

Consolidated Financial Statements

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

*Years ended March 31, 2017 and 2016
with Independent Auditor's Report*

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Consolidated Financial Statements

Years ended March 31, 2017 and 2016

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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, 2017 and 2016, 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, 2017 and 2016, 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).

/S/ Ernst & Young ShinNihon LLC
June 22, 2017
Nagoya, Japan

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Consolidated Balance Sheets

March 31, 2017 and 2016

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1(a))</i>
	2017	2016	2017
Assets			
Current assets:			
Cash and deposits (<i>Notes 9, 17 and 18</i>)	¥ 108,452	¥ 73,444	\$ 966,682
Accounts receivable due from expressway business operations (<i>Notes 18 and 21</i>)	103,780	72,387	925,038
Other accounts receivable (<i>Note 18</i>)	33,205	9,777	295,971
Marketable securities (<i>Notes 4 and 18</i>)	—	50	—
Inventories (<i>Note 5</i>)	843,997	686,098	7,522,925
Deferred income taxes (<i>Note 10</i>)	3,085	2,874	27,498
Other current assets	32,775	25,727	292,138
Allowance for doubtful accounts	(11)	(10)	(98)
Total current assets	<u>1,125,283</u>	<u>870,347</u>	<u>10,030,154</u>
Property and equipment (<i>Notes 7, 15 and 20</i>):			
Buildings	65,496	64,395	583,795
Structures	60,327	58,694	537,722
Machinery and equipment	103,585	101,896	923,300
Vehicles	27,885	25,932	248,552
Tools, furniture and fixtures	14,306	14,537	127,516
Land	120,466	120,413	1,073,768
Leased assets	3,617	2,871	32,240
Construction in progress	3,177	3,836	28,318
Less accumulated depreciation	(137,118)	(130,079)	(1,222,196)
Total property and equipment	<u>261,741</u>	<u>262,495</u>	<u>2,333,015</u>
Investments and other assets:			
Investments in unconsolidated subsidiaries and affiliates (<i>Notes 6, 18 and 20</i>)	5,222	4,848	46,546
Investments in securities (<i>Notes 4 and 18</i>)	595	664	5,304
Intangible fixed assets (<i>Note 20</i>)	9,191	8,884	81,924
Deferred income taxes (<i>Note 10</i>)	9,747	3,028	86,879
Asset for retirement benefits (<i>Note 11</i>)	259	266	2,309
Others (<i>Note 9</i>)	5,192	5,572	46,277
Allowance for doubtful accounts	(505)	(514)	(4,501)
Total investments and other assets	<u>29,701</u>	<u>22,748</u>	<u>264,738</u>
Deferred assets:			
Bond issuance expenses for road construction	1,626	995	14,494
Total assets (<i>Notes 9 and 20</i>)	<u><u>¥ 1,418,351</u></u>	<u><u>¥ 1,156,585</u></u>	<u><u>\$ 12,642,401</u></u>

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1(a))</i>
	2017	2016	2017
Liabilities			
Current liabilities:			
Accounts payable due to expressway business operations (Notes 18 and 21)	¥ 106,813	¥ 158,268	\$ 952,072
Current portion of long-term debt (Notes 8, 9, 18 and 21)	196	100	1,747
Current portion of lease obligations (Note 8)	662	561	5,901
Other accounts payable (Note 18)	28,107	48,022	250,530
Income and other taxes payable (Notes 10 and 18)	3,750	2,941	33,425
Accrued employees' bonuses	3,269	3,150	29,138
Other current liabilities	23,386	20,856	208,451
Total current liabilities (Note 20)	166,183	233,898	1,481,264
Long-term liabilities:			
Long-term debt (Notes 8, 9, 18 and 21)	919,631	604,568	8,197,085
Lease obligations (Note 8)	1,448	1,218	12,907
Deferred income taxes (Note 10)	98	302	874
Liabilities for retirement benefits (Note 11)	88,652	91,204	790,195
Accrued retirement benefits for directors, audit and supervisory board members and corporate officers	226	236	2,014
Allowance for ETC mileage program	8,377	8,570	74,668
Allowance for card shopping point program	—	19	—
Others	26,964	25,885	240,342
Total long-term liabilities (Note 20)	1,045,396	732,002	9,318,085
Contingent liabilities (Notes 12 and 21)			
Net assets:			
Shareholder's equity (Note 13):			
Common stock	65,000	65,000	579,374
Authorized : 520,000,000 shares			
Issued : 130,000,000 shares at March 31, 2017 and 2016			
Capital surplus	72,245	71,869	643,952
Retained earnings	88,602	77,377	789,750
Total shareholder's equity	225,847	214,246	2,013,076
Accumulated other comprehensive loss:			
Net unrealized holding gain on securities (Note 4)	54	53	481
Retirement benefits liability adjustments (Note 11)	(20,521)	(25,679)	(182,913)
Total accumulated other comprehensive loss	(20,467)	(25,626)	(182,432)
Non-controlling interests (Note 16)	1,392	2,065	12,408
Total net assets (Note 16)	206,772	190,685	1,843,052
Total liabilities and net assets	¥ 1,418,351	¥ 1,156,585	\$ 12,642,401

See notes to consolidated financial statements.

