

Consolidated Financial Statements

**Central Nippon Expressway Company Limited
and
its Consolidated Subsidiaries**

*Years ended March 31, 2018 and 2017
with Independent Auditor's Report*

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Consolidated Financial Statements

Years ended March 31, 2018 and 2017

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Independent Auditor's Report

The Board of Directors
Central Nippon Expressway Company Limited

We have audited the accompanying consolidated financial statements of Central Nippon Expressway Company Limited and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2018 and 2017, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1(a).

Nagoya, Japan

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Consolidated Balance Sheets

March 31, 2018 and 2017

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1(a))</i>
	2018	2017	2018
Assets			
Current assets:			
Cash and deposits (<i>Notes 10, 18 and 19</i>)	¥ 143,033	¥ 108,452	\$ 1,346,320
Accounts receivable due from expressway business operations (<i>Notes 19 and 22</i>)	76,310	103,780	718,279
Other accounts receivable (<i>Note 19</i>)	7,083	33,205	66,670
Marketable securities (<i>Notes 4 and 19</i>)	50	—	471
Inventories (<i>Note 5</i>)	972,903	843,997	9,157,596
Deferred income taxes (<i>Note 11</i>)	2,488	3,085	23,419
Other current assets	41,951	32,775	394,870
Allowance for doubtful accounts	(9)	(11)	(85)
Total current assets	<u>1,243,809</u>	<u>1,125,283</u>	<u>11,707,540</u>
 Property and equipment (<i>Notes 6, 8, 16 and 21</i>):			
Buildings	66,581	65,496	626,704
Structures	61,462	60,327	578,520
Machinery and equipment	105,828	103,585	996,122
Vehicles	30,616	27,885	288,178
Tools, furniture and fixtures	15,586	14,306	146,706
Land	120,832	120,466	1,137,349
Leased assets	4,617	3,617	43,458
Construction in progress	3,802	3,177	35,787
Less accumulated depreciation	(145,919)	(137,118)	(1,373,485)
Total property and equipment	<u>263,405</u>	<u>261,741</u>	<u>2,479,339</u>
 Investments and other assets:			
Investments in unconsolidated subsidiaries and affiliates (<i>Notes 7, 10, 19 and 21</i>)	5,342	5,222	50,282
Investments in securities (<i>Notes 4 and 19</i>)	531	595	4,998
Intangible fixed assets (<i>Note 21</i>)	10,034	9,191	94,447
Deferred income taxes (<i>Note 11</i>)	3,274	9,747	30,817
Asset for retirement benefits (<i>Note 12</i>)	408	259	3,840
Others (<i>Note 10</i>)	4,982	5,192	46,894
Allowance for doubtful accounts	(543)	(505)	(5,111)
Total investments and other assets	<u>24,028</u>	<u>29,701</u>	<u>226,167</u>
 Deferred assets:			
Bond issuance expenses for road construction	1,665	1,626	15,672
Total assets (<i>Notes 10 and 21</i>)	<u><u>¥ 1,532,907</u></u>	<u><u>¥ 1,418,351</u></u>	<u><u>\$ 14,428,718</u></u>

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1(a))</i>
	2018	2017	2018
Liabilities			
Current liabilities:			
Accounts payable due to expressway business operations (<i>Notes 19 and 22</i>)	¥ 118,325	¥ 106,813	\$ 1,113,752
Current portion of long-term debt (<i>Notes 9, 10, 18, 19 and 22</i>)	932	196	8,773
Current portion of lease obligations (<i>Note 9</i>)	568	662	5,346
Other accounts payable (<i>Note 19</i>)	30,441	28,107	286,530
Income and other taxes payable (<i>Notes 11 and 19</i>)	942	3,750	8,867
Accrued employees' bonuses	3,482	3,269	32,775
Other current liabilities	24,168	23,386	227,485
Total current liabilities (<i>Note 21</i>)	178,858	166,183	1,683,528
Long-term liabilities:			
Long-term debt (<i>Notes 9, 10, 18, 19 and 22</i>)	1,020,371	919,631	9,604,396
Lease obligations (<i>Note 9</i>)	2,082	1,448	19,597
Deferred income taxes (<i>Note 11</i>)	540	98	5,083
Liabilities for retirement benefits (<i>Note 12</i>)	63,250	88,652	595,350
Accrued retirement benefits for directors, audit and supervisory board members and corporate officers	233	226	2,193
Allowance for ETC mileage program	8,194	8,377	77,127
Others	28,274	26,964	266,133
Total long-term liabilities (<i>Note 21</i>)	1,122,944	1,045,396	10,569,879
Contingent liabilities (<i>Notes 13 and 22</i>)			
Net assets:			
Shareholder's equity (<i>Note 14</i>):			
Common stock	65,000	65,000	611,822
Authorized : 520,000,000 shares			
Issued : 130,000,000 shares at March 31, 2018 and 2017			
Capital surplus	72,178	72,245	679,386
Retained earnings	108,415	88,602	1,020,473
Total shareholder's equity	245,593	225,847	2,311,681
Accumulated other comprehensive income (loss):			
Net unrealized holding gain on securities (<i>Note 4</i>)	42	54	395
Translation adjustments	2	—	19
Retirement benefits liability adjustments (<i>Note 12</i>)	(16,106)	(20,521)	(151,600)
Total accumulated other comprehensive income (loss)	(16,062)	(20,467)	(151,186)
Non-controlling interests (<i>Note 17</i>)	1,574	1,392	14,816
Total net assets (<i>Note 17</i>)	231,105	206,772	2,175,311
Total liabilities and net assets	¥ 1,532,907	¥ 1,418,351	\$ 14,428,718

See notes to consolidated financial statements.

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Consolidated Statements of Income

Years ended March 31, 2018 and 2017

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1(a))</i>
	2018	2017	2018
Operating revenues (Notes 21 and 22)	¥ 972,076	¥ 907,596	\$ 9,149,812
Operating expenses:			
Road assets leasing expenses (Note 22)	492,698	479,422	4,637,594
Cost of sales and administrative expenses for expressway business operations (Note 15)	390,933	340,818	3,679,716
Selling, general and administrative expenses (Note 15)	81,263	80,963	764,900
Total operating expenses	964,894	901,203	9,082,210
Operating income (Note 21)	7,182	6,393	67,602
Other income (expenses):			
Interest income	6	6	56
Land and property rental fees	245	227	2,306
Amortization of negative goodwill (Note 21)	342	342	3,219
Equity in earnings of affiliates	263	465	2,476
Interest expenses	(31)	(24)	(292)
Gain on sales of fixed assets	93	99	875
Loss on disposal of fixed assets	(388)	(266)	(3,652)
Loss on sales of fixed assets	(178)	(1)	(1,675)
Gain on donation of property and equipment	–	50	–
Loss on impairment of fixed assets (Notes 6 and 21)	(278)	–	(2,617)
Gain on return of substitutional portion of employees' pension fund (Notes 2 and 12)	22,395	–	210,796
Gain on sales of investments in securities (Note 4)	20	–	188
Loss on sales of investments in securities (Note 4)	(540)	(41)	(5,083)
Interest on refund of taxes	208	1	1,958
Others	372	374	3,502
Profit before income taxes	29,711	7,625	279,659
Income taxes (Note 11):			
Current	2,248	3,504	21,159
Deferred	7,534	(7,204)	70,915
	9,782	(3,700)	92,074
Profit	19,929	11,325	187,585
Profit attributable to:			
Non-controlling interests	116	100	1,092
Owner of parent (Note 17)	¥ 19,813	¥ 11,225	\$ 186,493

See notes to consolidated financial statements.

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Consolidated Statements of Comprehensive Income

Years ended March 31, 2018 and 2017

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1(a))</i>
	2018	2017	2018
Profit	¥ 19,929	¥ 11,325	\$ 187,585
Other comprehensive income (loss) <i>(Note 23)</i> :			
Net unrealized holding (loss) gain on securities	(8)	2	(75)
Retirement benefits liability adjustments	4,380	5,225	41,227
Share of other comprehensive income (loss) of affiliates accounted for by the equity method	32	(68)	301
Total other comprehensive income	4,404	5,159	41,453
Comprehensive income	¥ 24,333	¥ 16,484	\$ 229,038
Total comprehensive income attributable to:			
Owner of parent	¥ 24,217	¥ 16,384	\$ 227,946
Non-controlling interests	116	100	1,092

Central Nippon Expressway Company Limited and
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Consolidated Statements of Changes in Net Assets

Years ended March 31, 2018 and 2017

<i>Millions of yen</i>					
	Number of shares in issue	Common stock	Capital surplus	Retained earnings	Total shareholder's equity
Balance at April 1, 2016	130,000,000	¥ 65,000	¥ 71,869	¥ 77,377	¥ 214,246
Profit attributable to owner of parent for the year	—	—	—	11,225	11,225
Change in ownership interests due to transactions with non-controlling interests	—	—	—	—	376
Other changes	—	—	—	—	—
Balance at April 1, 2017	130,000,000	65,000	72,245	88,602	225,847
Profit attributable to owner of parent for the year	—	—	—	19,813	19,813
Change in ownership interests due to transactions with non-controlling interests	—	—	(67)	—	(67)
Other changes	—	—	—	—	—
Balance at March 31, 2018	130,000,000	¥ 65,000	¥ 72,178	¥ 108,415	¥ 245,593

<i>Millions of yen</i>						
Accumulated other comprehensive income (loss)						
	Net unrealized holding gain on securities	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income (loss)	Non-controlli ng interests	Total net assets
Balance at April 1, 2016	¥ 53	¥ —	¥ (25,679)	¥ (25,626)	¥ 2,065	¥ 190,685
Profit attributable to owner of parent for the year	—	—	—	—	—	11,225
Change in ownership interests due to transactions with non-controlling interests	—	—	—	—	—	376
Other changes	1	—	5,158	5,159	(673)	4,486
Balance at April 1, 2017	54	—	(20,521)	(20,467)	1,392	206,772
Profit attributable to owner of parent for the year	—	—	—	—	—	19,813
Change in ownership interests due to transactions with non-controlling interests	—	—	—	—	—	(67)
Other changes	(12)	2	4,415	4,405	182	4,587
Balance at March 31, 2018	¥ 42	¥ 2	¥ (16,106)	¥ (16,062)	¥ 1,574	¥ 231,105

Central Nippon Expressway Company Limited and
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Consolidated Statements of Changes in Net Assets (continued)

Years ended March 31, 2018 and 2017

Thousands of U.S. dollars (Note 1(a))

	Common stock	Capital surplus	Retained earnings	Total shareholder's equity
Balance at April 1, 2017	\$ 611,822	\$ 680,017	\$ 833,980	\$ 2,125,819
Profit attributable to owner of parent for the year	—	—	186,493	186,493
Change in ownership interests due to transactions with non-controlling interests	—	(631)	—	(631)
Other changes	—	—	—	—
Balance at March 31, 2018	\$ 611,822	\$ 679,386	\$ 1,020,473	\$ 2,311,681

Thousands of U.S. dollars (Note 1(a))

	Accumulated other comprehensive income (loss)					
	Net unrealized holding gain on securities	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income (loss)	Non-control ling interests	Total net assets
Balance at April 1, 2017	\$ 508	\$ —	\$ (193,157)	\$ (192,649)	\$ 13,103	\$ 1,946,273
Profit attributable to owner of parent for the year	—	—	—	—	—	186,493
Change in ownership interests due to transactions with non-controlling interests	—	—	—	—	—	(631)
Other changes	(113)	19	41,557	41,463	1,713	43,176
Balance at March 31, 2018	\$ 395	\$ 19	\$ (151,600)	\$ (151,186)	\$ 14,816	\$ 2,175,311

Central Nippon Expressway Company Limited and
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Consolidated Statements of Cash Flows

