

**Semiannual Consolidated Financial Statements
(Unaudited)**

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

*Six-month periods ended September 30, 2018 and 2017
with Independent Auditor's Review Report*

Central Nippon Expressway Company Limited
and its Consolidated Subsidiaries

Semiannual Consolidated Financial Statements (Unaudited)

Six-month periods ended September 30, 2018 and 2017

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Independent Auditor's Review Report

The Board of Directors
Central Nippon Expressway Company Limited

We have reviewed the accompanying semiannual consolidated financial statements of Central Nippon Expressway Company Limited and its consolidated subsidiaries, which comprise the semiannual consolidated balance sheet as at September 30, 2018, the semiannual consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the six-month periods ended September 30, 2018 and 2017 and a summary of significant accounting policies and other explanatory notes, all expressed in Japanese yen.

Management's Responsibility for the Semiannual Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express a conclusion on these semiannual consolidated financial statements based on our review. We conducted our review in accordance with the Practical Guidelines on Review Engagements 2400 (JICPA Auditing Standards Committee Practical Guidelines No.1, January 26, 2016). Practical Guidelines on Review Engagements 2400 requires us to conclude as to whether, on the basis of our review, anything has come to our attention that causes us to believe that the semiannual consolidated financial statements are not, in all material respects, prepared in accordance with accounting principles for semiannual consolidated financial statements generally accepted in Japan. Practical Guidelines on Review Engagements 2400 also requires that we comply with the Code of Professional Ethics.

A review conducted under the Practical Guidelines on Review Engagements 2400 is a limited assurance engagement. The review consists of making inquiries, primarily of management and persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in Japan. Accordingly, we do not express an audit opinion.

Auditor's Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the semiannual consolidated financial statements referred to above have not been prepared, in all material respects, in accordance with accounting principles for semiannual consolidated financial statements generally accepted in Japan.

We have previously audited the consolidated balance sheet of Central Nippon Expressway Company Limited as at March 31, 2018, and the related consolidated statements of income, comprehensive income, changes in net assets and cash flows for the year then ended (not presented herein); and in our report dated June 25, 2018, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying semiannual consolidated balance sheet as at March 31, 2018, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Convenience Translation

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

/S/ Ernst & Young ShinNihon LLC
December 25, 2018
Nagoya, Japan

Central Nippon Expressway Company Limited
and its Consolidated Subsidiaries

Semiannual Consolidated Balance Sheet (Unaudited)

September 30, 2018

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1(a))</i>
	<u>September 30, 2018</u>	<u>March 31, 2018</u>	<u>September 30, 2018</u>
Assets			
Current assets:			
Cash and deposits (<i>Notes 6, 11 and 12</i>)	¥ 110,498	¥ 143,033	\$ 972,951
Accounts receivable due from expressway business operations (<i>Note 12</i>)	79,839	76,310	702,994
Other accounts receivable (<i>Note 12</i>)	10,118	7,083	89,090
Marketable securities (<i>Notes 4 and 12</i>)	—	50	—
Inventories	1,112,902	972,903	9,799,260
Other current assets (<i>Note 2</i>)	50,216	41,952	442,159
Allowance for doubtful accounts	(9)	(9)	(79)
Total current assets (<i>Note 2</i>)	<u>1,363,564</u>	<u>1,241,322</u>	<u>12,006,375</u>
 Property and equipment (<i>Note 14</i>):			
Buildings (<i>Note 5</i>)	67,281	66,581	592,419
Structures (<i>Note 5</i>)	61,737	61,462	543,603
Machinery and equipment (<i>Note 5</i>)	105,608	105,828	929,893
Vehicles	30,656	30,616	269,930
Tools, furniture and fixtures (<i>Note 5</i>)	16,003	15,586	140,909
Land	120,743	120,832	1,063,159
Leased assets (<i>Note 5</i>)	3,905	4,617	34,384
Construction in progress	5,838	3,802	51,404
Less accumulated depreciation	(152,953)	(145,919)	(1,346,772)
Total property and equipment	<u>258,818</u>	<u>263,405</u>	<u>2,278,929</u>
 Investments and other assets:			
Investments in unconsolidated subsidiaries and affiliates (<i>Notes 6, 12 and 14</i>)	4,895	5,342	43,101
Investments in securities (<i>Notes 4 and 12</i>)	557	531	4,904
Intangible fixed assets (<i>Notes 5 and 14</i>)	11,718	10,034	103,179
Deferred income taxes (<i>Note 2</i>)	5,699	5,227	50,181
Asset for retirement benefits	727	408	6,401
Others (<i>Notes 5 and 6</i>)	4,700	4,982	41,385
Allowance for doubtful accounts	(505)	(543)	(4,447)
Total investments and other assets (<i>Note 2</i>)	<u>27,791</u>	<u>25,981</u>	<u>244,704</u>
 Deferred assets:			
Bond issuance expenses for road construction	1,610	1,665	14,176
Total assets (<i>Notes 2, 6 and 14</i>)	<u>¥ 1,651,783</u>	<u>¥ 1,532,373</u>	<u>\$ 14,544,184</u>