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Consolidated Statements of Income

Years ended March 31, 2017 and 2016

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1(a))</i>
	2017	2016	2017
Operating revenues (Notes 20 and 21)	¥ 907,596	¥ 1,300,352	\$ 8,089,812
Operating expenses:			
Road assets leasing expenses (Note 21)	479,422	479,507	4,273,304
Cost of sales and administrative expenses for expressway business operations (Note 14)	340,818	732,507	3,037,864
Selling, general and administrative expenses (Note 14)	80,963	79,040	721,660
Total operating expenses	901,203	1,291,054	8,032,828
Operating income (Note 20)	6,393	9,298	56,984
Other income (expenses):			
Interest income	6	66	53
Land and property rental fees	227	199	2,023
Amortization of negative goodwill (Note 20)	342	342	3,048
Equity in earnings of affiliates	465	588	4,145
Interest expenses	(24)	(21)	(214)
Gain on sales of fixed assets	99	136	882
Loss on disposal of fixed assets	(266)	(247)	(2,371)
Loss on sales of fixed assets	(1)	(54)	(9)
Gain on donation of property and equipment	50	341	446
Others	334	1,052	2,978
Profit before income taxes	7,625	11,700	67,965
Income taxes (Note 10):			
Current	3,504	3,705	31,233
Deferred	(7,204)	(20)	(64,213)
	(3,700)	3,685	(32,980)
Profit	11,325	8,015	100,945
Profit attributable to:			
Non-controlling interests	100	103	892
Owner of parent	¥ 11,225	¥ 7,912	¥ 100,053

See notes to consolidated financial statements.

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Consolidated Statements of Comprehensive Income

Years ended March 31, 2017 and 2016

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1(a))</i>
	2017	2016	2017
Profit	¥ 11,325	¥ 8,015	\$ 100,945
Other comprehensive income (loss) (Note 22):			
Net unrealized holding gain on securities	2	5	18
Retirement benefits liability adjustments	5,225	(20,973)	46,573
Share of other comprehensive loss of affiliates accounted for by the equity method	(68)	(392)	(607)
Total other comprehensive income (loss)	5,159	(21,360)	45,984
Comprehensive income (loss)	¥ 16,484	¥ (13,345)	\$ 146,929
Total comprehensive income (loss) attributable to:			
Owner of parent	¥ 16,384	¥ (13,448)	\$ 146,037
Non-controlling interests	100	103	892

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

Years ended March 31, 2017 and 2016

	Number of shares in issue	<i>Millions of yen</i>		
		Common stock	Capital surplus	Retained earnings
Balance at April 1, 2015	130,000,000	¥ 65,000	¥ 71,650	¥ 69,465
Profit attributable to owner of parent for the year	—	—	—	7,912
Change in ownership interests due to transactions with non-controlling interests	—	—	219	—
Other changes	—	—	—	—
Balance at April 1, 2016	130,000,000	65,000	71,869	77,377
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	—	—	—	—
Balance at March 31, 2017	130,000,000	¥ 65,000	¥ 72,245	¥ 88,602

	<i>Millions of yen</i>			
	Accumulated other comprehensive loss			Total net assets
	Net unrealized holding gain on securities	Retirement benefits liability adjustments	Non-controlling interests	
Balance at April 1, 2015	¥ 52	¥ (4,318)	¥ 2,277	¥ 204,126
Profit attributable to owner of parent for the year	—	—	—	7,912
Change in ownership interests due to transactions with non-controlling interests	—	—	—	219
Other changes	1	(21,361)	(212)	(21,572)
Balance at April 1, 2016	53	(25,679)	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	(673)	4,486
Balance at March 31, 2017	¥ 54	¥ (20,521)	¥ 1,392	¥ 206,772

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

Years ended March 31, 2017 and 2016

	<i>Thousands of U.S. dollars (Note 1(a))</i>		
	Common stock	Capital surplus	Retained earnings
Balance at April 1, 2016	\$ 579,374	\$ 640,601	\$ 689,697
Profit attributable to owner of parent for the year	—	—	100,053
Change in ownership interests due to transactions with non-controlling interests	—	3,351	—
Other changes	—	—	—
Balance at March 31, 2017	\$ 579,374	\$ 643,952	\$ 789,750

	<i>Thousands of U.S. dollars (Note 1(a))</i>			
	Accumulated other comprehensive loss			Total net assets
	Net unrealized holding gain on securities	Retirement benefits liability adjustments	Non-controlling interests	
Balance at April 1, 2016	\$ 472	\$ (228,888)	\$ 18,406	\$ 1,699,662
Profit attributable to owner of parent for the year	—	—	—	100,053
Change in ownership interests due to transactions with non-controlling interests	—	—	—	3,351
Other changes	9	45,975	(5,998)	39,986
Balance at March 31, 2017	\$ 481	\$ (182,913)	\$ 12,408	\$ 1,843,052

Central Nippon Expressway Company Limited and
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Consolidated Statements of Cash Flows