Years ended March 31, 2018 and 2017

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1(a))</i>
	2018	2017	2018
Cash flows from operating activities:			
Profit before income taxes	¥ 29,711	¥ 7,625	\$ 279,659
Depreciation and amortization	20,837	20,864	196,131
Loss on impairment of fixed assets	278	—	2,617
Loss on sales of investments in securities	520	41	4,895
Equity in earnings of affiliates	(263)	(465)	(2,476)
(Decrease) increase in asset and liabilities for retirement benefits	(21,190)	2,749	(199,454)
Increase in accrued employees' bonuses	213	120	2,005
Decrease in allowance for ETC mileage program	(183)	(193)	(1,723)
Increase (decrease) in allowance for doubtful accounts	36	(8)	339
Interest and dividend income	(16)	(17)	(151)
Interest expense	1,113	1,286	10,476
Loss (gain) on sales of fixed assets	85	(98)	800
Loss on disposal of fixed assets	1,635	2,408	15,390
Decrease (increase) in accounts receivable due from expressway business operations	28,447	(28,283)	267,762
Increase in inventories	(128,906)	(157,658)	(1,213,347)
Increase (decrease) in accounts payable due to expressway business operations	11,930	(52,385)	112,293
Increase (decrease) in other accounts payable	15,921	(51,481)	149,859
Others	2,951	3,013	27,777
Subtotal	(36,881)	(252,482)	(347,148)
Interest and dividends received	143	40	1,346
Interest paid	(1,088)	(1,126)	(10,241)
Income taxes paid	(4,222)	(3,734)	(39,740)
Net cash used in operating activities	(42,048)	(257,302)	(395,783)
Cash flows from investing activities:			
Increase in time deposits	(0)	(0)	(0)
Decrease in time deposits	11	270	104
Proceeds from sales and redemption of marketable securities	—	50	—
Payments for purchase of investments in securities	(694)	—	(6,532)
Proceeds from sales and redemption of investments in securities	225	31	2,118
Payments for purchase of fixed assets	(23,225)	(21,020)	(218,609)
Proceeds from sale of fixed assets	446	124	4,198
Others	(102)	132	(961)
Net cash used in investing activities	(23,339)	(20,413)	(219,682)
Cash flows from financing activities:			
Proceeds from long-term loans	16,976	34,163	159,789
Repayments of long-term loans (Note 18)	(35,424)	(100)	(333,434)
Proceeds from issuance of bonds for road construction	342,708	439,958	3,225,791
Redemption of bonds for road construction (Note 18)	(223,551)	(160,000)	(2,104,207)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	—	(397)	—
Others	(729)	(630)	(6,862)
Net cash provided by financing activities	99,980	312,994	941,077
Effect of exchange rate changes on cash and cash equivalents	(1)	(1)	(9)
Net increase in cash and cash equivalents	34,592	35,278	325,603
Cash and cash equivalents at beginning of the year	108,257	72,979	1,018,985
Cash and cash equivalents at end of the year (Note 18)	¥ 142,849	¥ 108,257	\$ 1,344,588

See notes to consolidated financial statements.

Central Nippon Expressway Company Limited and its Consolidated Subsidiaries

Notes to Consolidated Financial Statements

March 31, 2018 and 2017

1. Summary of Significant Accounting Policies

(a) Basis of presentation

The accompanying consolidated financial statements of Central Nippon Expressway Company Limited (the “Company”) and its consolidated subsidiaries (collectively, the “Group”) are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

The consolidated financial statements of the Group are prepared in accordance with the “Regulations Concerning the Terminology, Forms and Preparation Methods of Consolidated Financial Statements” (Ministry of Finance Ordinance No. 28, 1976).

In preparing the accompanying consolidated financial statements, certain reclassifications have been made to the consolidated financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan. In addition, certain notes included herein are not required under accounting principles generally accepted in Japan but are presented as other explanatory information.

Certain reclassifications of previously reported amounts have been made to conform the consolidated financial statements for the year ended March 31, 2017 to the 2018 presentation. Such reclassifications had no effect on consolidated profit or net assets.

The translation of Japanese yen amounts into U.S. dollars is included solely for the convenience of the reader and has been made at ¥106.24 = U.S. \$1.00, the approximate rate of exchange in effect on March 31, 2018. This translation should not be construed as a representation that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollar amounts at the above or any other rate.

Central Nippon Expressway Company Limited and
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Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

(b) Principles of consolidation and accounting for investments in unconsolidated subsidiaries and affiliates

The accompanying consolidated financial statements include the accounts of the Company and its 25 significant consolidated subsidiaries for the years ended March 31, 2018 and 2017. The Company has applied the equity method to its investments in 12 and 13 significant affiliates for the purpose of the consolidated financial statements for the years ended March 31, 2018 and 2017, respectively.

The principles of consolidation are to include significant subsidiaries over which substantial control is exerted either through majority ownership of voting stock and/or by other means. In addition, significant affiliates, over which the consolidated Group exercises substantial control in various ways, are accounted for by the equity method.

All significant intercompany transactions and accounts have been eliminated in consolidation.

Other subsidiaries and affiliates are not significant in terms of their total assets, profit or loss, and retained earnings. Accordingly, these other subsidiaries and affiliates have not been consolidated nor are they accounted for by the equity method. Investments in such subsidiaries and affiliates are stated at cost unless there has been a permanent decline in the value of such investments. In such case, the Company is required to write down the investments.

Goodwill is amortized using the straight-line method over the respective determinable useful lives or a period of 5 years if the useful lives are indeterminable. Goodwill is charged to income in the year of acquisition if immaterial.

Negative goodwill is credited to income when incurred. Negative goodwill recognized on or before March 31, 2010 is being amortized using the straight-line method over a period of 20 years.

(c) Foreign currency translation

All monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date, and differences arising from the translation are credited or charged to income.

Assets and liabilities of the overseas affiliate accounted for by the equity method are translated into yen at the rates of exchange in effect at the balance sheet date of the affiliate, and revenues and expenses are translated at the average rates of exchange for the fiscal year. Differences arising from the translation are reflected in "Translation adjustments" as a component of Accumulated other comprehensive income (loss).

Central Nippon Expressway Company Limited and
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Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

(d) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, cash in banks which can be withdrawn at any time and short-term investments with a maturity of three months or less when purchased which can easily be converted to cash and are subject to little risk of change in value.

(e) Investments in securities

Securities, other than those of unconsolidated subsidiaries and affiliates, are classified into three categories: trading securities, held-to-maturity debt securities and other securities.

Trading securities, consisting of debt and marketable equity securities are stated at fair value. Gain or loss, both realized and unrealized, is credited or charged to income. Held-to-maturity debt securities are stated at amortized cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, reported as a separate component of accumulated other comprehensive income (loss). Cost of securities sold is determined by the moving average method. Non-marketable securities classified as other securities are carried at cost determined by the moving average method.

Under the Companies Act of Japan (the “Act”), unrealized holding gain on other securities, net of the related taxes, is not available for distribution as dividends.

(f) Inventories

Work in process for road construction is determined by the individual cost method.

Acquisition costs of work in process for road construction includes costs for road construction, costs for acquiring land, related incidental costs, labor costs for road construction and removal costs and other related costs.

Interest expense incurred for work in process for road construction up to the date of completion is capitalized as a part of the work in process for road construction.

Merchandise, finished goods and work in process are principally stated at lower of cost, determined by the individual cost method, or net selling value.

Raw materials and supplies are principally stated at lower of cost, determined by the first-in first-out method, or net selling value.

Central Nippon Expressway Company Limited and
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Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

(g) Allowance for doubtful accounts

Allowance for doubtful accounts is provided based on the actual historical percentage of bad debts and an estimate of uncollectible amounts determined by an assessment of individual receivables.

(h) Property and equipment (except for leased assets)

Depreciation of property and equipment of the Company and its consolidated subsidiaries is calculated principally by the straight-line method based on the estimated useful lives and the residual value determined by the Company. Significant renewals and additions are capitalized at cost. Maintenance and repairs are charged to income as incurred. The estimated useful lives of the assets are as follows:

Buildings:	3 to 50 years
Structures:	3 to 60 years
Machinery and equipment:	5 to 17 years

The Company succeeded certain property and equipment from the Japan Highway Public Corporation (“JHPC”) when the Company was established on October 1, 2005. The estimated useful lives of property and equipment transferred to the Company from the JHPC are determined based on the respective estimated useful lives of used assets.

(i) Intangible fixed assets (except for leased assets)

Amortization of intangible fixed assets is calculated by the straight-line method over the estimated useful lives of the respective assets.

Expenditures related to computer software development for internal use are charged to income as incurred, unless these contribute to the generation of future income or cost savings. Such expenditures are capitalized as assets and amortized by the straight-line method over their estimated useful life of 5 years.

(j) Leased assets

Leased assets under finance lease transactions which transfer ownership to the lessee are capitalized and depreciated or amortized by the method applied to assets owned by the Company.

Leased assets under finance lease transactions which do not transfer ownership to the lessee are capitalized and depreciated or amortized over the respective lease terms to a nil residual value by the straight-line method.

Central Nippon Expressway Company Limited and
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Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

(k) Bond issuance expenses for road construction

Bond issuance expenses for road construction are capitalized and amortized by the straight-line method over the term of the bonds.

(l) Derivatives and hedging activities

The Company has entered into currency swap contracts and interest-rate swap contracts to hedge its exposure to exchange rate fluctuation risk and interest rate fluctuation risk corresponding to corporate bonds denominated in foreign currencies based on internal regulations.

Gains or losses on derivatives positions designated as hedges are deferred until the gains or losses on the respective underlying hedged items are recognized.

Currency swap contracts that meet certain conditions are accounted for by the allocation method, which requires that the recognized foreign currency transaction be translated at the corresponding currency swap contract rate. Interest-rate swap contracts that meet certain conditions are accounted for by the special treatment. Under the treatment, the net amount to be paid or received under the contracts is added to or deducted from the interest on the hedged items, by treating them as a single item.

The Company measures hedge effectiveness by comparing the cumulative changes in cash flows or fair value of the hedging instrument and the hedged item, except for the currency swaps accounted for by the allocation method and the interest-rate swaps accounted for by the special treatment, for which the measurement of hedge effectiveness is omitted.

(m) Income taxes

Deferred tax assets and liabilities have been recognized in the consolidated financial statements with respect to the differences between the financial reporting and tax bases of the assets and liabilities, and were measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

(n) Accrued employees' bonuses

Accrued employees' bonuses are provided at the estimated amount of bonuses to be paid to the employees in the following year which has been allocated to the current fiscal year.

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

(o) Retirement benefits

The liabilities for retirement benefits is provided based on the amount of the projected benefit obligation reduced by the pension plan assets at fair value at the end of the year.

The retirement benefit obligation is attributed to each period based on the benefit formula method over the estimated years of service of the eligible employees.

Certain consolidated subsidiaries calculate the liabilities for retirement benefits based on the simplified method. These domestic subsidiaries have calculated their retirement benefit obligation based on the amount which would be payable at the end of the fiscal year if all eligible employees terminated their services voluntarily.

Actuarial gain or loss is amortized in the year following the year in which such gain or loss is recognized principally by the straight-line method over a period from 10 years to 13 years, which is within the estimated average remaining years of service of the eligible employees. Actuarial gain or loss of certain consolidated subsidiaries is fully recognized in income or loss at the time of occurrence.

Prior service cost of certain consolidated subsidiaries is amortized by the straight-line method over a period from 10 years to 13 years, which is within the estimated average remaining years of service of the eligible employees. Prior service cost of certain consolidated subsidiaries is fully charged to income as incurred.

(p) Accrued retirement benefits for directors, audit and supervisory board members and corporate officers

Directors, audit and supervisory board members and corporate officers of the Company and certain consolidated domestic subsidiaries are entitled to lump-sum payments under unfunded retirement benefits plans. An estimate of the accrued retirement benefits for these officers has been made based on internal regulations.

(q) Allowance for ETC mileage program

The Electronic Toll Collection (“ETC”) mileage program is offered to motorists who join the ETC mileage program. In accordance with the ETC mileage program, customers can receive a discount on expressway tolls based on the number of points that they accumulate. The allowance for ETC mileage program is provided as an estimate of the total costs expected to be incurred subsequent to the balance sheet date based on the outstanding number of points at the end of each fiscal year.

Central Nippon Expressway Company Limited and
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Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

(r) Recognition of revenues and costs

Operating revenues from the transfer of expressway assets constructed by the Company and related operating expenses are recognized by the completed-contract method in accordance with “the Regulation on Accounting in the Expressway Industry, etc.”.

In principle, pursuant to Article 51 of the Act on Special Measures concerning Road Construction and Improvement of Japan (the “Special Measures Act”), expressway assets constructed by the Company shall belong to the Japan Expressway Holding and Debt Repayment Agency (“JEHDRA”) after the completion of construction. At the same time, pursuant to Article 15 of the Japan Expressway Holding and Debt Repayment Agency Act of Law (the “JEHDRA Act”), the debts borne by the Company for construction shall be assumed by JEHDRA. As such, operating revenues and related operating expenses are recognized once construction of the expressway assets is completed and JEHDRA assumes ownership.