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1(a))</i>
	September 30, 2018	March 31, 2018	September 30, 2018
Liabilities			
Current liabilities:			
Accounts payable due to expressway business operations (Note 12)	¥ 90,928	¥ 118,325	\$ 800,634
Current portion of long-term debt (Notes 6 and 12)	690	932	6,076
Current portion of lease obligations	535	568	4,711
Other accounts payable (Note 12)	17,144	30,441	150,955
Income and other taxes payable (Note 12)	8,398	942	73,946
Accrued employees' bonuses	3,869	3,482	34,067
Other current liabilities	31,638	24,168	278,576
Total current liabilities (Note 14)	<u>153,202</u>	<u>178,858</u>	<u>1,348,965</u>
Long-term liabilities:			
Long-term debt (Notes 6 and 12)	1,149,815	1,020,371	10,124,285
Lease obligations	1,929	2,082	16,985
Deferred income taxes (Note 2)	6	6	53
Liabilities for retirement benefits	63,147	63,250	556,018
Accrued retirement benefits for directors, audit and supervisory board members and corporate officers	172	233	1,514
Allowance for ETC mileage program	8,673	8,194	76,367
Others (Note 14)	28,186	28,274	248,182
Total long-term liabilities (Notes 2 and 14)	<u>1,251,928</u>	<u>1,122,410</u>	<u>11,023,404</u>
Contingent liabilities (Note 7)			
Net assets:			
Shareholder's equity (Notes 8 and 10):			
Common stock	65,000	65,000	572,334
Authorized: 520,000,000 shares			
Issued: 130,000,000 shares at September 30, 2018 and March 31, 2018			
Capital surplus	72,174	72,178	635,503
Retained earnings	123,012	108,415	1,083,138
Total shareholder's equity	<u>260,186</u>	<u>245,593</u>	<u>2,290,975</u>
Accumulated other comprehensive income (loss):			
Net unrealized holding gain on securities (Note 4)	58	42	511
Translation adjustments	(3)	2	(27)
Retirement benefits liability adjustments	(15,201)	(16,106)	(133,847)
Total accumulated other comprehensive loss	<u>(15,146)</u>	<u>(16,062)</u>	<u>(133,363)</u>
Non-controlling interests (Note 10)	<u>1,613</u>	<u>1,574</u>	<u>14,203</u>
Total net assets (Note 10)	<u>246,653</u>	<u>231,105</u>	<u>2,171,815</u>
Total liabilities and net assets (Note 2)	<u>¥ 1,651,783</u>	<u>¥ 1,532,373</u>	<u>\$ 14,544,184</u>

See notes to semiannual consolidated financial statements.

Central Nippon Expressway Company Limited
and its Consolidated Subsidiaries

Semiannual Consolidated Statements of Income (Unaudited)

Six-month periods ended September 30, 2018 and 2017

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1(a))</i>
	For the six-month periods ended		
	September 30, 2018	September 30, 2017	September 30, 2018
Operating revenues (Note 14)	¥ 442,838	¥ 400,077	\$ 3,899,252
Operating expenses:			
Road assets leasing expenses	250,913	248,750	2,209,325
Cost of sales and administrative expenses for expressway business operations	129,296	90,698	1,138,470
Selling, general and administrative expenses	41,212	41,053	362,877
Total operating expenses	421,421	380,501	3,710,672
Operating income (Note 14)	21,417	19,576	188,580
Other income (expenses):			
Interest income	3	3	26
Interest expenses	(16)	(12)	(141)
Land and property rental fees	104	113	916
Amortization of negative goodwill (Note 14)	171	171	1,506
Equity in earnings of affiliates	361	11	3,179
Loss on sales of investments in securities	(426)	—	(3,751)
Gain on sales of fixed assets	3	16	26
Loss on disposal of fixed assets	(198)	(125)	(1,743)
Loss on impairment of fixed assets (Notes 5 and 14)	(126)	(254)	(1,109)
Gain on return of substitutional portion of employees' pension fund (Note 3)	—	22,395	—
Others	162	316	1,425
Profit before income taxes	21,455	42,210	188,914
Income taxes:			
Current	7,324	6,526	64,488
Deferred	(501)	6,762	(4,411)
	6,823	13,288	60,077
Profit	14,632	28,922	128,837
Profit attributable to:			
Non-controlling interests	35	9	308
Owner of parent (Note 10)	¥ 14,597	¥ 28,913	\$ 128,529

See notes to semiannual consolidated financial statements.

Central Nippon Expressway Company Limited
and its Consolidated Subsidiaries

Semiannual Consolidated Statements of Comprehensive Income (Unaudited)

Six-month periods ended September 30, 2018 and 2017

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars (Note 1(a))</i>
	For the six-month periods ended	
	September 30, 2018	September 30, 2017
	September 30, 2018	
Profit	¥ 14,632	¥ 28,922
Other comprehensive income (loss):		
Net unrealized holding gain on securities	17	5
Retirement benefits liability adjustments	900	544
Share of other comprehensive (loss) income of affiliates accounted for by the equity method	(1)	9
Total other comprehensive income	916	558
Comprehensive income	¥ 15,548	¥ 29,480
Total comprehensive income attributable to:		
Owner of parent	¥ 15,513	¥ 29,471
Non-controlling interests	¥ 35	¥ 9

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

Millions of yen

For the six-month periods ended

**September 30, September 30, September 30,
2018 2017 2018**

Profit	¥ 14,632	¥ 28,922	\$ 128,837
Other comprehensive income (loss):			
Net unrealized holding gain on securities	17	5	150
Retirement benefits liability adjustments	900	544	7,924
Share of other comprehensive (loss) income of affiliates accounted for by the equity method	(1)	9	(9)
Total other comprehensive income	916	558	8,065
Comprehensive income	¥ 15,548	¥ 29,480	\$ 136,902
Total comprehensive income attributable to:			
Owner of parent	¥ 15,513	¥ 29,471	\$ 136,594
Non-controlling interests	¥ 35	¥ 9	\$ 308

Central Nippon Expressway Company Limited
and its Consolidated Subsidiaries

Semiannual Consolidated Statements of Changes in Net Assets (Unaudited)

Six-month periods ended September 30, 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, 2017	130,000,000	¥ 65,000	¥ 72,245	¥ 88,602	¥ 225,847
Profit attributable to owner of parent for the period	—	—	—	28,913	28,913
Change in ownership interests due to transactions with non-controlling interests	—	—	—	—	—
Other changes	—	—	—	—	—
Balance at September 30, 2017	130,000,000	65,000	72,245	117,515	254,760
Balance at April 1, 2018	130,000,000	65,000	72,178	108,415	245,593
Profit attributable to owner of parent for the period	—	—	—	14,597	14,597
Change in ownership interests due to transactions with non-controlling interests	—	—	(4)	—	(4)
Other changes	—	—	—	—	—
Balance at September 30, 2018	130,000,000	¥ 65,000	¥ 72,174	¥ 123,012	¥ 260,186

