ¥59,897 million consisted of unallocated general corporate assets amounting to ¥92,864 million, net of intersegment elimination of ¥32,966 million. Such general corporate assets consisted mainly of cash, deposits and investment securities.
(3) Depreciation adjustment amounting to ¥(437) million was treated as intersegment elimination.
**3) Segment income 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 2021 was as follows:

	Reportable segments									
	Traffic	Transport	Real Estate	Leisure and Services	Distribution	Aviation Services	Others *(*1)*	Total	Adjustments *(*2)*	Consolidated financial statements *(*3)*
	Millions of yen									
For the year 2021:										
Operating revenues:										
External customers	102,917	128,451	77,048	19,654	102,803	22,983	27,787	481,645	—	481,645
Intersegment sales/transfer	2,078	450	8,354	352	8,469	—	18,074	37,779	(37,779)	—
Total	104,995	128,901	85,402	20,007	111,272	22,983	45,862	519,425	(37,779)	481,645
Segment income (loss)	(17,866)	2,350	10,667	(13,008)	(2,185)	1,959	1,752	(16,329)	(24)	(16,354)
Segment assets	516,326	122,313	302,226	29,674	37,073	27,219	74,547	1,109,381	81,749	1,191,131
Other material items:										
Depreciation	18,351	6,985	6,013	1,233	1,185	2,279	3,710	39,760	(409)	39,351
Amortisation of goodwill	—	—	351	—	—	—	5	356	—	356
Impairment loss on fixed assets	932	0	2,752	4,918	626	—	103	9,334	—	9,334
Increase in property and equipment and intangible assets	16,869	8,788	11,037	1,623	786	4,920	3,911	47,937	—	47,937

**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 ¥(24) million was treated as intersegment elimination.
(2) Segment assets adjustment amounting to ¥81,749 million consisted of unallocated general corporate assets amounting to ¥110,521 million, net of intersegment elimination of ¥28,772 million. Such general corporate assets consisted mainly of cash, deposits and investment securities.
(3) Depreciation adjustment amounting to ¥(409) million was treated as intersegment elimination.
**3) Segment income (loss) was reconciled to operating loss in the accompanying consolidated statements of income.*

(Related information)

(1) Information about products and services

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

(2) Information about geographic areas

(Operating revenues)

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

(Property and equipment)

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

(3) Information about major customers

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

(4) Information on goodwill by reportable segment

	Traffic	Transport	Real Estate	Leisure and Services	Distribution	Aviation Services	Others	Eliminations	Consolidated
	Millions of yen								
Balance of goodwill:									
At 31 March 2020	−	−	1,195	−	−	−	15	−	1,211
At 31 March 2021	−	−	844	−	−	−	10	−	854

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 2020 and 2021

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

15. Comprehensive income

Amounts reclassified to net income (loss) in the current year that were recognised in other comprehensive income in the current or previous years and the tax effects for each component of other comprehensive income for the years ended 31 March 2020 and 2021 were as follows.

	Millions of yen	
	2020	2021
Net unrealised gains on available-for-sale securities, net of taxes:		
Amount arising during the year	(15,903)	4,639
Reclassification adjustments	(867)	(1,804)
Subtotal, before tax	(16,770)	2,835
The amount of tax effect	5,029	(768)
Subtotal, net of tax	(11,741)	2,067
Deferred gains and losses on hedges, net of taxes:		
Amount arising during the year	(870)	847
Reclassification adjustments	(157)	354
Subtotal, before tax	(1,028)	1,201
The amount of tax effect	314	(378)
Subtotal, net of tax	(713)	823
Foreign currency translation adjustments		
Amount arising during the year	(3)	(8)
Reclassification adjustments	—	—
Subtotal, before tax	(3)	(8)
The amount of tax effect	—	—
Subtotal, net of tax	(3)	(8)
Retirement benefit adjustments		
Amount arising during the year	(697)	297
Reclassification adjustments	(23)	(45)
Subtotal, before tax	(720)	252
The amount of tax effect	211	(85)
Subtotal, net of tax	(509)	166
Share of other comprehensive income of affiliates accounted for using the equity method:		
Amount arising during the year	(615)	413
Reclassification adjustments	(10)	17
Subtotal	(626)	430
Total other comprehensive income	(13,593)	3,479

16. Supplemental information to consolidated statements of cash flows

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

	Millions of yen	
	2020	2021
Cash and deposits	27,702	54,019
Securities	5,000	—
Time deposits with maturities of more than three months	(691)	(559)
Cash and cash equivalents	32,011	53,459

(2) Breakdown of assets and liabilities of a company that ceased to be a consolidated subsidiary following the sale of stock for the year ended 31 March 2021

Kanazawa Meitetsu Marukoshi Department Store Co., Ltd.	Millions of yen
Current assets	2,276
Non-current assets	4,999
Total	7,275
Current liabilities	8,461
Non-current liabilities	1,029
Total	9,491

The Company sold all its shares of common stock of Kanazawa Meitetsu Marukoshi Department Store Co., Ltd for the year ended 31 March 2021. The sale of shares of the consolidated subsidiary in the amount of ¥749 million has been included in the sales of shares of subsidiaries resulting in a change in the scope of consolidation.

(3) Significant non-cash transactions

During the years ended 31 March 2020 and 2021, 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	
	2020	2021
Increase in common stock	380	—
Increase in capital surplus	380	—
Loss on disposal of treasury stock	(11)	—
Decrease in treasury stock	31	—
Decrease in convertible bonds	780	—

17. Subsequent events

None