For construction related to the improvement or enhancement of safety of expressway assets as determined by the Board of Directors, the debts borne by the Company for construction shall not be assumed by JEHDRA. Costs for such improvement or enhancement of safety of expressway assets are charged to expense as incurred.

On the other hand, revenue from and the related costs of road construction projects and contracted construction (the “Agency Business”) are recognized by the percentage-of-completion method at the amount for which the outcome of the construction activity is deemed probable at the end of the reporting period. To estimate the progress of such construction projects, the Company measures the percentage of completion by comparing costs incurred to date with the most recent estimate of total costs required to complete the project (cost to cost method). For other construction projects where the outcome cannot be reliably measured, the completed-contract method is applied.

For construction contracts related to the Agency Business that commenced on or before March 31, 2009, the percentage-of-completion method is applied if the construction work extends beyond a two-year period and the contract amount is ¥5,000 million (\$47,063 thousand) or more. Other construction contracts are accounted for by the completed-contract method.

Effective the year ended March 31, 2010, the Company has adopted “Accounting Standard for Construction Contracts” (Accounting Standards Board of Japan (“ASBJ”) Statement No.15 issued on December 27, 2007) and “Guidance on Accounting Standard for Construction Contracts” (ASBJ Guidance No.18 issued on December 27, 2007).

Central Nippon Expressway Company Limited and
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Notes to Consolidated Financial Statements (continued)

2. Supplemental Information

Return of Substitutional Portion of Employees' Pension Fund

On May 1, 2017, the Company obtained approval from the Minister of Health, Labour and Welfare of Japan with respect to its application for the return of the benefit obligations related to past employee services under the substitutional portion of the Welfare Pension Fund Plan ("WPFP"). Based upon the approval, the Company applied paragraph 46 of the "Revised Implementation Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No.25, March 26, 2015), and as a result, gain on return of substitutional portion of employees' pension fund was recorded in the amount of ¥22,395 million (\$210,796 thousand) for the year ended March 31, 2018.

3. Accounting Standards Issued but Not Yet Effective

Accounting Standard and Implementation Guidance on Revenue Recognition

On March 30, 2018, the ASBJ issued "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29) and "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30).

(1) Overview

The International Accounting Standards Board (hereinafter referred to as the "IASB") and the Financial Accounting Standards Board (hereinafter referred to as the "FASB") in the United States co-developed comprehensive accounting standards for revenue recognition and issued "Revenue from Contracts with Customers" (issued as IFRS 15 by the IASB and Topic 606 by the FASB) in May 2014. The ASBJ developed comprehensive accounting standards on revenue recognition and issued them in conjunction with the implementation guidance based on the fact that IFRS 15 will be applied from fiscal years starting on or after January 1, 2018 and Topic 606 will be applied from fiscal years starting after December 15, 2017.

The basic policy adopted by the ASBJ in developing accounting standards for revenue recognition was to incorporate the basic principles of IFRS 15 to ensure comparability between financial statements. Alternative accounting treatments were also incorporated based on accounting practices common in Japan where such treatments would have a limited impact on comparability with IFRS.

Central Nippon Expressway Company Limited and
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Notes to Consolidated Financial Statements (continued)

3. Accounting Standards Issued but Not Yet Effective (continued)

(2) Scheduled date of adoption

The Company expects to adopt the accounting standard and implementation guidance from the beginning of the fiscal year ending March 31, 2022.

(3) Impact of the adoption of accounting standard and implementation guidance

The Company is currently evaluating the effect of the adoption of this accounting standard and implementation guidance on its consolidated financial statements.

4. Securities

Held-to-maturity debt securities with fair value at March 31, 2018 and 2017 are as follows:

<i>Millions of yen</i>					
Held-to-maturity debt securities					
2018			2017		
Carrying value	Fair value	Unrealized gain	Carrying value	Fair value	Unrealized gain
Securities with fair value exceeding carrying value:					
National and local government bonds	¥ 301	¥ 311	¥ 10	¥ 301	¥ 314
Corporate bonds	50	50	0	50	51
Total	¥ 351	¥ 361	¥ 10	¥ 351	¥ 14

<i>Thousands of U.S. dollars</i>		
Held-to-maturity debt securities		
2018		
Carrying value	Fair value	Unrealized Gain
Securities with fair value exceeding carrying value:		
National and local government bonds	\$ 2,833	\$ 2,927
Corporate bonds	471	0
Total	\$ 3,304	\$ 3,398

Central Nippon Expressway Company Limited and
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Notes to Consolidated Financial Statements (continued)

4. Securities (continued)

Other securities with available market value at March 31, 2018 and 2017 are as follows:

<i>Millions of yen</i>						
Other securities						
2018			2017			
Acquisition cost	Carrying value	Unrealized gain (loss)	Acquisition cost	Carrying value	Unrealized gain (loss)	
Securities with carrying value exceeding acquisition cost:						
Stocks	¥ 78	¥ 158	¥ 80	¥ 78	¥ 170	¥ 92
Securities with carrying value not exceeding acquisition cost:						
Stocks	38	32	(6)	38	32	(6)
Total	<u>¥ 116</u>	<u>¥ 190</u>	<u>¥ 74</u>	<u>¥ 116</u>	<u>¥ 202</u>	<u>¥ 86</u>

				<i>Thousands of U.S. dollars</i>		
				Other securities		
				2018		
	Acquisition cost	Carrying value	Unrealized gain (loss)			
Securities with carrying value exceeding acquisition cost:						
Stocks	\$ 734	\$ 1,487	\$ 753			
Securities with carrying value not exceeding acquisition cost:						
Stocks	358	301	(57)			
Total	<u>\$ 1,092</u>	<u>\$ 1,788</u>	<u>\$ 696</u>			

The Company recognizes loss on impairment of individual marketable securities classified as other securities if the market value of a security at year end declines by more than 50% compared with its carrying value and if the decline is deemed to be irrecoverable.

The Company recognizes loss on impairment of individual marketable securities classified as other securities if the market value declines within a range of 30% or more, but less than 50%, when recoverability is doubtful and a significant decline of market value has occurred to such an extent that: 1) the decline has been within a range of 30% or more and then less than 50% in the last two consecutive years: 2) the issuing corporation has net asset deficiency: or 3) the issuing corporation recorded losses in the last two consecutive years and losses in the following year are anticipated.

Central Nippon Expressway Company Limited and
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Notes to Consolidated Financial Statements (continued)

4. Securities (continued)

Because no quoted market price is available and it is extremely difficult to estimate the corresponding future cash flow, unlisted stocks of ¥40 million (\$377 thousand) and ¥42 million at March 31, 2018 and 2017, respectively, are not included in the above table.

Sales of securities classified as other securities and the aggregate gain (loss) for the years ended March 31, 2018 and 2017, respectively, are summarized as follows:

		<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
		2018	2017	2018
Sales proceeds:				
Stocks		¥ 11	¥ 31	\$ 104
		¥ 11	¥ 31	\$ 104
Aggregate gain				
(loss):				
Stocks		¥ 10	¥ (41)	\$ 94
		¥ 10	¥ (41)	\$ 94

5. Inventories

Inventories at March 31, 2018 and 2017 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2018	2017	2018
Work in process for road construction	¥ 969,884	¥ 840,917	\$ 9,129,179
Merchandise and finished goods	535	502	5,036
Work in process	656	980	6,175
Raw materials and supplies	1,828	1,598	17,206
	¥ 972,903	¥ 843,997	\$ 9,157,596

Central Nippon Expressway Company Limited and
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Notes to Consolidated Financial Statements (continued)

6. Loss on Impairment of Fixed Assets

The Group recognized loss on impairment of the following group of assets for the year ended March 31, 2018.

Location	Usage	Category
Machida-city, Tokyo, and others	Common assets related to the entire business	Buildings, structures and others
Minato-city, Tokyo	Intangible fixed assets related to rest area business	Software

In principle, the Group classifies asset groups based on business segment. Assets not directly linked to a specific business, such as the head-office building, are common assets related to the entire business.

The carrying value of the asset group to be disposed, which consists of common assets related to the entire business, and the carrying value of certain software for which it is considered that investments can no longer be recovered due to a profitability decline, consisting of intangible fixed assets related to the rest area business, were written down to their memorandum value for the year ended March 31, 2018. As a result, loss on impairment of fixed assets amounted to ¥278 million (\$2,617 thousand). The details of loss on impairment are as follows:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	2018	2018
Buildings	¥ 246	\$ 2,316
Structures	6	56
Software	24	226
Others	2	19
	¥ 278	\$ 2,617

7. Investments in Unconsolidated Subsidiaries and Affiliates

Investments in unconsolidated subsidiaries and affiliates included stock of jointly controlled companies of ¥3,696 million (\$34,789 thousand) and ¥3,034 million at March 31, 2018 and 2017, respectively.

Central Nippon Expressway Company Limited and
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Notes to Consolidated Financial Statements (continued)

8. Rental Properties

The Company has commercial facilities and commercial land available for rent located in service areas and parking areas adjacent to its expressways (“service areas”).

In certain service areas commercial facilities are leased by the Company to Central Nippon Exis Co., Ltd., the Company’s consolidated subsidiary, and a certain portion of the facilities is further subleased to third-party tenants with the remaining portion being utilized by the Company’s consolidated subsidiaries as retail stores or as free rest areas for motorists.

Accordingly, certain service areas are deemed as real estate and included in rental properties.

The carrying value in the consolidated balance sheets as of March 31, 2018 and 2017 and corresponding fair value of rental properties are as follows:

<i>Millions of yen</i>				
		<i>Carrying value</i>		<i>Fair value</i>
	April 1, 2017	Net change	March 31, 2018	March 31, 2018
Rental properties	¥ 5,344	¥ 63	¥ 5,407	¥ 4,776
<i>Millions of yen</i>				
		<i>Carrying value</i>		<i>Fair value</i>
	April 1, 2016	Net change	March 31, 2017	March 31, 2017
Rental properties	¥ 5,372	¥ (28)	¥ 5,344	¥ 4,699
<i>Thousands of U.S. dollars</i>				
		<i>Carrying value</i>		<i>Fair value</i>
	April 1, 2017	Net change	March 31, 2018	March 31, 2018
Rental properties	\$ 50,301	\$ 593	\$ 50,894	\$ 44,955

The carrying value in the above table represents acquisition cost less accumulated depreciation.

Net change in rental properties in the above table for the years ended March 31, 2018 and 2017 mainly represents the increase of the construction in progress and the depreciation expenses.

The fair value in the above table is principally computed based on “Real Estate Appraisal Standards” in Japan.

Central Nippon Expressway Company Limited and
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Notes to Consolidated Financial Statements (continued)

8. Rental Properties (continued)

The carrying value in the consolidated balance sheets as of March 31, 2018 and 2017 and corresponding fair value of real estate including certain portions used as investment property are as follows:

<i>Millions of yen</i>				
	<i>Carrying value</i>			<i>Fair value</i>
	April 1, 2017	Net change	March 31, 2018	March 31, 2018
Real estate including certain portions used as investment property	¥ 134,054	¥ (762)	¥ 133,292	¥ 108,239

<i>Millions of yen</i>				
	<i>Carrying value</i>			<i>Fair value</i>
	April 1, 2016	Net change	March 31, 2017	March 31, 2017
Real estate including certain portions used as investment property	¥ 135,160	¥ (1,106)	¥ 134,054	¥ 110,118

<i>Thousands of U.S. dollars</i>				
	<i>Carrying value</i>			<i>Fair value</i>
	April 1, 2017	Net change	March 31, 2018	March 31, 2018
Real estate including certain portions used as investment property	\$ 1,261,803	\$ (7,172)	\$ 1,254,631	\$ 1,018,816

The carrying value in the above table represents the acquisition cost less accumulated depreciation.

Net change in real estate including certain portions used as investment property for the years ended March 31, 2018 and 2017 mainly represents the increase of the investment in the Dangozaka Service Area (inbound) and the Makinohara Service Area (inbound), respectively, and depreciation expenses.

The fair value in the above table is principally computed based on “Real Estate Appraisal Standards” in Japan.