	<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- controlling interests	Total net assets
Balance at April 1, 2017	¥ 54	¥ —	¥ (20,521)	¥ (20,467)	¥ 1,392	¥ 206,772
Profit attributable to owner of parent for the period	—	—	—	—	—	28,913
Change in ownership interests due to transactions with non-controlling interests	—	—	—	—	—	—
Other changes	5	—	553	558	9	567
Balance at September 30, 2017	59	—	(19,968)	(19,909)	1,401	236,252
Balance at April 1, 2018	42	2	(16,106)	(16,062)	1,574	231,105
Profit attributable to owner of parent for the period	—	—	—	—	—	14,597
Change in ownership interests due to transactions with non-controlling interests	—	—	—	—	—	(4)
Other changes	16	(5)	905	916	39	955
Balance at September 30, 2018	¥ 58	¥(3)	¥ (15,201)	¥ (15,146)	¥ 1,613	¥ 246,653

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

Six-month periods ended September 30, 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, 2018	\$ 572,334	\$ 635,538	\$ 954,609	\$ 2,162,481
Profit attributable to owner of parent for the period	—	—	128,529	128,529
Change in ownership interests due to transactions with non-controlling interests	—	(35)	—	(35)
Other changes	—	—	—	—
Balance at September 30, 2018	<u>\$ 572,334</u>	<u>\$ 635,503</u>	<u>\$ 1,083,138</u>	<u>\$ 2,290,975</u>

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-controlling interests	Total net assets
Balance at April 1, 2018	\$ 370	\$ 18	\$ (141,816)	\$ (141,428)	\$ 13,859	\$ 2,034,912
Profit attributable to owner of parent for the period	—	—	—	—	—	128,529
Change in ownership interests due to transactions with non-controlling interests	—	—	—	—	—	(35)
Other changes	141	(45)	7,969	8,065	344	8,409
Balance at September 30, 2018	<u>\$ 511</u>	<u>\$(27)</u>	<u>\$ (133,847)</u>	<u>\$ (133,363)</u>	<u>\$ 14,203</u>	<u>\$ 2,171,815</u>

Central Nippon Expressway Company Limited
and its Consolidated Subsidiaries

Semiannual Consolidated Statements of Cash Flows (Unaudited)

Six-month periods ended September 30, 2018 and 2017

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1(a))</i>
	For the six-month periods ended		
	September 30, 2018	September 30, 2017	September 30, 2018
Cash flows from operating activities:			
Profit before income taxes	¥ 21,455	¥ 42,210	\$ 188,914
Depreciation and amortization	10,636	10,374	93,651
Loss on impairment of fixed assets (Note 5)	126	254	1,109
Equity in earnings of affiliates	(361)	(11)	(3,179)
Increase (decrease) in assets and liabilities for retirement benefits (Note 3)	499	(22,433)	4,394
Increase in accrued employees' bonuses	387	399	3,408
Increase in allowance for ETC mileage program	479	572	4,218
Decrease in allowance for doubtful accounts	(39)	(51)	(343)
Interest and dividend income	(11)	(9)	(97)
Interest expenses	349	552	3,073
Loss on sales of fixed assets	17	50	150
Loss on disposal of fixed assets	298	397	2,624
(Increase) decrease in accounts receivable due from expressway business operations	(2,578)	33,107	(22,700)
Increase in inventories (Note 11)	(139,638)	(137,713)	(1,229,532)
Decrease in accounts payable due to expressway business operations	(33,212)	(33,844)	(292,436)
(Decrease) increase in other accounts payable	(7,757)	17,071	(68,301)
Others	3,396	5,132	29,901
Subtotal	(145,954)	(83,943)	(1,285,146)
Interest and dividends received	33	131	291
Interest paid	(384)	(355)	(3,381)
Income taxes paid	(130)	(2,738)	(1,145)
Net cash used in operating activities	(146,435)	(86,905)	(1,289,381)
Cash flows from investing activities:			
Increase in time deposits	(0)	(0)	(0)
Decrease in time deposits	—	11	—
Proceeds from sales and redemption of marketable securities	50	—	440
Payments for purchase of investments in securities	(40)	(236)	(352)
Proceeds from sales and redemption of investments in securities	304	6	2,677
Payments for purchase of fixed assets	(15,138)	(13,605)	(133,292)
Proceeds from sales of fixed assets	18	70	158
Others	49	(150)	432
Net cash used in investing activities	(14,757)	(13,904)	(129,937)
Cash flows from financing activities:			
Proceeds from long-term loans	17,845	260	157,128
Repayments of long-term loans	(750)	(50)	(6,604)
Proceeds from issuance of bonds for road construction	166,227	154,740	1,463,652
Redemption of bonds for road construction (Note 11)	(54,414)	(50,840)	(479,123)
Others	(322)	(351)	(2,835)
Net cash provided by financing activities	128,586	103,759	1,132,218
Effect of exchange rate changes on cash and cash equivalents	(2)	(1)	(18)
Net (decrease) increase in cash and cash equivalents	(32,608)	2,949	(287,118)
Cash and cash equivalents at beginning of the period	142,849	108,257	1,257,806
Increase in cash and cash equivalents resulting from merger with an unconsolidated subsidiary	72	—	634
Cash and cash equivalents at end of the period (Note 11)	¥ 110,313	¥ 111,206	\$ 971,322

See notes to semiannual consolidated financial statements.

Central Nippon Expressway Company Limited
and its Consolidated Subsidiaries

Notes to Semiannual Consolidated Financial Statements (Unaudited)

September 30, 2018

1. Summary of Significant Accounting Policies

(a) Basis of presentation

The accompanying semiannual 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 semiannual consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

The semiannual consolidated financial statements of the Group are prepared in accordance with the “Regulations Concerning the Terminology, Forms and Preparation Methods of Semiannual Consolidated Financial Statements” (“Regulations for Semiannual Consolidated Financial Statements”) (Ministry of Finance Ordinance No. 24, 1999).

In preparing the accompanying semiannual consolidated financial statements, certain reclassifications have been made to the semiannual 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.

The consolidated balance sheet at March 31, 2018, presented herein for comparative purposes, is derived from the audited consolidated balance sheet.