Years ended March 31, 2017 and 2016

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1(a))</i>
	2017	2016	2017
Cash flows from operating activities:			
Profit before income taxes	¥ 7,625	¥ 11,700	\$ 67,965
Depreciation and amortization	20,864	20,412	185,970
Equity in earnings of affiliates	(465)	(588)	(4,145)
Increase in asset and liabilities for retirement benefits	2,749	451	24,503
Increase in accrued employees' bonuses	120	216	1,070
(Decrease) increase in allowance for ETC mileage program	(193)	89	(1,720)
(Decrease) increase in allowance for doubtful accounts	(8)	255	(71)
Interest and dividend income	(17)	(76)	(152)
Interest expense	1,286	3,673	11,463
Gain on sales of fixed assets	(98)	(82)	(874)
Loss on disposal of fixed assets	2,408	1,979	21,464
(Increase) decrease in accounts receivable due from expressway business operations	(28,283)	10,981	(252,099)
(Increase) decrease in inventories	(157,658)	213,305	(1,405,277)
(Decrease) increase in accounts payable due to expressway business operations	(52,385)	42,184	(466,931)
(Decrease) increase in other accounts payable	(51,481)	6,833	(458,873)
Others	3,054	1,933	27,221
Subtotal	(252,482)	313,265	(2,250,486)
Interest and dividends received	40	88	357
Interest paid	(1,126)	(4,164)	(10,037)
Income taxes paid	(3,734)	(3,988)	(33,283)
Net cash (used in) provided by operating activities	(257,302)	305,201	(2,293,449)
Cash flows from investing activities:			
Increase in time deposits	(0)	(0)	(0)
Decrease in time deposits	270	100	2,407
Proceeds from sales and redemption of marketable securities	50	450	446
Payments for purchase of investments in securities	—	(195)	—
Proceeds from sales and redemption of investments in securities	31	200	276
Payments for purchase of fixed assets	(21,020)	(24,819)	(187,361)
Proceeds from sale of fixed assets	124	811	1,105
Others	132	59	1,177
Net cash used in investing activities	(20,413)	(23,394)	(181,950)
Cash flows from financing activities:			
Proceeds from long-term loans	34,163	34,014	304,510
Repayments of long-term loans (Note 17)	(100)	(61,075)	(891)
Proceeds from issuance of bonds for road construction	439,958	225,495	3,921,544
Redemption of bonds for road construction (Note 17)	(160,000)	(592,520)	(1,426,152)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(397)	(96)	(3,539)
Others	(630)	(570)	(5,616)
Net cash provided by (used in) financing activities	312,994	(394,752)	2,789,856
Effect of exchange rate changes on cash and cash equivalents	(1)	(0)	(9)
Net increase (decrease) in cash and cash equivalents	35,278	(112,945)	314,448
Cash and cash equivalents at beginning of the year	72,979	185,924	650,495
Cash and cash equivalents at end of the year (Note 17)	¥ 108,257	¥ 72,979	\$ 964,943

See notes to consolidated financial statements.

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements

March 31, 2017 and 2016

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.

The translation of Japanese yen amounts into U.S. dollars is included solely for the convenience of the reader and has been made at ¥112.19 = U.S. \$1.00, the approximate rate of exchange in effect on March 31, 2017. 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
its Consolidated Subsidiaries

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, 2017 and 2016. The Company has applied the equity method to its investments in 13 significant affiliates for the purpose of the consolidated financial statements for the years ended March 31, 2017 and 2016.

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) 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.

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

(d) 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.

(e) 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
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

(f) 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.

(g) 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.

(h) 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.

(i) 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)

(j) 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.

(k) 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.

(l) 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.

(m) 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)

(n) 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.

(o) 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.

(p) 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)

(q) Allowance for card shopping point program

The Company offers a cash rebate or gift program to customers based on the number of points that they accumulate. The allowance for card shopping point program is provided as an estimate of the total costs expected to be incurred subsequent to the balance sheet date based on the historical data on the utilization of points by customers.

(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 “Accounting Standards for Expressway Operations.”

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 (\$44,567 thousand) or more. Other construction contracts are accounted for by the completed-contract method.

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

(r) Recognition of revenues and costs (continued)

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).

2. Accounting Changes

Accounting Standards for Business Combinations and Consolidated Financial Statements

The Group adopted “Accounting Standard for Business Combinations” (ASBJ Statement No.21 revised on September 13, 2013), “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No.22 revised on September 13, 2013) and “Accounting Standard for Business Divestitures” (ASBJ Statement No.7 revised on September 13, 2013) effective from April 1, 2015.

With the application of the above standards, any differences resulting from changes in ownership interests in its subsidiaries are accounted for as changes in capital surplus as long as the parent company retains control over its subsidiaries and acquisition related costs are charged to expenses for the period in which the costs are incurred and the related services received. For business combinations occurring on or after April 1, 2015, if the initial accounting for the business combination has not been completed by the issuance of the consolidated financial statements subsequent to the businesses combination, provisional amounts are disclosed in the consolidated financial statements for any items for which the accounting is incomplete. Any adjustments to the provisional amounts based on new information or facts and circumstances are reflected to the provisional amounts as if the accounting for the business combination had been completed at the acquisition date. In addition, the presentation of the consolidated statements of income was changed and the reference to “minority interests” was changed to “non-controlling interests.”

“Accounting Standard for Business Combinations” and related guidance were applied in accordance with the transitional treatment specified in Section 58-2(4) of “Accounting Standard for Business Combinations,” Section 44-5(4) of “Accounting Standard for Consolidated Financial Statements,” and Section 57-4(4) of “Accounting Standard for Business Divestitures,” with prospective application of these accounting standards effective from April 1, 2015.

As a result, profit before income taxes decreased by ¥219 million and capital surplus increased by ¥219 million for the year ended and as of March 31, 2016.

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Accounting Changes (continued)

As a result, capital surplus in the consolidated statement of changes in net assets increased by ¥219 million as of March 31, 2016.

Cash flow related to the acquisition or sale of shares of a subsidiary by the Company, where such acquisition or sale would not result in a change in the scope of consolidation, is included in “Cash flows from financing activities.”