Central Nippon Expressway Company Limited and
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Notes to Consolidated Financial Statements (continued)

8. Rental Properties (continued)

Operating revenues, operating expenses and net for those properties for the years ended March 31, 2018 and 2017 are as follows:

<i>Millions of yen</i>			
2018			
	Operating revenues	Operating expenses	Net
Rental properties	¥ 510	¥ 214	¥ 296
Real estate including certain portions used as investment property	24,331	12,531	11,800
<i>Millions of yen</i>			
2017			
	Operating revenues	Operating expenses	Net
Rental properties	¥ 481	¥ 203	¥ 278
Real estate including certain portions used as investment property	24,298	12,385	11,913
<i>Thousands of U.S. dollars</i>			
2018			
	Operating revenues	Operating expenses	Net
Rental properties	\$ 4,800	\$ 2,014	\$ 2,786
Real estate including certain portions used as investment property	229,019	117,950	111,069

The revenue arising from rental properties including properties partially used for leasing is not included in operating revenues since the properties include those properties leased by the consolidated subsidiaries.

Operating revenues in the above table includes revenues from retail businesses and others operated by consolidated subsidiaries in the amounts of ¥4,491 million (\$42,272 thousand) and ¥4,524 million for the years ended March 31, 2018 and 2017, respectively.

Operating expenses in the above table includes expenses related to real estate including certain portions used as investment property, such as depreciation expenses, repairs, insurance costs, and taxes and public charges and others.

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

9. Long-Term Debt and Lease Obligations

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

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2018	2017	2018
Bonds for road construction	¥ 936,740	¥ 816,817	\$ 8,817,206
Long-term loans for road construction at interest rates ranging from 0.200% to 0.302% due from 2018 to 2022	83,830	102,177	789,063
Other long-term loans at interest rates ranging from 0.650% to 0.890% due from 2018 to 2033	733	833	6,900
	1,021,303	919,827	9,613,169
Less current portion	(932)	(196)	(8,773)
	¥ 1,020,371	¥ 919,631	\$ 9,604,396

The current portion of long-term debt in the above table is classified based on the maturity dates of the original agreements.

Bonds for road construction as of March 31, 2018 and 2017 are summarized as follows:

	Issue date	Maturity date	Interest rate (%)	Note	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
					2018	2017	2018
Central Nippon Expressway Company Limited U.S.\$500,000,000 2.170 per cent. Bonds due 2019	August 5, 2014	August 5, 2019	2.17	*	¥ —	¥ 50,840	\$ —
Central Nippon Expressway Company Limited U.S.\$500,000,000 2.079 per cent. Bonds due 2019	November 5, 2014	November 5, 2019	2.08	*	—	53,825	—
No.58 Bond of Central Nippon Expressway Company Limited	February 19, 2015	December 20, 2019	0.18	*	—	25,000	—
No.59 Bond of Central Nippon Expressway Company Limited	February 19, 2015	December 20, 2021	0.31	*	—	10,000	—
No.60 Bond of Central Nippon Expressway Company Limited	February 19, 2015	December 20, 2024	0.54	*	—	10,000	—
No.61 Bond of Central Nippon Expressway Company Limited	June 2, 2015	June 2, 2020	0.26	*	—	60,000	—
Central Nippon Expressway Company Limited U.S.\$285,000,000 2.381 per cent. Bonds due 2020	September 17, 2015	September 17, 2020	2.38		34,414	34,414	323,927
Central Nippon Expressway Company Limited U.S.\$115,000,000 Floating Rate Bonds due 2020	September 17, 2015	September 17, 2020	2.95	*, **	—	13,886	—
No.62 Bond of Central Nippon Expressway Company Limited	November 13, 2015	September 18, 2020	0.23		50,000	50,000	470,632
No.63 Bond of Central Nippon Expressway Company Limited	November 13, 2015	November 13, 2025	0.58		20,000	20,000	188,253
Central Nippon Expressway Company Limited U.S.\$250,000,000 2.241 per cent. Bonds due 2021	February 16, 2016	February 16, 2021	2.24		29,848	29,848	280,949

Central Nippon Expressway Company Limited and
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Notes to Consolidated Financial Statements (continued)

9. Long-Term Debt and Lease Obligations (continued)

Bonds for road construction as of March 31, 2018 and 2017 are summarized as follows :
(continued)

	Issue date	Maturity date	Interest rate (%)	Note	Millions of yen		Thousands of U.S. dollars
					2018	2017	2018
Central Nippon Expressway Company Limited U.S.\$150,000,000 Floating Rate Bonds due 2021	February 16, 2016	February 16, 2021	2.82	**	¥ 17,908	¥ 17,908	\$ 168,562
Central Nippon Expressway Company Limited U.S.\$350,000,000 2.293 per cent. Bonds due 2021	April 25, 2016	April 23, 2021	2.29		38,280	38,280	360,316
Central Nippon Expressway Company Limited U.S.\$250,000,000 Floating Rate Bonds due 2021	April 25, 2016	April 23, 2021	2.81	**	27,342	27,342	257,361
Central Nippon Expressway Company Limited U.S.\$500,000,000 2.362 per cent. Bonds due 2021	May 31, 2016	May 28, 2021	2.36		54,880	54,880	516,566
Central Nippon Expressway Company Limited U.S.\$150,000,000 Floating Rate Bonds due 2021	May 31, 2016	May 28, 2021	2.98	**	16,464	16,464	154,970
Central Nippon Expressway Company Limited AUD100,000,000 3.374 per cent. Bonds due 2026	May 31, 2016	May 28, 2026	3.37		7,872	7,872	74,096
No.64 Bond of Central Nippon Expressway Company Limited	May 31, 2016	May 31, 2021	0.06		9,800	9,800	92,244
No.65 Bond of Central Nippon Expressway Company Limited	July 14, 2016	July 14, 2021	0.03		60,000	60,000	564,759
Central Nippon Expressway Company Limited Issue of Series 1 U.S.\$400,000,000 2.091 per cent. Notes due 2021	September 14, 2016	September 14, 2021	2.09		41,480	41,480	390,437
Central Nippon Expressway Company Limited Issue of Series 2 U.S.\$200,000,000 Floating Rate Notes due 2021	September 14, 2016	September 14, 2021	2.96	**	20,740	20,740	195,218
No.66 Bond of Central Nippon Expressway Company Limited	September 28, 2016	September 28, 2021	0.03		34,000	34,000	320,030
No.67 Bond of Central Nippon Expressway Company Limited	November 30, 2016	September 17, 2021	0.03		50,000	50,000	470,632
Central Nippon Expressway Company Limited Issue of Series 3 U.S.\$250,000,000 2.849 per cent. Notes due 2022	March 3, 2017	March 3, 2022	2.85		28,290	28,290	266,284
Central Nippon Expressway Company Limited Issue of Series 4 U.S.\$300,000,000 Floating Rate Notes due 2022	March 3, 2017	March 3, 2022	2.83	**	33,948	33,948	319,541
No.68 Bond of Central Nippon Expressway Company Limited	March 3, 2017	December 20, 2021	0.07		18,000	18,000	169,428
No.69 Bond of Central Nippon Expressway Company Limited	May 31, 2017	March 18, 2022	0.07		99,000	—	931,852
Central Nippon Expressway Company Limited Issue of Series 5 U.S.\$500,000,000 Floating Rate Notes due 2020	August 4, 2017	August 4, 2020	2.33	**	56,068	—	527,748

Central Nippon Expressway Company Limited and
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Notes to Consolidated Financial Statements (continued)

9. Long-Term Debt and Lease Obligations (continued)

Bonds for road construction as of March 31, 2018 and 2017 are summarized as follows :
(continued)

	Issue date	Maturity date	Interest rate (%)	Note	Millions of yen		Thousands of U.S. dollars
					2018	2017	2018
Central Nippon Expressway Company Limited Issue of Series 6 U.S.\$425,000,000 2.567 per cent. Notes due 2021	November 2, 2017	November 2, 2021	2.57		¥ 47,817	¥ —	\$ 450,085
Central Nippon Expressway Company Limited Issue of Series 7 U.S.\$375,000,000 Floating Rate Notes due 2021	November 2, 2017	November 2, 2021	2.34	**	42,191	—	397,129
No.70 Bond of Central Nippon Expressway Company Limited	November 15, 2017	September 20, 2022	0.09		20,000	—	188,253
Central Nippon Expressway Company Limited Issue of Series 8 HK\$1,000,000,000 2.463 per cent. Notes due 2022	February 9, 2018	February 9, 2022	2.46		14,200	—	133,660
Central Nippon Expressway Company Limited Issue of Series 9 U.S.\$100,000,000 3.055 per cent. Notes due 2022	February 15, 2018	February 15, 2022	3.06		10,933	—	102,909
Central Nippon Expressway Company Limited Issue of Series 10 U.S.\$350,000,000 Floating Rate Notes due 2022	February 15, 2018	February 15, 2022	2.30	**	38,265	—	360,175
No.71 Bond of Central Nippon Expressway Company Limited	February 23, 2018	December 20, 2022	0.09		15,000	—	141,190
Total					<u>¥ 936,740</u>	<u>¥ 816,817</u>	<u>\$ 8,817,206</u>

* Pursuant to Article 15 of the JEHDRA Act, JEHDRA assumed these obligations shown in the above table.

** The interest rates are those as of March 31, 2018.

Central Nippon Expressway Company Limited and
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Notes to Consolidated Financial Statements (continued)

9. Long-Term Debt and Lease Obligations (continued)

The aggregate annual maturities of long-term debt subsequent to March 31, 2018 are summarized as follows:

Years ending March 31,	<i>Millions of yen</i>		
	Bonds for road construction	Long-term loans for road construction	Other long-term loans
2019	¥ –	¥ 206	¥ 726
2020	–	33,019	0
2021	188,238	34,105	0
2022	685,631	16,500	1
2023 and thereafter	62,871	–	6
	¥ 936,740	¥ 83,830	¥ 733

Years ending March 31,	<i>Thousands of U.S. dollars</i>		
	Bonds for road construction	Long-term loans for road construction	Other long-term loans
2019	\$ –	\$ 1,939	\$ 6,834
2020	–	310,796	0
2021	1,771,819	321,019	0
2022	6,453,605	155,309	10
2023 and thereafter	591,782	–	56
	\$ 8,817,206	\$ 789,063	\$ 6,900

The aggregate annual maturities of lease obligations subsequent to March 31, 2018 are summarized as follows:

Years ending March 31,	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	Lease obligations	
2019	¥ 568	\$ 5,346
2020	405	3,812
2021	293	2,758
2022	209	1,967
2023 and thereafter	1,175	11,060
	¥ 2,650	\$ 24,943

Central Nippon Expressway Company Limited and
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Notes to Consolidated Financial Statements (continued)

10. Pledged Assets

At March 31, 2018 and 2017, the total assets of the Company were pledged as collateral for the following bonds pursuant to Article 8 of the Act on Expressway Companies of Japan.

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2018	2017	2018
Bonds for road construction			
Carrying value	¥ 936,740	¥ 816,817	¥ 8,817,206
Face value	936,740	816,817	8,817,206

In addition, at March 31, 2018 and 2017, the total assets of the Company were also pledged as collateral for bonds in the amounts of ¥1,141,071 million (\$10,740,503 thousand) and ¥1,357,520 million at March 31, 2018 and 2017, respectively, assumed by JEHDRA pursuant to Article 15 of the JEHDRA Act.

At March 31, 2018 and 2017, the following assets, other than pledged assets outlined above under requirement of the Act on Expressway Companies of Japan and the JEHDRA Act, were pledged.

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2018	2017	2018
Cash and deposits	¥ 3	¥ 3	\$ 28
Investments in unconsolidated subsidiaries and affiliates	68	—	640
Others in Investments and other assets	33	70	311

Central Nippon Expressway Company Limited and
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Notes to Consolidated Financial Statements (continued)

11. Income Taxes

The Company and its domestic subsidiaries are subject to several taxes based on income which, in the aggregate, resulted in a statutory tax rate of approximately 30.6% for the years ended March 31, 2018 and 2017.