The translation of Japanese yen amounts into U.S. dollars is included solely for the convenience of the reader and has been made at ¥113.57 = U.S. \$1.00, the approximate rate of exchange in effect on September 30, 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
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Notes to Semiannual Consolidated Financial Statements (Unaudited)
(Continued)

1. Summary of Significant Accounting Policies (continued)

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

The accompanying semiannual consolidated financial statements include the accounts of the Company and its 25 significant consolidated subsidiaries for the six-month periods ended September 30, 2018 and 2017. The Company has applied the equity method to its investments in 10 and 14 significant affiliates for the purpose of the semiannual consolidated financial statements for the six-month periods ended September 30, 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.

Central Nippon Expressway Company Limited
and its Consolidated Subsidiaries

Notes to Semiannual Consolidated Financial Statements (Unaudited)
(Continued)

1. Summary of Significant Accounting Policies (continued)

(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 six-month period. Differences arising from the translation are reflected in “Translation adjustments” as a component of Accumulated other comprehensive income (loss).

(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.

Central Nippon Expressway Company Limited
and its Consolidated Subsidiaries

Notes to Semiannual Consolidated Financial Statements (Unaudited)
(Continued)

1. Summary of Significant Accounting Policies (continued)

(f) Inventories

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

Acquisition costs of work in process for road construction include 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.

(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.

Central Nippon Expressway Company Limited
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Notes to Semiannual Consolidated Financial Statements (Unaudited)
(Continued)

1. Summary of Significant Accounting Policies (continued)

(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.

(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 a foreign currency based on internal regulations.

Gains or losses on derivatives positions designated as hedges are principally 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.

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Notes to Semiannual Consolidated Financial Statements (Unaudited)
(Continued)

1. Summary of Significant Accounting Policies (continued)

(l) Derivatives and hedging activities (continued)

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 semiannual 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 current fiscal year which has been allocated to the six-month period ended September 30, 2018.

(o) Retirement benefits

The liability 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 period.

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.

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Notes to Semiannual Consolidated Financial Statements (Unaudited)
(Continued)

1. Summary of Significant Accounting Policies (continued)

(o) Retirement benefits (continued)

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 the period.

(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.

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Notes to Semiannual Consolidated Financial Statements (Unaudited)
(Continued)

1. Summary of Significant Accounting Policies (continued)

(r) Recognition of revenues and costs (continued)

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 (\$44,026 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).

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Notes to Semiannual Consolidated Financial Statements (Unaudited)
(Continued)

2. Accounting Changes

Implementation Guidance on Tax Effect Accounting

The Group adopted “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28 revised on February 16, 2018) effective from April 1, 2018.

This guidance requires classifying all deferred tax assets and liabilities as non-current in the consolidated balance sheet. Previously, accounting principles required an entity to classify deferred income tax assets and liabilities as current or non-current in its statement of financial position.

As a result, in the accompanying comparative “Semiannual Consolidated Balance Sheet” at March 31, 2018, the Group reclassified “Deferred income taxes” amounting to ¥2,488 million (\$21,907 thousand) in “Current assets” as “Deferred income taxes” in “Investments and other assets” and “Other current liabilities” amounting to ¥0 million (\$0 thousand) in “Current liabilities” as “Deferred income taxes” in “Long-term liabilities.” In addition, the Group offset “Deferred income taxes” balance amounting to ¥534 million (\$4,702 thousand) included in “Investments and other assets” with the “Deferred income taxes” balance included in “Long-term liabilities.”

3. 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 (“WFPF”). 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 for the six-month period ended September 30, 2017.

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Notes to Semiannual Consolidated Financial Statements (Unaudited)
(Continued)

4. Securities

Held-to-maturity debt securities with fair value at September 30, 2018 and March 31, 2018 are as follows:

<i>Millions of yen</i>						
Held-to-maturity debt securities						
September 30, 2018			March 31, 2018			
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	¥ 309	¥ 8	¥ 301	¥ 311	¥ 10
Corporate bonds	—	—	—	50	50	0
Total	<u>¥ 301</u>	<u>¥ 309</u>	<u>¥ 8</u>	<u>¥ 351</u>	<u>¥ 361</u>	<u>¥ 10</u>

<i>Thousands of U.S. dollars</i>			
Held-to-maturity debt securities			
September 30, 2018			
Carrying value	Fair value	Unrealized gain	
Securities with fair value exceeding carrying value:			
National and local government bonds	\$ 2,650	\$ 2,721	\$ 71
Corporate bonds	—	—	—
Total	<u>\$ 2,650</u>	<u>\$ 2,721</u>	<u>\$ 71</u>

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Notes to Semiannual Consolidated Financial Statements (Unaudited)
(Continued)

4. Securities (continued)

Other securities with available market value at September 30, 2018 and March 31, 2018 are as follows:

<i>Millions of yen</i>						
Other securities						
September 30, 2018			March 31, 2018			
Acquisition cost	Carrying value	Unrealized gain (loss)	Acquisition cost	Carrying value	Unrealized gain (loss)	
Securities with carrying value exceeding acquisition cost:						
Stocks	¥ 78	¥ 183	¥ 105	¥ 78	¥ 158	¥ 80
Securities with carrying value not exceeding acquisition cost:						
Stocks	38	33	(5)	38	32	(6)
Total	¥ 116	¥ 216	¥ 100	¥ 116	¥ 190	¥ 74

<i>Thousands of U.S. dollars</i>			
Other securities			
September 30, 2018			
Acquisition cost	Carrying value	Unrealized gain (loss)	
Securities with carrying value exceeding acquisition cost:			
Stocks	\$ 686	\$ 1,611	\$ 925
Securities with carrying value not exceeding acquisition cost:			
Stocks	335	291	(44)
Total	\$ 1,021	\$ 1,902	\$ 881

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Notes to Semiannual Consolidated Financial Statements (Unaudited)
(Continued)

4. Securities (continued)

The Company recognizes loss on impairment of individual marketable securities classified as other securities if the market value of a security at the end of the period 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 a net asset deficiency; or 3) the issuing corporation recorded losses in the last two consecutive years and losses in the following year are anticipated.

Because no quoted market price is available and it is extremely difficult to estimate the corresponding future cash flow, unlisted stocks of ¥40 million (\$352 thousand) and ¥40 million at September 30, 2018 and March 31, 2018, respectively, are not included in the above table.