The effects on net assets and profit attributable to owner of parent per share as of and for the year ended March 31, 2016 were immaterial.

3. Supplemental Information

Implementation Guidance on Recoverability of Deferred Tax Assets

The Company and its domestic consolidated subsidiaries adopted “Revised Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No.26, March 28, 2016) from the beginning of the year ended March 31, 2017.

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

4. Securities

Held-to-maturity debt securities with fair value at March 31, 2017 and 2016 are as follows:

	Millions of yen					
	Held-to-maturity debt securities					
	2017			2016		
	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	¥ 314	¥ 13	¥ 350	¥ 369	¥ 19
Corporate bonds	50	51	1	50	52	2
Total	¥ 351	¥ 365	¥ 14	¥ 400	¥ 421	¥ 21

	<i>Thousands of U.S. dollars</i>		
	Held-to-maturity debt securities		
	2017		
	Carrying value	Fair value	Unrealized gain
Securities with fair value exceeding carrying value:			
National and local government bonds	\$ 2,683	\$ 2,799	\$ 116
Corporate bonds	446	455	9
Total	\$ 3,129	\$ 3,254	\$ 125

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

4. Securities (continued)

Other securities with available market value at March 31, 2017 and 2016 are as follows:

<i>Millions of yen</i>						
Other securities						
2017			2016			
Acquisition cost	Carrying value	Unrealized gain (loss)	Acquisition cost	Carrying value	Unrealized gain (loss)	
Securities with carrying value exceeding acquisition cost:						
Stocks	¥ 78	¥ 170	¥ 92	¥ 78	¥ 175	¥ 97
Securities with carrying value not exceeding acquisition cost:						
Stocks	38	32	(6)	38	23	(15)
Total	¥ 116	¥ 202	¥ 86	¥ 116	¥ 198	¥ 82

<i>Thousands of U.S. dollars</i>			
Other securities			
2017			
Acquisition cost	Carrying value	Unrealized gain (loss)	
Securities with carrying value exceeding acquisition cost:			
Stocks	\$ 695	\$ 1,515	\$ 820
Securities with carrying value not exceeding acquisition cost:			
Stocks	339	286	(53)
Total	\$ 1,034	\$ 1,801	\$ 767

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (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 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.

Because no quoted market price is available and it is extremely difficult to estimate the corresponding future cash flow, unlisted stocks of ¥42 million (\$374 thousand) and ¥116 million at March 31, 2017 and 2016 are not included in the above table.

Sales of securities classified as other securities and the aggregate loss for the year ended March 31, 2017 are summarized as follows:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	2017	2017
Sales proceeds:		
Stocks	¥ 31	\$ 276
	¥ 31	\$ 276
Aggregate loss:		
Stocks	¥ 41	\$ 365
	¥ 41	\$ 365

There were no sales of securities classified as other securities for the year ended March 31, 2016.

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

5. Inventories

Inventories at March 31, 2017 and 2016 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2017	2016	2017
Work in process for road construction	¥ 840,917	¥ 683,162	\$ 7,495,472
Merchandise and finished goods	502	273	4,474
Work in process	980	1,090	8,735
Raw materials and supplies	1,598	1,573	14,244
	¥ 843,997	¥ 686,098	\$ 7,522,925

6. Investments in Unconsolidated Subsidiaries and Affiliates

Investments in unconsolidated subsidiaries and affiliates included stock of jointly controlled companies of ¥3,034 million (\$27,043 thousand) and ¥1,939 million at March 31, 2017 and 2016, respectively.

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

7. 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, 2017 and 2016 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, 2016	Net change	March 31, 2017	March 31, 2017
Rental properties	¥ 5,372	¥ (28)	¥ 5,344	¥ 4,699

<i>Millions of yen</i>				
<i>Carrying value</i>			<i>Fair value</i>	
	April 1, 2015	Net change	March 31, 2016	March 31, 2016
Rental properties	¥ 6,209	¥ (837)	¥ 5,372	¥ 4,712

<i>Thousands of U.S. dollars</i>				
<i>Carrying value</i>			<i>Fair value</i>	
	April 1, 2016	Net change	March 31, 2017	March 31, 2017
Rental properties	\$ 47,883	\$ (250)	\$ 47,633	\$ 41,884

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, 2016 mainly represents the transfer of construction in progress from rental properties to real estate including certain portions used as investment property.

Net change in rental properties in the above table for the years ended March 31, 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
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

7. Rental Properties (continued)

The carrying value in the consolidated balance sheets as of March 31, 2017 and 2016 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>
	<u>April 1, 2016</u>	<u>Net change</u>	<u>March 31, 2017</u>	<u>March 31, 2017</u>
Real estate including certain portions used as investment property	¥ 135,160	¥ (1,106)	¥ 134,054	¥ 110,118

	<i>Millions of yen</i>			
	<i>Carrying value</i>			<i>Fair value</i>
	<u>April 1, 2015</u>	<u>Net change</u>	<u>March 31, 2016</u>	<u>March 31, 2016</u>
Real estate including certain portions used as investment property	¥ 133,379	¥ 1,781	¥ 135,160	¥ 112,497

	<i>Thousands of U.S. dollars</i>			
	<i>Carrying value</i>			<i>Fair value</i>
	<u>April 1, 2016</u>	<u>Net change</u>	<u>March 31, 2017</u>	<u>March 31, 2017</u>
Real estate including certain portions used as investment property	\$ 1,204,742	\$ (9,858)	\$ 1,194,884	\$ 981,531

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

Net changes in real estate including certain portions used as investment property for the years ended March 31, 2016 mainly represent the transfer of construction in progress from rental properties to real estate and the increase of the consolidated subsidiaries.