The effective tax rate reflected in the accompanying consolidated statement of income for the years ended March 31, 2018 and 2017, respectively, differs from the above statutory tax rate for the following reasons:

	2018	2017
Statutory tax rate	30.6%	30.6%
Adjustments:		
Valuation allowance	0.8	(77.6)
Gain on negative goodwill	(0.2)	(0.6)
Amortization of negative goodwill	(0.4)	(1.4)
Equity in earnings of affiliates	(0.3)	(1.9)
Consolidated adjustments of gain (loss) on sales of equity method affiliates investments	0.6	–
Inhabitants' per capita taxes	0.4	1.6
Other	1.4	0.8
Effective tax rate	32.9	(48.5)

The significant components of the Group's deferred tax assets and liabilities at March 31, 2018 and 2017 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2018	2017	2018
Deferred tax assets:			
Allowance for doubtful accounts	¥ 170	¥ 161	\$ 1,600
Accrued employees' bonuses	1,142	1,081	10,749
Allowance for ETC mileage program	2,508	2,552	23,607
Liabilities for retirement benefits	19,859	27,566	186,926
Other	5,236	5,883	49,285
Gross deferred tax assets	28,915	37,243	272,167
Less valuation allowance	(23,035)	(24,144)	(216,821)
Total deferred tax assets	5,880	13,099	55,346
Deferred tax liabilities:			
Other	(658)	(365)	(6,193)
Total deferred tax liabilities	(658)	(365)	(6,193)
Net deferred tax assets	¥ 5,222	¥ 12,734	\$ 49,153

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

12. Retirement Benefits

1. Overview

The Company and its consolidated subsidiaries have defined benefit plans, which include both unfunded severance indemnity plans and funded lump-sum severance indemnity plans and a defined contribution plan. The defined benefit pension plans, include corporate pension plans and welfare pension fund plans (“WPFP”) covering substantially all employees who are entitled to lump-sum or annuity payments, the amounts of which are determined by reference to basic rates of pay, length of service, and the conditions under which termination occurs.

Certain consolidated subsidiaries calculate the liabilities for retirement benefits based on the simplified method. These domestic subsidiaries have calculated their retirement benefit obligation based on the amount which would be payable at the year end if all eligible employees terminated their services voluntarily.

The Company and certain consolidated subsidiaries participate in a multi-employer welfare pension plan. The contributions to the fund are charged to expense when paid in cases where the proportional portion of plan assets attributable to certain consolidated subsidiaries rationally cannot be calculated. In cases where the proportional portion can be calculated, the liabilities for retirement benefits is provided based on the amount of the projected benefit obligation after deducting by the pension plan assets.

On May 1, 2017, the Company obtained approval from the Minister of Health, Labour and Welfare of Japan with respect to its application for the return of the benefit obligations related to past employee services under the substitutional portion of the WPFP.

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

12. Retirement Benefits (continued)

2. Defined benefit plans

The changes in retirement benefit obligation for the years ended March 31, 2018 and 2017 are as follows (excluding defined benefit plans based on the simplified method):

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2018	2017	2018
Beginning balance of retirement benefit obligation	¥ 127,520	¥ 130,195	\$ 1,200,301
Service cost	3,532	3,836	33,245
Interest cost	391	527	3,681
Actuarial gain or loss	2,768	694	26,054
Prior service cost	(151)	(3,198)	(1,420)
Benefit paid	(3,697)	(4,534)	(34,799)
Decrease due to return of substitutional portion of the WFPF	(29,559)	—	(278,229)
Ending balance of retirement benefit obligation	<u>¥ 100,804</u>	<u>¥ 127,520</u>	<u>\$ 948,833</u>

The changes in plan assets at fair value for the years ended March 31, 2018 and 2017 are as follows (excluding retirement defined benefit plans based on the simplified method):

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2018	2017	2018
Beginning balance of plan assets at fair value	¥ 40,348	¥ 40,359	\$ 379,782
Expected return on plan assets	499	602	4,697
Actuarial gain or loss	(2,246)	(395)	(21,141)
Contributions by the employers	2,139	1,915	20,134
Benefit paid	(1,522)	(2,291)	(14,326)
Other	38	158	357
Ending balance of plan assets at fair value	<u>¥ 39,256</u>	<u>¥ 40,348</u>	<u>\$ 369,503</u>

The changes in liabilities for retirement benefit under the simplified method for the years ended March 31, 2018 and 2017 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2018	2017	2018
Beginning balance of liabilities for retirement benefit	¥ 1,221	¥ 1,102	\$ 11,493
Service cost	341	292	3,210
Payment for the plan	(82)	(74)	(772)
Benefit paid	(186)	(99)	(1,751)
Ending balance of liabilities for retirement benefit	<u>¥ 1,294</u>	<u>¥ 1,221</u>	<u>\$ 12,180</u>

Central Nippon Expressway Company Limited and
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Notes to Consolidated Financial Statements (continued)

12. Retirement Benefits (continued)

2. Defined benefit plans (continued)

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheets as of March 31, 2018 and 2017 for the Company's and the consolidated subsidiaries' defined benefit plans:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2018	2017	2018
Funded retirement benefit obligation	¥ 70,280	¥ 98,124	\$ 661,521
Plan assets at fair value	(40,082)	(41,157)	(377,278)
	30,198	56,967	284,243
Unfunded retirement benefit obligation	32,644	31,426	307,267
Net amounts of liabilities and assets recognized in consolidated balance sheets	62,842	88,393	591,510
Liabilities for retirement benefits	63,250	88,652	595,350
Asset for retirement benefits	(408)	(259)	(3,840)
Net amounts of liabilities recognized in consolidated balance sheets	¥ 62,842	¥ 88,393	\$ 591,510

The components of retirement benefit expenses for the years ended March 31, 2018 and 2017 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2018	2017	2018
Service cost	¥ 3,495	¥ 3,678	\$ 32,897
Interest cost	391	527	3,681
Expected return on plan assets	(499)	(602)	(4,697)
Amortization:			
Actuarial gain or loss	2,104	3,506	19,804
Prior service cost	(43)	(321)	(405)
Retirement benefit expenses under the simplified method	341	292	3,210
Other	(304)	(112)	(2,862)
Retirement benefit expenses	¥ 5,485	¥ 6,968	\$ 51,628

The components of retirement benefits liability adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2018 and 2017 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2018	2017	2018
Prior service cost	¥ 2,743	¥ (2,876)	\$ 25,819
Actuarial gain or loss	(7,105)	(2,417)	(66,877)
Total	¥ (4,362)	¥ (5,293)	\$ (41,058)

Central Nippon Expressway Company Limited and
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Notes to Consolidated Financial Statements (continued)

12. Retirement Benefits (continued)

2. Defined benefit plans (continued)

The components of retirement benefits liability adjustments included in accumulated other comprehensive loss (before tax effect) as of March 31, 2018 and 2017 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2018	2017	2018
Unrecognized prior service cost	¥ (63)	¥ (2,806)	\$ (593)
Unrecognized actuarial gain or loss	17,153	24,258	161,455
Total	¥ 17,090	¥ 21,452	\$ 160,862

The fair value of plans assets, by major category, as a percentage of total assets as of March 31, 2018 and 2017 are as follows:

	2018	2017
Bonds	21.5%	12.5%
Stocks	20.4	11.5
Cash and deposits	0.4	0.2
General accounts at life insurance companies	9.5	10.1
Short-term financial assets	32.8	59.2
Other	15.4	6.5
Total	100%	100%

The expected long-term rate of return on plan assets is determined as a result of consideration of both the portfolio allocation at present and in the future, and long-term expected rate of return from multiple plan assets at present and in the future.

The assumptions used in accounting for the defined benefit plans for the years ended March 31, 2018 and 2017 are as follows:

	2018	2017
Discount rates	(0.1)-1.0%	(0.1)-1.0%
Expected long-term rates of return on plan assets	0.5-3.0%	1.0-3.0%
Rates of salary increase	0.0-4.3%	0.0-6.0%

3. Defined contribution plans

The required contributions to defined contribution plans including the multi-employer welfare pension plans are ¥117 million (\$1,101 thousand) and ¥135 million for the years ended March 31, 2018 and 2017, respectively.

Central Nippon Expressway Company Limited and
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Notes to Consolidated Financial Statements (continued)

12. Retirement Benefits (continued)

3. Defined contribution plans (continued)

The details and description of multi-employer welfare pension plans, in which contributions to the fund are charged to expense when paid are omitted due to their immateriality.

4. Return of substitutional portion of the WFPF

The amount of plan assets scheduled to be transferred back to the government in the fiscal year ended March 31, 2018 was ¥13,545 million as of March 31, 2017. If the Company had applied the transitional provision stipulated in paragraph 46 of the “Revised Implementation Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No.25, March 26, 2015).

As described in Note 2 “Supplemental Information”, gain on return of substitutional portion of employees’ pension fund was recorded in the amount of ¥22,395 million (\$210,796 thousand) for the year ended March 31, 2018.

13. Contingent Liabilities

At March 31, 2018 and 2017, the Company provides the following debt guarantees:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2018	2017	2018
JEHDRA	¥ 511,000	¥ 661,000	\$ 4,809,864
E-NEXCO	—	5	—
W-NEXCO	10	10	95
	¥ 511,010	¥ 661,015	\$ 4,809,959

Pursuant to Article 16 of the “Act regarding the Implementation of Acts Related to Privatisation of the Japan Highway Public Corporation of Japan” (the “Implementation Act”), the Company is jointly and severally liable with JEHDRA, East Nippon Expressway Company Limited (“E-NEXCO”) and West Nippon Expressway Company Limited (“W-NEXCO”) for the loans and road bonds succeeded to by JEHDRA, E-NEXCO or W-NEXCO from the JHPC (excluding loans from the Japanese government, loans succeeded to by JEHDRA and bonds held by the Japanese government).

Central Nippon Expressway Company Limited and
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Notes to Consolidated Financial Statements (continued)

13. Contingent Liabilities (continued)

Pursuant to Article 15 of the JEHDRA Act, the Company is jointly and severally liable for the long-term debt transferred to JEHDRA corresponding to costs incurred for road construction, renovation, repairs, maintenance and disaster recovery.

At March 31, 2018 and 2017, the Company is jointly and severally liable with JEHDRA for the bonds and loans of JEHDRA transferred by the Company, which were originally financed by the Company, as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2018	2017	2018
JEHDRA	¥ 1,178,121	¥ 1,389,570	\$ 11,089,241

As a result of these transfers listed above, bonds for road construction and long-term loans for road construction decreased by ¥223,551 million (face value) (\$2,104,207 thousand) and ¥35,324 million (\$332,492 thousand) for the year ended March 31, 2018.

14. Shareholder's Equity

The Act provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met.

Under the Act, upon the issuance and sale of new shares of common stock, the entire amount of the proceeds is required to be accounted for as common stock, although a company may, by resolution of the Board of Directors, account for an amount not exceeding one-half of the proceeds of the sale of new shares as capital surplus.

15. Research and Development Cost

Research and development cost included in cost of sales and administrative expenses for expressway business operations and selling, general and administrative expenses amounted to ¥1,178 million (\$11,088 thousand) and ¥1,106 million for the years ended March 31, 2018 and 2017, respectively.

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

16. Leases

Future minimum lease payments subsequent to March 31, 2018 under non-cancellable operating leases related to road assets are summarized as follows:

Years ending March 31,	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
2019	¥ 440,054	\$ 4,142,075
2020 and thereafter	16,679,312	156,996,536
	¥ 17,119,366	\$ 161,138,611

Pursuant to Article 13.5 of the JEHDRA Act and Article 6.2 of the Act on Expressway Companies of Japan, the Company and JEHDRA, the lessor, review the agreements including road assets leasing fees approximately every 5 years, which allows each party to propose amendments to the extent deemed necessary after the review.

However, if the agreement for the road assets leasing fees does not meet the criteria specified in Article 17 of the JEHDRA Act, or if any events that may adversely affect fair and efficient operations are noted, for example, both may propose amendments to the agreement at any time.

Lease fees may be increased or decreased in proportion to the amount of expressway tolls received from expressway users, if the actual toll amounts received fall short or are in excess of the estimated toll amounts.

Future minimum lease payments subsequent to March 31, 2018 under non-cancellable operating leases other than road assets are summarized as follows:

Years ending March 31,	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
2019	¥ 384	\$ 3,614
2020 and thereafter	830	7,813
	¥ 1,214	\$ 11,427

Central Nippon Expressway Company Limited and
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Notes to Consolidated Financial Statements (continued)

17. Amounts per Share

Per share amounts as of and for the years ended March 31, 2018 and 2017 are as follows:

	<i>Yen</i>		<i>U.S. dollars</i>
	2018	2017	2018
Profit attributable to owner of parent:			
Basic	¥ 152.41	¥ 86.34	\$ 1.43
Net assets	1,765.62	1,579.85	16.62

Basic profit per share has been computed based on the profit attributable to owner of parent and the weighted-average number of shares of common stock outstanding during the year.