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(Continued)

5. Loss on Impairment of Fixed Assets

The Group recognized loss on impairment of the following groups of assets for the six-month periods ended September 30, 2018 and 2017.

Periods ended September 30,	Location	Usage	Category
2018	Tsu-city, Mie, and others	Common assets related to the entire business	Buildings, structures and others
2018	Ota-city, Tokyo, and others	Fixed assets related to rest area business	Buildings, structures, tools, furniture, fixtures and others
2017	Machida-city, Tokyo, and others	Common assets related to the entire business	Buildings, structures and others

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 the asset group for which it is considered that investments can no longer be recovered due to a profitability decline, consisting of fixed assets related to the rest area business, were written down to their memorandum value for the six-month periods ended September 30, 2018 and 2017.

As a result, loss on impairment of fixed assets amounted to ¥126 million (\$1,109 thousand) and ¥254 million for the six-month periods ended September 30, 2018 and 2017, respectively. The details of loss on impairment are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2018	2017	2018
Buildings	¥ 118	¥ 246	\$ 1,039
Structures	1	6	9
Tools, furniture and fixtures	5	—	44
Others	2	2	17
	¥ 126	¥ 254	\$ 1,109

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Notes to Semiannual Consolidated Financial Statements (Unaudited)
(Continued)

6. Pledged Assets

At September 30, 2018 and March 31, 2018, 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>
	September 30, 2018	March 31, 2018	September 30, 2018
Bonds for road construction:			
Carrying value	¥ 1,048,848	¥ 936,740	\$ 9,235,256
Face value	1,048,848	936,740	9,235,256

In addition, at September 30, 2018 and March 31, 2018, the total assets of the Company were also pledged as collateral for bonds in the amounts of ¥942,965 million (\$8,302,941 thousand) and ¥1,141,071 million, respectively, assumed by JEHDRA pursuant to Article 15 of the JEHDRA Act.

At September 30, 2018 and March 31, 2018, 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>
	September 30, 2018	March 31, 2018	September 30, 2018
Cash and deposits	¥ 3	¥ 3	\$ 26
Investments in unconsolidated subsidiaries and affiliates	62	68	546
Others in Investments and other assets	33	33	290

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Notes to Semiannual Consolidated Financial Statements (Unaudited)
(Continued)

7. Contingent Liabilities

At September 30, 2018 and March 31, 2018, the Company provides the following debt guarantees:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	September 30, 2018	March 31, 2018	September 30, 2018
JEHDRA	¥ 511,000	¥ 511,000	\$ 4,499,428
W-NEXCO	9	10	79
	¥ 511,009	¥ 511,010	\$ 4,499,507

Pursuant to Article 16 of the “Act regarding the Implementation of Acts Related to Privatization 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).

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 September 30, 2018 and March 31, 2018, 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>
	September 30, 2018	March 31, 2018	September 30, 2018
JEHDRA	¥ 980,065	¥ 1,178,121	\$ 8,629,612

As a result of these transfers listed above, bonds for road construction decreased by ¥54,414 million (face value) (\$479,123 thousand) for the six-month period ended September 30, 2018, and bonds for road construction and long-term loans for road construction decreased by ¥223,551 million (face value) and ¥35,324 million, respectively, for the year ended March 31, 2018.

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Notes to Semiannual Consolidated Financial Statements (Unaudited)
(Continued)

8. 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.

9. Leases

Future minimum lease payments subsequent to September 30, 2018 under non-cancellable operating leases related to road assets are summarized as follows:

Periods ending September 30,	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
2019	¥ 461,319	\$ 4,061,979
2020 and thereafter	16,406,848	144,464,630
	<u>¥ 16,868,167</u>	<u>\$ 148,526,609</u>

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.

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(Continued)

9. Leases (continued)

Future minimum lease payments subsequent to September 30, 2018 under non-cancellable operating leases other than road assets are summarized as follows:

Periods ending September 30,	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
2019	¥ 379	\$ 3,337
2020 and thereafter	812	7,150
	¥ 1,191	\$ 10,487

10. Amounts per Share

Per share amounts for the six-month periods ended September 30, 2018 and 2017 are as follows:

	<i>Yen</i>	<i>U.S. dollars</i>
	2018	2017
Profit attributable to owner of parent:		2018
Basic	¥ 112.29	¥ 222.40
		\$ 0.99

Basic profit attributable to owner of parent 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 period.

Diluted profit per share has not been presented because there were no potentially dilutive shares of common stock for the six-month periods ended September 30, 2018 and 2017.

Net assets per share as of September 30, 2018 and March 31, 2018 are as follows:

	<i>Yen</i>	<i>U.S. dollars</i>
	September 30, 2018	March 31, 2018
Net assets	¥ 1,884.93	¥ 1,765.62
		\$ 16.60

Amounts per share of net assets 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 end of the semiannual period or year end.

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(Continued)

10. Amounts per Share (continued)

The financial data used in the computation of basic profit attributable to owner of parent per share for the six-month periods ended September 30, 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	<u>¥ 14,597</u>	<u>¥ 28,913</u>	<u>\$ 128,529</u>
Adjusted profit attributable to owner of parent	<u>¥ 14,597</u>	<u>¥ 28,913</u>	<u>\$ 128,529</u>
	<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 at September 30, 2018 and March 31, 2018 is summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	September 30, 2018	March 31, 2018	September 30, 2018
Total net assets	<u>¥ 246,653</u>	<u>¥ 231,105</u>	<u>\$ 2,171,815</u>
Deductions from total net assets:			
Non-controlling interests	<u>1,613</u>	<u>1,574</u>	<u>14,203</u>
Total net assets available to common stockholder	<u>¥ 245,040</u>	<u>¥ 229,531</u>	<u>\$ 2,157,612</u>
	<i>Thousands of shares</i>		
	September 30, 2018	March 31, 2018	
Number of shares of common stock used in the calculation of net assets per share	130,000		130,000

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Notes to Semiannual Consolidated Financial Statements (Unaudited)
(Continued)