Net change in real estate including certain portions used as investment property for the years ended March 31, 2017 mainly represents the increase of the investment in the Makinohara Service Area (inbound) 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
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

7. Rental Properties (continued)

Operating revenues, operating expenses and net for those properties for the years ended March 31, 2017 and 2016 are as follows:

<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>Millions of yen</i>			
2016			
	Operating revenues	Operating expenses	Net
Rental properties	¥ 476	¥ 193	¥ 283
Real estate including certain portions used as investment property	24,216	12,435	11,781
<i>Thousands of U.S. dollars</i>			
2017			
	Operating revenues	Operating expenses	Net
Rental properties	\$ 4,287	\$ 1,809	\$ 2,478
Real estate including certain portions used as investment property	216,579	110,393	106,186

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 ¥4,524 million (\$40,324 thousand) and ¥4,813 million for the years ended March 31, 2017 and 2016, 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)

8. Long-Term Debt and Lease Obligations

Long-term debt at March 31, 2017 and 2016 consisted of the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2017	2016	2017
Bonds for road construction	¥ 816,817	¥ 535,721	\$ 7,280,658
Long-term loans for road construction at interest rates ranging from 0.200% to 0.451% due from 2017 to 2021	102,177	68,014	910,750
Other long-term loans at interest rates ranging from 0.650% to 0.890% due from 2017 to 2033	833	933	7,424
	919,827	604,668	8,198,832
Less current portion	(196)	(100)	(1,747)
	¥ 919,631	¥ 604,568	\$ 8,197,085

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, 2017 and 2016 are summarized as follows:

		Issue date	Maturity date	Interest rate (%)	Note	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
						2017	2016	2017
No.53	Bond of Central Nippon Expressway Company Limited	February 14, 2014	June 20, 2017	0.22	*	¥ —	¥ 30,000	\$ —
No.54	Bond of Central Nippon Expressway Company Limited	February 14, 2014	December 20, 2018	0.31	*	—	20,000	—
No.56	Bond of Central Nippon Expressway Company Limited	February 14, 2014	December 20, 2023	0.76	*	—	10,000	—
No.57	Bond of Central Nippon Expressway Company Limited	May 30, 2014	March 20, 2019	0.29	*	—	100,000	—
No.2	U.S. Bond of Central Nippon Expressway Company Limited	August 5, 2014	August 5, 2019	2.17		50,840	50,840	453,160
No.3	U.S. Bond of Central Nippon Expressway Company Limited	November 5, 2014	November 5, 2019	2.08		53,825	53,825	479,766
No.58	Bond of Central Nippon Expressway Company Limited	February 19, 2015	December 20, 2019	0.18		25,000	25,000	222,836
No.59	Bond of Central Nippon Expressway Company Limited	February 19, 2015	December 20, 2021	0.31		10,000	10,000	89,135
No.60	Bond of Central Nippon Expressway Company Limited	February 19, 2015	December 20, 2024	0.54		10,000	10,000	89,135
No.61	Bond of Central Nippon Expressway Company Limited	June 2, 2015	June 2, 2020	0.26		60,000	60,000	534,807
No.4	U.S. Bond of Central Nippon Expressway Company Limited (fixed rate)	September 17, 2015	September 17, 2020	2.38		34,414	34,414	306,748

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

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

Bonds for road construction as of March 31, 2017 and 2016 are summarized as follows (continued):

		Issue date	Maturity date	Interest rate (%)	Note	Millions of yen		Thousands of U.S. dollars
						2017	2016	2017
No.4	U.S. Bond of Central Nippon Expressway Company Limited (variable rate)	September 17, 2015	September 17, 2020	1.92	**	¥ 13,886	¥ 13,886	\$ 123,772
No.62	Bond of Central Nippon Expressway Company Limited	November 13, 2015	September 18, 2020	0.23		50,000	50,000	445,672
No.63	Bond of Central Nippon Expressway Company Limited	November 13, 2015	November 13, 2025	0.58		20,000	20,000	178,269
No.5	U.S. Bond of Central Nippon Expressway Company Limited (fixed rate)	February 16, 2016	February 16, 2021	2.24		29,848	29,848	266,049
No.5	U.S. Bond of Central Nippon Expressway Company Limited (variable rate)	February 16, 2016	February 16, 2021	2.01	**	17,908	17,908	159,622
No.6	U.S. Bond of Central Nippon Expressway Company Limited (fixed rate)	April 25, 2016	April 23, 2021	2.29		38,280	—	341,207
No.6	U.S. Bond of Central Nippon Expressway Company Limited (variable rate)	April 25, 2016	April 23, 2021	2.11	**	27,342	—	243,711
No.7	U.S. Bond of Central Nippon Expressway Company Limited (fixed rate)	May 31, 2016	May 28, 2021	2.36		54,880	—	489,170
No.7	U.S. Bond of Central Nippon Expressway Company Limited (variable rate)	May 31, 2016	May 28, 2021	2.05	**	16,464	—	146,751
No.1	AUD Bond of Central Nippon Expressway Company Limited	May 31, 2016	May 28, 2026	3.37		7,872	—	70,167
No.64	Bond of Central Nippon Expressway Company Limited	May 31, 2016	May 31, 2021	0.06		9,800	—	87,351
No.65	Bond of Central Nippon Expressway Company Limited	July 14, 2016	July 14, 2021	0.03		60,000	—	534,807
No.8	U.S. Bond of Central Nippon Expressway Company Limited (fixed rate)	September 14, 2016	September 14, 2021	2.09		41,480	—	369,730
No.8	U.S. Bond of Central Nippon Expressway Company Limited (variable rate)	September 14, 2016	September 14, 2021	1.97	**	20,740	—	184,865
No.66	Bond of Central Nippon Expressway Company Limited	September 28, 2016	September 28, 2021	0.03		34,000	—	303,057
No.67	Bond of Central Nippon Expressway Company Limited	November 30, 2016	September 17, 2021	0.03		50,000	—	445,673
No.9	U.S. Bond of Central Nippon Expressway Company Limited (fixed rate)	March 3, 2017	March 3, 2022	2.85		28,290	—	252,162
No.9	U.S. Bond of Central Nippon Expressway Company Limited (variable rate)	March 3, 2017	March 3, 2022	1.90	**	33,948	—	302,594
No.68	Bond of Central Nippon Expressway Company Limited	March 3, 2017	December 20, 2021	0.07		18,000	—	160,442
Total						¥ 816,817	¥ 535,721	\$ 7,280,658