Diluted profit per share has not been presented because there were no potentially dilutive shares of common stock for the years ended March 31, 2018 and 2017.

Net assets per share have been computed based on the net assets available for distribution to the owner of parent and the number of shares of common stock outstanding at the year end.

The financial data used in the computation of basic profit attributable to owner of parent per share for the years ended March 31, 2018 and 2017 is summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2018	2017	2018
Profit attributable to owner of parent	¥ 19,813	¥ 11,225	\$ 186,493
Adjusted profit attributable to owner of parent	¥ 19,813	¥ 11,225	\$ 186,493
	<i>Thousands of shares</i>		
	2018	2017	
Weighted-average number of shares of common stock outstanding	130,000	130,000	

The financial data used in the computation of net assets per share as of March 31, 2018 and 2017 is summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2018	2017	2018
Total net assets	¥ 231,105	¥ 206,772	\$ 2,175,311
Deduction from total net assets:			
Non-controlling interests	1,574	1,392	14,816
Total net assets available to common shares	¥ 229,531	¥ 205,380	\$ 2,160,495
	<i>Thousands of shares</i>		
	2018	2017	
Number of shares of common stock used in the calculation of net assets per share	130,000	130,000	

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

18. Supplemental Information on Consolidated Statements of Cash Flows

Reconciliations of cash and deposits in the consolidated balance sheets at March 31, 2018 and 2017 and cash and cash equivalents in the consolidated statements of cash flows for the years then ended are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	At March 31,		
	2018	2017	2018
Cash and deposits	¥ 143,033	¥ 108,452	\$ 1,346,320
Deposits over three months	(184)	(195)	(1,732)
Cash and cash equivalents	¥ 142,849	¥ 108,257	\$ 1,344,588

As described in Note 1(r) “Recognition of revenues and costs,” in principle, expressway assets constructed by the Company shall be transferred to JEHDRA after the completion of construction. Concurrently, the debts financed by the Company for construction shall be assumed by JEHDRA.

For the years ended March 31, 2018 and 2017, expressway assets constructed by the Company in the amounts of ¥216,869 million (\$2,041,312 thousand) and ¥175,707 million, respectively, were transferred to JEHDRA pursuant to Article 51.2 through 51.4 of the Special Measures Act and, concurrently, the long-term loans of ¥35,324 million (\$332,492 thousand) for the year ended March 31, 2018, and bonds for road construction of ¥223,551 million (\$2,104,207 thousand) and ¥160,000 million for the years ended March 31, 2018 and 2017, respectively, were assumed by JEHDRA pursuant to Article 15.1 of the JEHDRA Act.

Non-cash transactions outlined above are incorporated and included in repayment of long-term loans and redemption of bonds for road construction in the consolidated statements of cash flows for the years ended March 31, 2018 and 2017.

Central Nippon Expressway Company Limited and
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Notes to Consolidated Financial Statements (continued)

19. Financial Instruments and Related Disclosures

Status of financial instruments

(1) Policy for financial instruments

The Group raises funds mainly through bank loans and the issuance of bonds. In principle, bank loans and bonds are repaid and redeemed within 10 years based on past funding.

(2) Types of financial instruments and related risk

Accounts receivable due from expressway business operations and other accounts receivable are exposed to credit risk in relation to customers. Marketable securities and investments in securities are held for the purpose of fund management and primarily consist of held-to-maturity debt securities. These are exposed to credit risk in relation to issuers, interest rate fluctuation risk and market risk.

Accounts payable due to expressway business operations and other accounts payable have payment due dates principally within one year. Other long term loans include liabilities succeeded from JHPC due to the privatization of the Company and for the purpose of financing capital investments by the Company.

Long-term loans for road construction and bonds for road construction are used to fund construction, reconstruction, maintenance and repair and disaster recovery. After the completion of construction, road assets are transferred to JEHDRA pursuant to Article 51.2 or 51.4 of the Special Measures Act.

Long-term debt with variable interest rates is exposed to interest rate fluctuation risk.

The corporate bonds denominated in foreign currencies are exposed to exchange rate fluctuation risk and interest rate fluctuation risk. For the purpose of hedging foreign currency exchange fluctuation risk and interest rate fluctuation risk, the Company enters into foreign currency swap contracts and interest-rate swaps when the corporate bonds denominated in foreign currencies are issued.

Derivative transactions where the foreign currency swaps and interest-rate swaps are designated as the hedging instruments and corporate bonds denominated in foreign currencies as the hedged items are accounted for by the allocation method and the special treatment, respectively.

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

19. Financial Instruments and Related Disclosures (continued)

Status of financial instruments (continued)

(3) Risk management for financial instruments

(a) Monitoring of credit risk

For managing credit risks arising from accounts receivable due from expressway business operations and other accounts receivable, each related division of the Group monitors the collection, due dates and outstanding balances by customer. In addition, the Group periodically identifies the credit conditions of major customers.

Marketable securities and investments in securities primarily consist of held-to-maturity debt securities and are limited to securities with high credit ratings based on internal regulations, and are exposed to immaterial credit risks.

For long-term loans with variable interest rates included in long-term debt for road construction, the Group includes contractual provisions allowing the Company to demand early redemption of certain debt under specific conditions.

(b) Monitoring of market risk

Marketable securities and investments in securities primarily consist of held-to-maturity debt securities and are limited to instruments with defined interest rates and are restricted to domestic Japanese instruments based on internal regulations.

The corporate bonds denominated in foreign currencies, which are exposed to foreign currency exchange risk and interest fluctuation risk, are monitored by each corporate bond and are controlled by utilizing currency swap transactions and interest-rate swap transactions, respectively.

(c) Monitoring of liquidity risk

Based on reports from each division of the Group, the Company prepares and updates cash flow plans on a timely basis and maintains appropriate liquidity levels to manage liquidity risk.

(d) Derivative transactions

The Company and certain subsidiaries enter into derivative transactions based on internal regulations but do not enter into derivative transactions for speculative or trading purposes. Currency swap contracts that meet certain conditions are accounted for by the allocation method. Interest-rate swap contracts that meet certain conditions are accounted for by the special treatment.

Central Nippon Expressway Company Limited and
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Notes to Consolidated Financial Statements (continued)

19. Financial Instruments and Related Disclosures (continued)

Status of financial instruments (continued)

(4) Supplementary explanation about fair value of financial instruments

The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in a different fair value.

Fair value of financial instruments

The carrying value of financial instruments on the accompanying consolidated balance sheets as of March 31, 2018 and 2017 and their fair value are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value.

<i>Millions of yen</i>						
	2018			2017		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Assets:						
Cash and deposits	¥ 143,033	¥ 143,033	¥ –	¥ 108,452	¥ 108,452	¥ –
Accounts receivable due from expressway business operations	76,310	76,310	–	103,780	103,780	–
Other accounts receivable	7,083	7,083	–	33,205	33,205	–
Marketable securities and investments in securities:						
Held-to-maturity debt securities	351	361	10	351	365	14
Other securities	190	190	–	202	202	–
Total assets	<u>¥ 226,967</u>	<u>¥ 226,967</u>	<u>¥ 10</u>	<u>¥ 245,990</u>	<u>¥ 246,004</u>	<u>¥ 14</u>
Liabilities:						
Accounts payable due to expressway business operations	¥ 118,325	¥ 118,325	¥ –	¥ 106,813	¥ 106,813	¥ –
Other accounts payable	30,441	30,441	–	28,107	28,107	–
Income and other taxes payable	942	942	–	3,750	3,750	–
Bonds for road construction (*)	936,740	937,052	312	816,817	819,285	2,468
Long-term loans for road construction (*)	83,830	83,811	(19)	102,177	102,094	(83)
Other long-term loans (*)	733	733	–	833	833	–
Total liabilities	<u>¥ 1,171,011</u>	<u>¥ 1,171,304</u>	<u>¥ 293</u>	<u>¥ 1,058,497</u>	<u>¥ 1,060,882</u>	<u>¥ 2,385</u>

* Including the current portion of long-term debt.

Central Nippon Expressway Company Limited and
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Notes to Consolidated Financial Statements (continued)

19. Financial Instruments and Related Disclosures (continued)

Fair value of financial instruments (continued)

	<i>Thousands of U.S. dollars</i>		
	2018		
	Carrying value	Fair value	Difference
Assets:			
Cash and deposits	\$ 1,346,320	\$ 1,346,320	\$ –
Accounts receivable due from expressway business operations	718,279	718,279	–
Other accounts receivable	66,670	66,670	–
Marketable securities and investments in securities:			
Held-to-maturity debt securities	3,304	3,398	94
Other securities	1,788	1,788	–
Total assets	<u>\$ 2,136,361</u>	<u>\$ 2,136,455</u>	<u>\$ 94</u>
Liabilities:			
Accounts payable due to expressway business operations	\$ 1,113,752	\$ 1,113,752	\$ –
Other accounts payable	286,530	286,530	–
Income and other taxes payable	8,867	8,867	–
Bonds for road construction (*)	8,817,206	8,820,143	2,937
Long-term loans for road construction (*)	789,063	788,884	(179)
Other long-term loans (*)	6,900	6,900	–
Total liabilities	<u>\$ 11,022,318</u>	<u>\$ 11,025,076</u>	<u>\$ 2,758</u>

* Including the current portion of long-term debt.

Central Nippon Expressway Company Limited and
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Notes to Consolidated Financial Statements (continued)

19. Financial Instruments and Related Disclosures (continued)

The fair value of cash and deposits, accounts receivable due from expressway business operations and other accounts receivable approximates the carrying value since these items are settled in a short period of time.

The fair value of held-to-maturity debt securities and other securities is determined based on quoted market prices. For further information on the fair value of marketable securities and investments in securities, please refer to Note 4 “Securities.”

The fair value of accounts payable due to expressway business operations, other accounts payable and income and other taxes payable approximates the carrying value since these items are settled in a short period of time.

The fair value of bonds for road construction including the current portion is determined based on market prices.

The fair value of long-term loans for road construction and other long-term loans, including the current portion, with variable interest rates approximates carrying value since these items reflect market interest rates in the short term and there have been no significant changes in the Company’s financial condition that would negatively impact its credit status.

The fair value of long-term loans for road construction and other long-term loans, including the current portion, with fixed interest rates is determined based on the discounted present value of the principal and interest payments using the corresponding fixed interest rate for new debt with the same terms and conditions.

Please refer to Note 20 “Derivative Financial Instruments and Hedging Activities” for information on derivative transactions.

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

19. Financial Instruments and Related Disclosures (continued)

Financial instruments for which it is extremely difficult to determine the fair value as of March 31, 2018 and 2017 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2018	2017	2018
Unlisted stocks:			
Investments in unconsolidated subsidiaries and affiliates	¥ 5,342	¥ 5,222	\$ 50,282
Other securities	40	42	377

No quoted market price is available for unlisted stocks and it is extremely difficult to estimate the corresponding future cash flow.