11. Supplemental Information on Semiannual Consolidated Statements of Cash Flows

Reconciliations of cash and deposits at September 30, 2018 and 2017, and cash and cash equivalents in the accompanying semiannual consolidated statements of cash flows for the six-month periods then ended are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	September 30		
	2018	2017	2018
Cash and deposits	¥ 110,498	¥ 111,390	\$ 972,951
Deposits over three months	(185)	(184)	(1,629)
Cash and cash equivalents	<u>¥ 110,313</u>	<u>¥ 111,206</u>	<u>\$ 971,322</u>

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 six-month periods ended September 30, 2018 and 2017, expressway assets constructed by the Company in the amounts of ¥56,889 million (\$500,916 thousand) and ¥20,097 million, respectively, were transferred to JEHDRA pursuant to Articles 51.2 through 51.4 of the Special Measures Act and, concurrently, bonds for road construction of ¥54,414 million (\$479,123 thousand) and ¥50,840 million for the six-month periods ended September 30, 2018 and 2017, respectively, were assumed by JEHDRA pursuant to Article 15.1 of the JEHDRA Act.

Non-cash transactions outlined above are recognized and included in increase in inventories and redemption of bonds for road construction in the semiannual consolidated statements of cash flows for the six-month periods ended September 30, 2018 and 2017.

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12. Financial Instruments and Related Disclosures

Fair value of financial instruments

The carrying value of financial instruments on the accompanying semiannual consolidated balance sheet at September 30, 2018 and consolidated balance sheet at March 31, 2018 and their estimated 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>						
	September 30, 2018			March 31, 2018		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Assets:						
Cash and deposits	¥ 110,498	¥ 110,498	¥ –	¥ 143,033	¥ 143,033	¥ –
Accounts receivable due from expressway business operations	79,839	79,839	–	76,310	76,310	–
Other accounts receivable	10,118	10,118	–	7,083	7,083	–
Marketable securities and investments in securities:						
Held-to-maturity debt securities	301	309	8	351	361	10
Other securities	216	216	–	190	190	–
Total assets	<u>¥ 200,972</u>	<u>¥ 200,980</u>	<u>¥ 8</u>	<u>¥ 226,967</u>	<u>¥ 226,977</u>	<u>¥ 10</u>
Liabilities:						
Accounts payable due to expressway business operations	¥ 90,928	¥ 90,928	¥ –	¥ 118,325	¥ 118,325	¥ –
Other accounts payable	17,144	17,144	–	30,441	30,441	–
Income and other taxes payable	8,398	8,398	–	942	942	–
Bonds for road construction (*)	1,048,848	1,047,751	(1,097)	936,740	937,052	312
Long-term loans for road construction (*)	100,975	100,752	(223)	83,830	83,811	(19)
Other long-term loans (*)	682	682	–	733	733	–
Total liabilities	<u>¥ 1,266,975</u>	<u>¥ 1,265,655</u>	<u>¥ (1,320)</u>	<u>¥ 1,171,011</u>	<u>¥ 1,171,304</u>	<u>¥ 293</u>

* Including the current portion of long-term debt.

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Notes to Semiannual Consolidated Financial Statements (Unaudited)
(Continued)

12. Financial Instruments and Related Disclosures (continued)

Fair value of financial instruments (continued)

<i>Thousands of U.S. dollars</i>			
September 30, 2018			
	Carrying value	Fair value	Difference
Assets:			
Cash and deposits	\$ 972,951	\$ 972,951	\$ –
Accounts receivable due from expressway business operations	702,994	702,994	–
Other accounts receivable	89,090	89,090	–
Marketable securities and investments in securities:			
Held-to-maturity debt securities	2,650	2,720	70
Other securities	1,902	1,902	–
Total assets	<u>\$ 1,769,587</u>	<u>\$ 1,769,657</u>	<u>\$ 70</u>
Liabilities:			
Accounts payable due to expressway business operations	\$ 800,634	\$ 800,634	\$ –
Other accounts payable	150,955	150,955	–
Income and other taxes payable	73,946	73,946	–
Bonds for road construction (*)	9,235,256	9,225,597	(9,659)
Long-term loans for road construction (*)	889,099	887,135	(1,964)
Other long-term loans (*)	6,006	6,006	–
Total liabilities	<u>\$ 11,155,896</u>	<u>\$ 11,144,273</u>	<u>\$ (11,623)</u>

* Including the current portion of long-term debt.

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.

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12. Financial Instruments and Related Disclosures (continued)

Fair value of financial instruments (continued)

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.

Financial instruments for which it is extremely difficult to determine the fair value at September 30, 2018 and March 31, 2018 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	September 30, 2018	March 31, 2018	September 30, 2018
Unlisted stocks:			
Investments in unconsolidated subsidiaries and affiliates	¥ 4,895	¥ 5,342	\$ 43,101
Other securities	40	40	352

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

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Notes to Semiannual Consolidated Financial Statements (Unaudited)
(Continued)

13. Derivative Financial Instruments and Hedging Activities

The contract amount and the fair value of the derivative instruments outstanding which qualified for hedge accounting at September 30, 2018 and March 31, 2018 are as follows:

			<i>Millions of yen</i>		
			September 30, 2018		
Hedge accounting method	Hedging instrument	Main hedged item	Contract amount	Contract amount payable after one year	Fair value
Allocation method for currency swaps	Currency swap	Bonds for road construction	¥ 290,121	¥ 290,121	*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			<u>¥ 543,049</u>	<u>¥ 543,049</u>	
			<i>Millions of yen</i>		
			March 31, 2018		
Hedge accounting method	Hedging instrument	Main hedged item	Contract amount	Contract amount payable after 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			<u>¥ 560,941</u>	<u>¥ 560,941</u>	

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Notes to Semiannual Consolidated Financial Statements (Unaudited)
(Continued)

13. Derivative Financial Instruments and Hedging Activities (continued)

			<i>Thousands of U.S. dollars</i>		
			September 30, 2018		
Hedge accounting method	Hedging instrument	Main hedged item	Contract amount	Contract amount payable after one year	Fair value
Allocation method for currency swaps	Currency swap	Bonds for road construction	\$ 2,554,557	\$ 2,554,557	*1
Integrated treatment of interest rate and currency swaps (special treatment, allocation method)	Currency swap including interest-rate swaps	Bonds for road construction	2,227,067	2,227,067	*2
Total			<u>\$ 4,781,624</u>	<u>\$ 4,781,624</u>	

*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 the hedged items, their fair value is included in the fair value of such bonds for road construction.