* 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, 2017.

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

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

The aggregate annual maturities of long-term debt subsequent to March 31, 2017 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
2018	¥ –	¥ 95	¥ 101
2019	–	35,025	726
2020	129,665	33,000	0
2021	206,056	34,057	0
2022 and thereafter	481,096	–	6
	¥ 816,817	¥ 102,177	¥ 833

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
2018	\$ –	\$ 847	\$ 900
2019	–	312,194	6,471
2020	1,155,763	294,144	0
2021	1,836,670	303,565	0
2022 and thereafter	4,288,225	–	53
	\$ 7,280,658	\$ 910,750	\$ 7,424

The aggregate annual maturities of lease obligations subsequent to March 31, 2017 are summarized as follows:

Years ending March 31,	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	Lease obligations	
2018	¥ 662	\$ 5,901
2019	458	4,082
2020	302	2,692
2021	215	1,916
2022 and thereafter	473	4,217
	¥ 2,110	\$ 18,808

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

9. Pledged Assets

At March 31, 2017 and 2016, 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>
	2017	2016	2017
Bonds for road construction			
Carrying value	¥ 816,817	¥ 535,721	¥ 7,280,658
Face value	816,817	535,721	7,280,658

In addition, at March 31, 2017 and 2016, the total assets of the Company were also pledged as collateral for bonds in the amounts of ¥1,357,520 million (\$12,100,187 thousand) and ¥1,392,520 million at March 31, 2017 and 2016, respectively, assumed by JEHDRA pursuant to Article 15 of the JEHDRA Act.

At March 31, 2017 and 2016, 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>
	2017	2016	2017
Cash and deposits	¥ 3	¥ 3	\$ 27
Investments and other assets-others	70	250	624

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

10. Income Taxes

The Company and its domestic subsidiaries are subject to several taxes based on income which, in the aggregate, resulted in statutory tax rates of approximately 30.6% and 32.8% for the years ended March 31, 2017 and 2016, respectively.

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

	2017
Statutory tax rate	30.6%
Adjustments:	
Valuation allowance	(77.6)
Gain on negative goodwill	(0.6)
Amortization of negative goodwill	(1.4)
Equity in earnings of affiliates	(1.9)
Inhabitants' per capita taxes	1.6
Other	0.8
Effective tax rate	(48.5)

A reconciliation of the statutory tax rate and the effective tax rate for the year ended March 31, 2016 was omitted as the difference was less than 5% of statutory tax rate.

The significant components of the Group's deferred tax assets and liabilities at March 31, 2017 and 2016 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2017	2016	2017
Deferred tax assets:			
Allowance for doubtful accounts	¥ 161	¥ 162	\$ 1,435
Accrued employees' bonuses	1,081	1,036	9,635
Liabilities for retirement benefits	27,566	28,216	245,708
Allowance for ETC mileage program	2,552	2,604	22,747
Other	5,883	5,561	52,439
Gross deferred tax assets	37,243	37,579	331,964
Less valuation allowance	(24,144)	(31,603)	(215,207)
Total deferred tax assets	13,099	5,976	116,757
Deferred tax liabilities:			
Other	(365)	(376)	(3,254)
Total deferred tax liabilities	(365)	(376)	(3,254)
Net deferred tax assets	¥ 12,734	¥ 5,600	\$ 113,503

Central Nippon Expressway Company Limited and its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

10. Income Taxes (continued)

The “Act to Partial Revision of the Income Tax Act.” (Act No.15 of 2016) and the “Act to Partial Revision of Local Tax Act etc.” (Act No. 13 of 2016) were enacted during the Japanese Diet session on March 29, 2016. Accordingly, from the year ended March 31, 2016, the statutory tax rates used for calculating deferred tax assets and liabilities were reduced from 32.0% used in the previous fiscal year to 30.6% for temporary differences which are expected to be realized during the period from April 1, 2016 to March 31, 2018 and to 30.4% for these which are expected to be realized on or after April 1, 2018. The effect of the announced reduction of the effective statutory tax rate was to decrease deferred tax assets after offsetting deferred tax liabilities by ¥124 million, increase income taxes-deferred by ¥100 million, increase unrealized holding gain on securities by ¥1 million and decrease the retirement benefits liability adjustments in accumulated other comprehensive income by ¥24 million as of and for the year ended March 31, 2016.