The redemption schedule for cash and deposits, accounts receivable due from expressway business operations, other accounts receivable and investments in securities with maturities at March 31, 2018 are as follows:

	<i>Millions of yen</i>			
	2018			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	¥ 143,033	¥ –	¥ –	¥ –
Accounts receivable due from expressway business operations	76,310	–	–	–
Other accounts receivable	7,083	–	–	–
Investments in securities:				
Held-to-maturity debt securities	50	301	–	–
Total	¥ 226,476	¥ 301	¥ –	¥ –

	<i>Thousands of U.S. dollars</i>			
	2018			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	\$ 1,346,320	\$ –	\$ –	\$ –
Accounts receivable due from expressway business operations	718,279	–	–	–
Other accounts receivable	66,670	–	–	–
Investments in securities:				
Held-to-maturity debt securities	471	2,833	–	–
Total	\$ 2,131,740	\$ 2,833	\$ –	\$ –

Central Nippon Expressway Company Limited and
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Notes to Consolidated Financial Statements (continued)

20. Derivative Financial Instruments and Hedging Activities

The contract amount and the fair value of the derivative instruments outstanding which qualified for hedge accounting at March 31, 2018 and 2017 are as follows:

			<i>Millions of yen</i>		
			2018		
Hedge accounting method	Hedging instrument	Main hedged item	Contract amount	Contract amount over one year	Fair value
Allocation method for currency swaps	Currency swap	Bonds for road construction	¥ 308,013	¥ 308,013	*1
Integrated treatment of interest rate and currency swaps (special treatment, allocation method)	Currency swap including interest-rate swaps	Bonds for road construction	252,928	252,928	*2
Total			¥ 560,941	¥ 560,941	

			<i>Millions of yen</i>		
			2017		
Hedge accounting method	Hedging instrument	Main hedged item	Contract amount	Contract amount over one year	Fair value
Allocation method for currency swaps	Currency swap	Bonds for road construction	¥ 339,728	¥ 339,728	*1
Integrated treatment of interest rate and currency swaps (special treatment, allocation method)	Currency swap including interest-rate swaps	Bonds for road construction	130,289	130,289	*2
Total			¥ 470,017	¥ 470,017	

Central Nippon Expressway Company Limited and
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Notes to Consolidated Financial Statements (continued)

20. Derivative Financial Instruments and Hedging Activities (continued)

Hedge accounting method	Hedging instrument	Main hedged item	<i>Thousands of U.S. dollars</i>		
			2018		
			Contract amount	Contract amount over one year	Fair value
Allocation method for currency swaps	Currency swap	Bonds for road construction	\$ 2,899,219	\$ 2,899,219	*1
Integrated treatment of interest rate and currency swaps (special treatment, allocation method)	Currency swap including interest-rate swaps	Bonds for road construction	2,380,723	2,380,723	*2
Total			\$ 5,279,942	\$ 5,279,942	

*1 Because the currency swap contracts using the allocation method are accounted for as combined with the bonds for road construction as hedged items, their fair value is included in the fair value of such bonds for road construction.

*2 Because the currency swap contracts using the allocation method and interest-rate swap contracts using the special treatment of interest-rate swaps are accounted for as combined with the bonds for road construction as hedged items, their fair value is included in the fair value of such bonds for road construction.

Central Nippon Expressway Company Limited and
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Notes to Consolidated Financial Statements (continued)

21. Segment Information

(1) Outline of reporting segments

Reportable segments of the Company are components for which separate financial information is available and whose operating results are regularly reviewed by the management to determine the allocation of management resources and assess the business performance.

The Company's business segments are classified by different products and services based on their business domains. The Company's business segments consist of the following reportable segments: expressway business, rest area business and other related business.

Details on the reportable segments are as follows:

Expressway business : Construction, reconstruction, maintenance, repairs, disaster recovery, and other management activities involving the expressway business

Rest area business : Construction, management and operations of rest area businesses adjacent to expressways

Other related business : Agency business, truck terminal business, facilities utilization business, retail business and other related business

(2) Calculation method of net sales, gain, loss, assets, liabilities and other items by each reporting segment

The accounting policies applied by each reporting segment are consistent with those described in Note 1 "Summary of Significant Accounting Policies."

Segment income (loss) presented in segment information is calculated based on operating income (loss) in the consolidated statements of income.

In addition, property and equipment and intangible fixed assets related to common departments in the Company are not allocated to reportable segments. Related expenses, however, are allocated to each reportable segment based on a rational method.

Intersegment sales are determined in reference to market actual value.

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

21. Segment Information (continued)

Information on net sales, segment income or loss, segment assets and liabilities and other items by each reportable segment as of and for the years ended March 31, 2018 and 2017 is outlined as follows:

<i>Millions of yen</i>						
2018						
	Reportable segments			Total	Adjustments	Consolidated
	Expressway business	Rest area business	Other related business			
Sales to third parties	¥ 896,455	¥ 31,535	¥ 44,086	¥ 972,076	¥ —	¥ 972,076
Intersegment sales and transfers	24	57	0	81	(81)	—
Net sales	896,479	31,592	44,086	972,157	(81)	972,076
Segment income	¥ 2,110	¥ 4,853	¥ 212	¥ 7,175	¥ 7	¥ 7,182
Segment assets	¥ 1,169,502	¥ 176,073	¥ 17,142	¥ 1,362,717	¥ 170,190	¥ 1,532,907
Segment liabilities	1,020,570	—	725	1,021,295	280,507	1,301,802
Other items:						
Depreciation and amortization	17,381	3,135	321	20,837	—	20,837
Investments in affiliates	3,876	—	1,372	5,248	—	5,248
Increase in property and equipment and intangible fixed assets	18,272	1,992	629	20,893	4,419	25,312
<i>Millions of yen</i>						
2017						
	Reportable segments			Total	Adjustments	Consolidated
	Expressway business	Rest area business	Other related business			
Sales to third parties	¥ 841,432	¥ 31,809	¥ 34,355	¥ 907,596	¥ —	¥ 907,596
Intersegment sales and transfers	23	22	5	50	(50)	—
Net sales	841,455	31,831	34,360	907,646	(50)	907,596
Segment income (loss)	¥ 1,436	¥ 5,060	¥ (111)	¥ 6,385	¥ 8	¥ 6,393
Segment assets	¥ 1,093,899	¥ 175,879	¥ 16,489	¥ 1,286,267	¥ 132,084	¥ 1,418,351
Segment liabilities	918,994	—	825	919,819	291,760	1,211,579
Other items:						
Depreciation and amortization	17,315	3,252	297	20,864	—	20,864
Investments in affiliates	4,304	—	813	5,117	—	5,117
Increase in property and equipment and intangible fixed assets	18,841	2,149	23	21,013	2,154	23,167

Central Nippon Expressway Company Limited and
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Notes to Consolidated Financial Statements (continued)

21. Segment Information (continued)

<i>Thousands of U.S. dollars</i>						
2018						
Reportable segments						
	Expressway business	Rest area business	Other related business	Total	Adjustments	Consolidated
Sales to third parties	\$ 8,438,018	\$ 296,828	\$ 414,966	\$ 9,149,812	\$ —	\$ 9,149,812
Intersegment sales and transfers	226	536	0	762	(762)	—
Net sales	8,438,244	297,364	414,966	9,150,574	(762)	9,149,812
Segment income	\$ 19,861	\$ 45,680	\$ 1,995	\$ 67,536	\$ 66	\$ 67,602
Segment assets	\$ 11,008,114	\$ 1,657,314	\$ 161,351	\$ 12,826,779	\$ 1,601,939	\$ 14,428,718
Segment liabilities	9,606,269	—	6,824	9,613,093	2,640,314	12,253,407
Other items:						
Depreciation and amortization	163,601	29,509	3,021	196,131	—	196,131
Investments in affiliates	36,483	—	12,915	49,398	—	49,398
Increase in property and equipment and intangible fixed assets	171,988	18,750	5,921	196,659	41,594	238,253

Central Nippon Expressway Company Limited and
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Notes to Consolidated Financial Statements (continued)

21. Segment Information (continued)

Adjustments in the above tables:

The adjustments of segment income in the amounts of ¥7 million (\$66 thousand) and ¥8 million for the years ended March 31, 2018 and 2017, respectively, are eliminations of intersegment transactions.

The adjustments of segment assets in the amounts of ¥170,190 million (\$1,601,939 thousand) and ¥132,084 million at March 31, 2018 and 2017, respectively, include corporate assets not allocated to reportable segments, mainly consisting of cash, deposits and assets related common departments in the Company.

The adjustments of segment liabilities in the amounts of ¥280,507 million (\$2,640,314 thousand) and ¥291,760 million at March 31, 2018 and 2017, respectively, include corporate liabilities not allocated to reportable segments, principally consisting of other accounts payable and liabilities for retirement benefits.

The adjustments of property and equipment and intangible fixed assets in the amounts of ¥4,419 million (\$41,594 thousand) and ¥2,154 million for the years ended March 31, 2018 and 2017, respectively, include corporate assets not allocated to reportable segments, principally consisting of system development by the Company.

Information on each product and service for the years ended March 31, 2018 and 2017 is analyzed as follows:

<i>Millions of yen</i>				
2018				
	Toll fee	Completion of road assets	Other	Total
Sales to third parties	¥ 678,673	¥ 216,869	¥ 76,534	¥ 972,076
<i>Millions of yen</i>				
2017				
	Toll fee	Completion of road assets	Other	Total
Sales to third parties	¥ 664,975	¥ 175,707	¥ 66,914	¥ 907,596
<i>Thousands of U.S. dollars</i>				
2018				
	Toll fee	Completion of road assets	Other	Total
Sales to third parties	\$ 6,388,112	\$ 2,041,312	\$ 720,388	\$ 9,149,812

Central Nippon Expressway Company Limited and
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Notes to Consolidated Financial Statements (continued)

21. Segment Information (continued)

As more than 90% of the consolidated net sales for the years ended March 31, 2018 and 2017 were made in Japan, the disclosure of geographical segment information has been omitted.

As more than 90% of property and equipment in the consolidated balance sheets as of March 31, 2018 and 2017 are located in Japan, the disclosure of information on property and equipment by country or geographic region has been omitted.

Sales to JEHDRA amounted to ¥216,909 million (\$2,041,689 thousand) and ¥175,728 million by the expressway business segment for the years ended March 31, 2018 and 2017, respectively.

Information on loss on impairment of fixed assets by reportable segment for the year ended March 31, 2018 is as follows:

<i>Millions of yen</i>						
2018						
	Expressway business	Rest area business	Other related business	Total	Adjustments(*)	Consolidated
Loss on impairment of fixed assets	¥ –	¥ 24	¥ –	¥ 24	¥ 254	¥ 278
<i>Thousands of U.S. dollars</i>						
2018						
	Expressway business	Rest area business	Other related business	Total	Adjustments(*)	Consolidated
Loss on impairment of fixed assets	\$ –	\$ 226	\$ –	\$ 226	\$ 2,391	\$ 2,617

(*)The adjustment of loss on impairment of fixed assets amounted to ¥254 million (\$2,391 thousand) for the year ended March 31, 2018 was attributable to corporate assets not allocated to reportable segments.

No loss on impairment of fixed assets for any segments was recorded for the year ended March 31, 2017.

Central Nippon Expressway Company Limited and
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Notes to Consolidated Financial Statements (continued)

21. Segment Information (continued)

Information on amortization of goodwill and the remaining balance by reportable segment as of and for the year ended March 31, 2018 is as follows:

<i>Millions of yen</i>						
2018						
	Expressway business	Rest area business	Other related business	Total	Adjustments	Consolidated
Amortization of goodwill	¥ 27	¥ –	¥ –	¥ 27	¥ –	¥ 27
Remaining balance	150	–	–	150	–	150
<i>Thousands of U.S. dollars</i>						
2018						
	Expressway business	Rest area business	Other related business	Total	Adjustments	Consolidated
Amortization of goodwill	\$ 254	\$ –	\$ –	\$ 254	\$ –	\$ 254
Remaining balance	1,412	–	–	1,412	–	1,412

No amortization of goodwill for any segments was recorded for the year ended March 31, 2017 and there was no remaining balance of goodwill for any segments as of March 31, 2017.