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Notes to Semiannual Consolidated Financial Statements (Unaudited)
(Continued)

14. Segment Information

(1) Outline of reporting segments

Reportable segments of the Group 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 Group's business segments are classified by different products and services based on their business domains. The Group'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, income, loss, assets, liabilities and other items by each reportable 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 semiannual 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 and transfers are determined in reference to market actual value.

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Notes to Semiannual Consolidated Financial Statements (Unaudited)
(Continued)

14. Segment Information (continued)

(3) Information on net sales, income, loss, assets, liabilities and other items by each reportable segment as of and for the six-month periods ended September 30, 2018 and 2017:

<i>Millions of yen</i>						
2018						
Reportable segments						
	Expressway business	Rest area business	Other related business	Total	Adjustments	Consolidated
Sales to third parties	¥ 410,691	¥ 16,885	¥ 15,262	¥ 442,838	¥ –	¥ 442,838
Intersegment sales and transfers	12	3	0	15	(15)	–
Net sales	410,703	16,888	15,262	442,853	(15)	442,838
Segment income (loss)	¥ 18,157	¥ 3,437	¥ (179)	¥ 21,415	¥ 2	¥ 21,417
Segment assets	¥ 1,313,062	¥ 175,414	¥ 20,162	¥ 1,508,638	¥ 143,145	¥ 1,651,783
Segment liabilities	1,149,823	–	675	1,150,498	254,632	1,405,130
Other items:						
Depreciation and amortization	8,903	1,570	163	10,636	–	10,636
Investments in affiliates	3,488	–	1,407	4,895	–	4,895
Increase in property and equipment and intangible fixed assets	4,972	1,017	185	6,174	2,276	8,450

<i>Millions of yen</i>						
2017						
Reportable segments						
	Expressway business	Rest area business	Other related business	Total	Adjustments	Consolidated
Sales to third parties	¥ 369,591	¥ 16,509	¥ 13,977	¥ 400,077	¥ –	¥ 400,077
Intersegment sales and transfers	12	6	0	18	(18)	–
Net sales	369,603	16,515	13,977	400,095	(18)	400,077
Segment income	¥ 16,222	¥ 3,178	¥ 173	¥ 19,573	¥ 3	¥ 19,576
Segment assets	¥ 1,172,383	¥ 176,025	¥ 19,715	¥ 1,368,123	¥ 140,000	¥ 1,508,123
Segment liabilities	1,023,482	–	775	1,024,257	247,614	1,271,871
Other items:						
Depreciation and amortization	8,645	1,571	158	10,374	–	10,374
Investments in affiliates	4,316	–	935	5,251	–	5,251
Increase in property and equipment and intangible fixed assets	4,778	920	264	5,962	2,172	8,134

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Notes to Semiannual Consolidated Financial Statements (Unaudited)
(Continued)

14. Segment Information (continued)

(3) Information on net sales, income, loss, assets, liabilities and other items by each reportable segment as of and for the six-month periods ended September 30, 2018 and 2017: (continued)

<i>Thousands of U.S. dollars</i>						
2018						
	Reportable segments			Total	Adjustments	Consolidated
	Expressway business	Rest area business	Other related business			
Sales to third parties	\$ 3,616,193	\$ 148,675	\$ 134,384	\$ 3,899,252	\$ –	\$ 3,899,252
Intersegment sales and transfers	106	26	0	132	(132)	–
Net sales	3,616,299	148,701	134,384	3,899,384	(132)	3,899,252
Segment income (loss)	\$ 159,875	\$ 30,263	\$ (1,576)	\$ 188,562	\$ 18	\$ 188,580
Segment assets	\$ 11,561,698	\$ 1,544,545	\$ 177,529	\$ 13,283,772	\$ 1,260,412	\$ 14,544,184
Segment liabilities	10,124,355	–	5,943	10,130,298	2,242,071	12,372,369
Other items:						
Depreciation and amortization	78,392	13,824	1,435	93,651	–	93,651
Investments in affiliates	30,712	–	12,389	43,101	–	43,101
Increase in property and equipment and intangible fixed assets	43,779	8,955	1,629	54,363	20,040	74,403

As discussed in Note 2, reclassifications affecting segment assets and segment liabilities have been made, in accordance with the adoption of “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28 revised on February 16, 2018) effective from April 1, 2018. To facilitate comparison, the amounts of segment assets and segment liabilities as at September 30, 2017 have also been adjusted in the tables above to reflect the impact of the required reclassifications.

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Notes to Semiannual Consolidated Financial Statements (Unaudited)
(Continued)

14. Segment Information (continued)

(3) Information on net sales, income, loss, assets, liabilities and other items by each reportable segment as of and for the six-month periods ended September 30, 2018 and 2017: (continued)

Adjustments in the above tables:

The adjustments of segment income (loss) in the amounts of ¥2 million (\$18 thousand) and ¥3 million for the six-month periods ended September 30, 2018 and 2017, respectively, are eliminations of intersegment transactions.

The adjustments of segment assets in the amounts of ¥143,145 million (\$1,260,412 thousand) and ¥140,000 million at September 30, 2018 and 2017, respectively, include corporate assets not allocated to reportable segments, mainly consisting of cash, deposits and assets related to common departments in the Company.

The adjustments of segment liabilities in the amounts of ¥254,632 million (\$2,242,071 thousand) and ¥247,614 million at September 30, 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 increase in property and equipment and intangible fixed assets in the amounts of ¥2,276 million (\$20,040 thousand) and ¥2,172 million for the six-month periods ended September 30, 2018 and 2017, respectively, include corporate assets not allocated to reportable segments, principally consisting of system development by the Company.

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Notes to Semiannual Consolidated Financial Statements (Unaudited)
(Continued)

14. Segment Information (continued)

Related information

Segment income corresponds to operating income in the semiannual consolidated statements of income.