11. 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 April 1, 2016, the Company obtained approval from the Minister of Health, Labour and Welfare of Japan with respect to its application for an exemption from the obligation for benefits related to future employee services under the substitutional portion of the WPFP.

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

11. Retirement Benefits (continued)

2. Defined benefit plans

The changes in retirement benefit obligation for the years ended March 31, 2017 and 2016 are as follows (excluding defined benefit plans based on the simplified method):

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2017	2016	2017
Beginning balance of retirement benefit obligation	¥ 130,195	¥ 108,004	\$ 1,160,487
Service cost	3,836	3,936	34,192
Interest cost	527	1,627	4,697
Actuarial loss	694	20,749	6,186
Prior service cost	(3,198)	127	(28,505)
Benefit paid	(4,534)	(4,248)	(40,414)
Ending balance of retirement benefit obligation	¥ 127,520	¥ 130,195	\$ 1,136,643

The changes in plan assets at fair value for the years ended March 31, 2017 and 2016 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>
	2017	2016	2017
Beginning balance of plan assets at fair value	¥ 40,359	¥ 40,186	\$ 359,738
Expected return on plan assets	602	1,590	5,366
Actuarial loss	(395)	(1,911)	(3,521)
Contributions by the employers	1,915	2,132	17,069
Benefit paid	(2,291)	(2,081)	(20,421)
Other	158	443	1,409
Ending balance of plan assets at fair value	¥ 40,348	¥ 40,359	\$ 359,640

The changes in liabilities for retirement benefit under the simplified method for the years ended March 31, 2017 and 2016 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2017	2016	2017
Beginning balance of liabilities for retirement benefit	¥ 1,102	¥ 948	\$ 9,823
Service cost	292	365	2,603
Payment for the plan	(74)	(72)	(660)
Benefit paid	(99)	(139)	(883)
Ending balance of liabilities for retirement benefit	¥ 1,221	¥ 1,102	\$ 10,883

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

11. 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, 2017 and 2016 for the Company's and the consolidated subsidiaries' defined benefit plans:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2017	2016	2017
Funded retirement benefit obligation	¥ 98,124	¥100,697	\$ 874,623
Plan assets at fair value	(41,157)	(41,175)	(366,851)
	56,967	59,522	507,772
Unfunded retirement benefit obligation	31,426	31,416	280,114
Net amounts of liabilities and assets recognized in consolidated balance sheets	88,393	90,938	787,886
Liabilities for retirement benefits	88,652	91,204	790,195
Asset for retirement benefits	(259)	(266)	(2,309)
Net amounts of liabilities recognized in consolidated balance sheets	¥ 88,393	¥ 90,938	\$ 787,886

The components of retirement benefit expenses for the years ended March 31, 2017 and 2016 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2017	2016	2017
Service cost	¥ 3,678	¥ 3,493	\$ 32,784
Interest cost	527	1,627	4,697
Expected return on plan assets	(602)	(1,590)	(5,366)
Amortization:			
Actuarial gain or loss	3,506	1,076	31,251
Prior service cost	(321)	(10)	(2,861)
Retirement benefit expenses under the simplified method	292	365	2,603
Other	(112)	(138)	(999)
Retirement benefit expenses	¥ 6,968	¥ 4,823	\$ 62,109

The components of retirement benefits liability adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2017 and 2016 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2017	2016	2017
Prior service cost	¥ (2,876)	¥ 137	\$ (25,635)
Actuarial gain or loss	(2,417)	21,584	(21,544)
Total	¥ (5,293)	¥ 21,721	\$ (47,179)

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

11. 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, 2017 and 2016 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2017	2016	2017
Unrecognized prior service cost	¥ (2,806)	¥ 70	\$ (25,011)
Unrecognized actuarial loss	24,258	26,675	216,222
Total	¥ 21,452	¥ 26,745	\$ 191,211

The fair value of plans assets, by major category, as a percentage of total assets as of March 31, 2017 and 2016 are as follows:

	2017	2016
Bonds	12.5%	27.7%
Stocks	11.5	13.9
Cash and deposits	0.2	0.2
General accounts at life insurance companies	10.1	13.0
Short-term financial assets	59.2	34.1
Other	6.5	11.1
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, 2017 and 2016 are as follows:

	2017	2016
Discount rates	(0.1)-1.0%	(0.1)-1.3%
Expected long-term rates of return on plan assets	1.0-3.0%	0.8-5.8%
Rates of salary increase	0.0-6.0%	0.0-6.0%

3. Defined contribution plans

The required contributions to defined contribution plans including the multi-employer welfare pension plans were ¥135 million (\$1,203 thousand) and ¥177 million for the years ended March 31, 2017 and 2016, respectively.

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

11. 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 ending March 31, 2018 was ¥13,545 million (\$120,733 thousand) 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), assuming that the transfer to the Japanese government of the substitutional portion of the benefit obligation and related pension plan assets had been completed as of March 31, 2017, gain on return of the substitutional portion of the WFPF would have been ¥22,244 million (\$198,271 thousand) for the fiscal year ended March 31, 2017.