Central Nippon Expressway Company Limited and
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Notes to Consolidated Financial Statements (continued)

21. Segment Information (continued)

Information on amortization of negative goodwill arising from business combinations before April 1, 2010 and the remaining balance by reportable segment as of and for the years ended March 31, 2018 and 2017 is as follows:

<i>Millions of yen</i>						
2018						
	Expressway business	Rest area business	Other related business	Total	Adjustments	Consolidated
Amortization of negative goodwill	¥ –	¥ –	¥ –	¥ –	¥ 342	¥ 342
Remaining balance	–	–	–	–	3,501	3,501

<i>Millions of yen</i>						
2017						
	Expressway business	Rest area business	Other related business	Total	Adjustments	Consolidated
Amortization of negative goodwill	¥ –	¥ –	¥ –	¥ –	¥ 342	¥ 342
Remaining balance	–	–	–	–	3,844	3,844

<i>Thousands of U.S. dollars</i>						
2018						
	Expressway business	Rest area business	Other related business	Total	Adjustments	Consolidated
Amortization of negative goodwill	\$ –	\$ –	\$ –	\$ –	\$ 3,219	\$ 3,219
Remaining balance	–	–	–	–	32,954	32,954

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

22. Related Party Transactions

Principal transactions between the Company and JEHDRA for the years ended March 31, 2018 and 2017 are summarized as follows:

2018						
Relationship with the related party	Nature of transaction	Transaction amount (Millions of yen)	Transaction amount (Thousands of U.S. dollars)	Account name	Carrying amount (Millions of yen)	Carrying amount (Thousands of U.S. dollars)
Leasing of road assets	Road assets leasing expenses (*1)	¥ 492,698	\$ 4,637,594	Accounts payable due to expressway business operations	¥ 82,944	\$ 780,723
Transfer of road assets and loans and jointly and severally liable debts	Revenues from the transfer of road assets constructed by the Company (*1)	216,869	2,041,312	Accounts receivable due from expressway business operations	14,022	131,984
	Transfer of liabilities and guarantee of debts (*2)	258,875	2,436,700	—	—	—
Jointly and severally liable for debts	Guarantee of debts (*3)	511,000	4,809,864	—	—	—
	Guarantee of debts (*4)	919,246	8,652,541	—	—	—
2017						
Relationship with the related party	Nature of transaction	Transaction amount (Millions of yen)	Account name	Carrying amount (Millions of yen)		
Leasing of road assets	Road assets leasing expenses (*1)	¥ 479,422	Accounts payable due to expressway business operations	¥ 71,270		
Transfer of road assets and loans and jointly and severally liable debts	Revenues from the transfer of road assets constructed by the Company (*1)	175,707	Account receivable due from expressway business operations	43,295		
	Transfer of liabilities and guarantee of debts (*2)	160,000	—	—		
Jointly and severally liable for debts	Guarantee of debts (*3)	661,000	—	—		
	Guarantee of debts (*4)	1,229,570	—	—		

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

22. Related Party Transactions (continued)

The capital of JEHDRA is mainly provided by the Minister of Finance, which is the shareholder of the Company. JEHDRA's share capital at March 31, 2018 and 2017 amounted to ¥5,612,437 million (\$52,827,909 thousand) and ¥5,571,387 million, respectively.

JEHDRA, which is located in the city of Yokohama in Kanagawa Prefecture, is engaged in business activities involving holding road assets, leasing of road assets to the Company and repayment of debts it has assumed.

Applicable consumption taxes are not included in the transaction amounts but are included in carrying amounts in the above table.

(*1) Agreements are concluded based on negotiations between the Company and JEHDRA.

(*2) Pursuant to Article 15 of the JEHDRA Act, the Company is jointly and severally liable for the debt transferred to JEHDRA corresponding to costs for construction of expressways, reconstruction, repairs, maintenance and disaster recovery. Related guarantee fees are not received by the Company.

(*3) Pursuant to Article 16 of the Implementation Act, the Company is jointly and severally liable with JEHDRA, E-NEXCO and W-NEXCO for the loans and road bonds succeeded to by JEHDRA, E-NEXCO or W-NEXCO from JHPC (excluding loans from the Japanese government, loans succeeded to by JEHDRA and bonds held by the Japanese government). Related guarantee fees are not received by the Company.

(*4) Pursuant to Article 15 of the JEHDRA Act, the Company is jointly and severally liable for the debt transferred to JEHDRA in the amount corresponding to costs for construction for expressways, reconstruction, repairs, maintenance and disaster recovery. Related guarantee fees are not received by the Company.

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

23. Other Comprehensive Income

The following table presents an analysis of components of other comprehensive income for the years ended March 31, 2018 and 2017.

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2018	2017	2018
Net unrealized holding (loss) gain on securities:			
Amount arising during the year	¥ (12)	¥ 4	\$ (113)
Reclassification adjustments for gain and loss included in profit	—	—	—
Amount before tax effect	(12)	4	(113)
Tax effect	4	(2)	38
Net unrealized holding (loss) gain on securities	(8)	2	(75)
Retirement benefits liability adjustments			
Amount arising during the year	2,310	1,799	21,743
Reclassification adjustments for gain and loss included in profit	2,052	3,494	19,315
Amount before tax effect	4,362	5,293	41,058
Tax effect	18	(68)	169
Retirement benefits liability adjustments	4,380	5,225	41,227
Share of other comprehensive income (loss) of affiliates accounted for by the equity method:			
Amount arising during the year	32	(68)	301
Total other comprehensive income	¥ 4,404	¥ 5,159	\$ 41,453

Central Nippon Expressway Company Limited and
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Notes to Consolidated Financial Statements (continued)

24. Subsequent Events

(1) Issuance of Corporate Bonds

The Company issued general corporate bonds to finance the construction of expressways, reconstruction, repairs, maintenance, disaster recovery and other management activities related to its expressways. A statutory lien was pledged in accordance with the applicable law.

The details are as follows:

	<u>Total amount issued</u>	<u>Interest rate</u>	<u>Issue price</u>	<u>Issuance date</u>	<u>Redemption date</u>
Central Nippon Expressway Company Limited Issue of Series 11 AUD200,000,000 2.91 per cent. Notes due 2021	¥16,522 million (\$155,516 thousand)	2.91% per annum	100% of face value	May 11, 2018	May 11, 2021
No.72 Bond of Central Nippon Expressway Company Limited	¥50,000 million (\$470,633 thousand)	0.050% per annum	100% of face value	May 30, 2018	May 30, 2022

The following special provisions were attached to the bonds.

- (i) JEHDRA is jointly and severally liable with the Company for the corresponding obligation, to the extent that the obligation related to these bonds is assumed by JEHDRA pursuant to the JEHDRA Act.
- (ii) When the obligation is assumed by JEHDRA, total assets of JEHDRA will be additionally pledged as collateral for bond holders.
- (iii) The order of lien by bond holders is equivalent to that of holders of the Japan Expressway Holding and Debt Repayment Agency Bond.

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

24. Subsequent Events (continued)

(2) Loan agreements

The Company entered into loan agreements with Mizuho Bank, Ltd. and 23 other financial institutions. These funds will be used for the construction of expressways, reconstruction, repairs, maintenance, disaster recovery and other management activities related to its expressways.

The details on the loan agreements are as follows:

	Total amount	Terms of repayment	Collateral	Execution date	Maturity date
Loans from Mizuho Bank, Ltd. and 23 other financial institutions	¥16,500 million (\$155,309 thousand)	Lump-sum repayment	None	April 25, 2018	April 23, 2021

In case that JEHDRA assumes the obligation related to the loan agreements pursuant to the JEHDRA Act, JEHDRA would be jointly and severally liable for the corresponding obligation with the Company.

(3) Establishment of an affiliate accounted for by the equity method

The Board of Directors meeting of the Company resolved to establish Central Nippon Farm Suzunari Co., Ltd. jointly with Suzunari Inc. for the purpose of providing solutions to regional problems, contributing to regional development and expanding profitability of the Company.

The Company plans to establish Central Nippon Farm Suzunari Co., Ltd. on July 5, 2018. The share capital of Central Nippon Farm Suzunari Co., Ltd. will be ¥35 million (\$329 thousand) and the Company will obtain 800 shares of Central Nippon Farm Suzunari Co., Ltd., which includes 416 class shares such as non-voting shares, at a cost of ¥40 million (\$377 thousand). As a result, the voting rights acquired will reach to 39.0%.

Central Nippon Farm Suzunari Co., Ltd. will mainly be engaged in producing, manufacturing and distributing agricultural products.

Central Nippon Expressway Company Limited and its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

25. Significant Subsidiaries and Affiliates

The Company's consolidated subsidiaries and significant affiliates accounted for by the equity method are presented as follows:

Name	Ownership interest	Country of incorporation	Subsidiaries / affiliates
Central Nippon Exis Co., Ltd.	100.0%	Japan	Consolidated subsidiary
Central Nippon Extoll Yokohama Co., Ltd.	100.0	Japan	Consolidated subsidiary
Central Nippon Extoll Nagoya Co., Ltd.	100.0	Japan	Consolidated subsidiary
Central Nippon Highway Patrol Tokyo Co., Ltd.	100.0	Japan	Consolidated subsidiary
Central Nippon Highway Patrol Nagoya Co., Ltd.	100.0	Japan	Consolidated subsidiary
Central Nippon Highway Engineering Tokyo Co., Ltd.	100.0	Japan	Consolidated subsidiary
Central Nippon Highway Engineering Nagoya Co., Ltd.	100.0	Japan	Consolidated subsidiary
Central Nippon Highway Maintenance Tomei Co., Ltd.	88.7	Japan	Consolidated subsidiary
Central Nippon Highway Maintenance Chuoh Co., Ltd.	100.0	Japan	Consolidated subsidiary
Central Nippon Highway Maintenance Nagoya Co., Ltd.	100.0	Japan	Consolidated subsidiary
Central Nippon Highway Maintenance Hokuriku Co., Ltd.	100.0	Japan	Consolidated subsidiary
NEXCO Central Nippon Services Co., Ltd.	100.0	Japan	Consolidated subsidiary
Central-NEXCO Technical Marketing Co., Ltd.	100.0	Japan	Consolidated subsidiary
NEXCO Central Nippon Investment LLC.	100.0	Japan	Consolidated subsidiary
Central Nippon Highway Retail Yokohama Co., Ltd.	100.0	Japan	Consolidated subsidiary
Central Nippon Highway Retail Nagoya Co., Ltd.	100.0	Japan	Consolidated subsidiary
Central Nippon Highway Advance Co., Ltd.	100.0	Japan	Consolidated subsidiary
Central Nippon Road Maintenance Shizuoka Co., Ltd.	100.0	Japan	Consolidated subsidiary
Central Nippon Road Maintenance Tokyo Co., Ltd.	89.9	Japan	Consolidated subsidiary
Central Nippon Road Maintenance Tokai Co., Ltd.	85.7	Japan	Consolidated subsidiary
Central Nippon Road Maintenance Chubu Co., Ltd.	91.2	Japan	Consolidated subsidiary
Central Nippon Road Maintenance Kanazawa Co., Ltd.	80.6	Japan	Consolidated subsidiary
Central-NEXCO Auto Service Co., Ltd.	100.0	Japan	Consolidated subsidiary
NEXCO Central Nippon Development Co., Ltd.	100.0	Japan	Consolidated subsidiary
Hakone Turnpike Limited	100.0	Japan	Consolidated subsidiary

Central Nippon Expressway Company Limited and its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

25. Significant Subsidiaries and Affiliates (continued)

Name	Ownership interest	Country of incorporation	Subsidiaries / affiliates
Hokuriku Highway Terminal Co., Ltd.	27.7%	Japan	Equity-method affiliate
FCC Infrastructure Investment Joint Stock Company	6.0 (14.0) (*)	Vietnam	Equity-method affiliate
Nexco Systems Co., Ltd.	33.3	Japan	Equity-method affiliate
Nippon Expressway Research Institute Co., Ltd.	33.3	Japan	Equity-method affiliate
NEXCO Insurance Services Co., Ltd.	33.3	Japan	Equity-method affiliate
HIGHWAY TOLL SYSTEMS Co., Ltd.	30.1	Japan	Equity-method affiliate
Japan Expressway International Co., Ltd.	28.7	Japan	Equity-method affiliate
Central Nippon Facilities Management Co., Ltd.	20.0	Japan	Equity-method affiliate
Tokyo Highway Co., Ltd.	15.0	Japan	Equity-method affiliate
TC Maintenance Co., Ltd.	33.4	Japan	Equity-method affiliate
KOSOKU HOZEN Co., Ltd.	33.4	Japan	Equity-method affiliate
Deros Japan Co., Ltd.	30.3	Japan	Equity-method affiliate

(*) Percentage of voting rights held by any persons who exercise their voting rights in accordance with the Company's intention due to close ties with the Company in terms of contribution, personnel, funding, technology, transactions, etc. and those held by any persons who have given their consent to exercise their voting rights in accordance with the Company's intention.

FCC Infrastructure Investment Joint Stock Company has been included in affiliates accounted for by the equity method due to the acquisition of its shares by the Company and Japan Expressway International Co., Ltd., the Company's affiliate, during the fiscal year ended March 31, 2018.

Nihon Road Maintenance Co., Ltd. and NHS Nagoya Co., Ltd. have been excluded from affiliates accounted for by the equity method due to the sales of their shares by the Group during the fiscal year ended March 31, 2018.

Weiza Co., Ltd. has not been accounted for by the equity method nor included in the scope of consolidation since this company is not significant in terms of profit or loss and retained earnings (amounts proportional to equity held by the Group) and is not material as a whole.