Information on each product and service for the six-month periods ended September 30, 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	¥ 353,293	¥ 56,889	¥ 32,656	¥ 442,838
<i>Millions of yen</i>				
2017				
	Toll fee	Completion of road assets	Other	Total
Sales to third parties	¥ 348,963	¥ 20,097	¥ 31,017	¥ 400,077
<i>Thousands of U.S. dollars</i>				
2018				
	Toll fee	Completion of road assets	Other	Total
Sales to third parties	\$ 3,110,795	\$ 500,916	\$ 287,541	\$ 3,899,252

As more than 90% of the consolidated net sales for the six-month periods ended September 30, 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 semiannual consolidated balance sheets as of September 30, 2018 and 2017 were located in Japan, the disclosure of information on property and equipment by country or geographic region has been omitted.

Sales to JEHDRA amounted to ¥56,890 million (\$500,925 thousand) and ¥20,141 million by the expressway business segment for the six-month periods ended September 30, 2018 and 2017, respectively.

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Notes to Semiannual Consolidated Financial Statements (Unaudited)
(Continued)

14. Segment Information (continued)

Related information (continued)

Information on loss on impairment of fixed assets by reportable segment for the six-month periods ended September 30, 2018 and 2017, respectively, 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	¥ –	¥ 94	¥ –	¥ 94	¥ 32	¥ 126
<i>Millions of yen</i>						
2017						
	Expressway business	Rest area business	Other related business	Total	Adjustments(*)	Consolidated
Loss on impairment of fixed assets	¥ –	¥ –	¥ –	¥ –	¥ 254	¥ 254
<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	\$ –	\$ 828	\$ –	\$ 828	\$ 281	\$ 1,109

(*) The adjustments of loss on impairment of fixed assets amounted to ¥32 million (\$281 thousand) and ¥254 million for the six-month periods ended September 30, 2018 and 2017, respectively, are attributable to corporate assets not allocated to reportable segments.

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Notes to Semiannual Consolidated Financial Statements (Unaudited)
(Continued)

14. Segment Information (continued)

Related information (continued)

Information on amortization of goodwill and the remaining balance by reportable segment as of and for the six-month period ended September 30, 2018 is as follows:

<i>Millions of yen</i>						
2018						
	Expressway business	Rest area business	Other related business	Total	Adjustments	Consolidated
Amortization of goodwill	¥ 18	¥ –	¥ –	¥ 18	¥ –	¥ 18
Remaining balance	132	–	–	132	–	132
<i>Thousands of U.S. dollars</i>						
2018						
	Expressway business	Rest area business	Other related business	Total	Adjustments	Consolidated
Amortization of goodwill	\$ 158	\$ –	\$ –	\$ 158	\$ –	\$ 158
Remaining balance	1,162	–	–	1,162	–	1,162

No amortization of goodwill for any segments was recorded for the six-month period ended September 30, 2017 and there was no remaining balance of goodwill for any segments as of September 30, 2017.

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Notes to Semiannual Consolidated Financial Statements (Unaudited)
(Continued)

14. Segment Information (continued)

Related 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 six-month period ended September 30, 2018 and 2017, respectively, is as follows:

<i>Millions of yen</i>						
2018						
	Expressway business	Rest area business	Other related business	Total	Adjustments	Consolidated
Amortization of negative goodwill	¥ –	¥ –	¥ –	¥ –	¥ 171	¥ 171
Remaining balance	–	–	–	–	3,330	3,330

<i>Millions of yen</i>						
2017						
	Expressway business	Rest area business	Other related business	Total	Adjustments	Consolidated
Amortization of negative goodwill	¥ –	¥ –	¥ –	¥ –	¥ 171	¥ 171
Remaining balance	–	–	–	–	3,673	3,673

<i>Thousands of U.S. dollars</i>						
2018						
	Expressway business	Rest area business	Other related business	Total	Adjustments	Consolidated
Amortization of negative goodwill	\$ –	\$ –	\$ –	\$ –	\$ 1,506	\$ 1,506
Remaining balance	–	–	–	–	29,321	29,321

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Notes to Semiannual Consolidated Financial Statements (Unaudited)
(Continued)

15. 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 12 AUD300,000,000 2.701 per cent. Notes due 2020	¥23,916 million (\$210,584 thousand)	2.701% per annum	100% of face value	November 9, 2018	November 9, 2020
No.75 Bond of Central Nippon Expressway Company Limited	¥40,000 million (\$352,206 thousand)	0.001% per annum	100.001% of face value	November 30, 2018	November 30, 2020

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.

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Notes to Semiannual Consolidated Financial Statements (Unaudited)
(Continued)

15. Subsequent Events (continued)

(2) Loan agreements

The Company entered into loan agreements with Mizuho Bank, Ltd. and 8 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:

	<u>Total amount</u>	<u>Terms of repayment</u>	<u>Collateral</u>	<u>Execution date</u>	<u>Maturity date</u>
Loans from Mizuho Bank, Ltd. and 8 other financial institutions	¥25,000 million (\$220,129 thousand)	Lump-sum repayment	None	December 25, 2018	April 25, 2022

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.

Central Nippon Expressway Company Limited
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Notes to Semiannual Consolidated Financial Statements (Unaudited)
(Continued)

16. 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

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Notes to Semiannual Consolidated Financial Statements (Unaudited)
(Continued)

16. 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
Deros Japan Co., Ltd.	30.3	Japan	Equity-method affiliate
Central Nippon Farm Suzunari Co., Ltd.	39.0	Japan	Equity-method affiliate

* Percentage of voting right held by any persons who are found to exercise their voting rights in the same manner as the intent of the Company due to their close ties with the Company in terms of contribution, personnel affairs, funds, technology, transactions, etc. and those held by any persons who have given their consent to exercising their voting rights in the same manner as the intent of the Company.

Central Nippon Farm Suzunari Co., Ltd. has been included in affiliates accounted for by the equity method due to its establishment during the fiscal period ended September 30, 2018.

Tokyo Highway Co., Ltd., TC Maintenance Co., Ltd. and KOSOKU HOZEN 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 period ended September 30, 2018.