12. Contingent Liabilities

At March 31, 2017 and 2016, the Company provides the following debt guarantees:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2017	2016	2017
JEHDRA	¥ 661,000	¥ 661,000	\$ 5,891,791
E-NEXCO	5	6	44
W-NEXCO	10	12	89
	¥ 661,015	¥ 661,018	\$ 5,891,924

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)

12. 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, reconstruction, repairs, maintenance and disaster recovery as follows:

At March 31, 2017 and 2016, 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>
	2017	2016	2017
JEHDRA	¥ 1,389,570	¥ 1,454,570	\$ 12,385,863

As a consequence of these transfers addressed above, bonds for road construction decreased by ¥160,000 million (face value) (\$1,426,152 thousand) for the year ended March 31, 2017.

13. 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.

14. 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 ¥1,106 million (\$9,858 thousand) and ¥973 million for the years ended March 31, 2017 and 2016, respectively.

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

15. Leases

Future minimum lease payments subsequent to March 31, 2017 under non-cancellable operating leases related to road assets are summarized as follows:

<u>Years ending March 31,</u>	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
2018	¥ 433,932	\$ 3,867,831
2019 and thereafter	17,034,248	151,833,925
	<u>¥ 17,468,180</u>	<u>\$ 155,701,756</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.

Future minimum lease payments subsequent to March 31, 2017 under non-cancellable operating leases other than road assets are summarized as follows:

<u>Years ending March 31,</u>	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
2018	¥ 387	\$ 3,450
2019 and thereafter	899	8,013
	<u>¥ 1,286</u>	<u>\$ 11,463</u>

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

16. Amounts per Share

Per share amounts as of and for the years ended March 31, 2017 and 2016 are as follows:

	<i>Yen</i>		<i>U.S. dollars</i>
	2017	2016	2017
Profit attributable to owner of parent:			
Basic	¥ 86.34	¥ 60.86	\$ 0.77
Net assets	1,579.85	1,450.92	14.08

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, 2017 and 2016.

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, 2017 and 2016 is summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2017	2016	2017
Profit attributable to owner of parent	¥ 11,225	¥ 7,912	\$ 100,053
Adjusted profit attributable to owner of parent	¥ 11,225	¥ 7,912	\$ 100,053
	<i>Thousands of shares</i>		
	2017	2016	
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, 2017 and 2016 is summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2017	2016	2017
Total net assets	¥ 206,772	¥ 190,685	\$ 1,843,052
Deduction from total net assets:			
Non-controlling interests	1,392	2,065	12,408
Total net assets available to common stockholders	¥ 205,380	¥ 188,620	\$ 1,830,644
	<i>Thousands of shares</i>		
	2017	2016	
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)

17. Supplemental Information on Consolidated Statements of Cash Flows

Reconciliations of cash and deposits in the consolidated balance sheets at March 31, 2017 and 2016 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,		
	2017	2016	2017
Cash and deposits	¥ 108,452	¥ 73,444	\$ 966,682
Deposits over three months	(195)	(465)	(1,739)
Cash and cash equivalents	¥ 108,257	¥ 72,979	\$ 964,943

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, 2017 and 2016, expressway assets constructed by the Company in the amounts of ¥175,707 million (\$1,566,156 thousand) and ¥591,392 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 ¥60,000 million for the year ended March 31, 2016, and bonds for road construction of ¥160,000 million (\$1,426,152 thousand) and ¥592,520 million for the years ended March 31, 2017 and 2016, 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, 2017 and 2016.

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

18. 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)

18. 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
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

18. Financial Instruments and Related Disclosures (continued)

Fair value of financial instruments

The carrying value of financial instruments on the accompanying consolidated balance sheets as of March 31, 2017 and 2016 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>						
	2017			2016		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Assets:						
Cash and deposits	¥ 108,452	¥ 108,452	¥ –	¥ 73,444	¥ 73,444	¥ –
Accounts receivable due from expressway business operations	103,780	103,780	–	72,387	72,387	–
Other accounts receivable	33,205	33,205	–	9,777	9,777	–
Marketable securities and investments in securities:						
Held-to-maturity debt securities	351	365	14	400	421	21
Other securities	202	202	–	198	198	–
Total assets	<u>245,990</u>	<u>246,004</u>	<u>14</u>	<u>156,206</u>	<u>156,227</u>	<u>21</u>
Liabilities:						
Accounts payable due to expressway business operations	106,813	106,813	–	158,268	158,268	–
Other accounts payable	28,107	28,107	–	48,022	48,022	–
Income and other taxes payable	3,750	3,750	–	2,941	2,941	–
Bonds for road construction (*)	816,817	819,285	2,468	535,721	541,522	5,801
Long-term loans for road construction (*)	102,177	102,094	(83)	68,014	68,105	91
Other long-term loans (*)	833	833	–	933	933	–
Total liabilities	<u>¥1,058,497</u>	<u>¥1,060,882</u>	<u>¥ 2,385</u>	<u>¥ 813,899</u>	<u>¥ 819,791</u>	<u>¥ 5,892</u>

* Including the current portion of long-term debt.

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

18. Financial Instruments and Related Disclosures (continued)

Fair value of financial instruments (continued)

<i>Thousands of U.S. dollars</i>			
2017			
	Carrying value	Fair value	Difference
Assets:			
Cash and deposits	\$ 966,682	\$ 966,682	\$ —
Accounts receivable due from expressway business operations	925,038	925,038	—
Other accounts receivable	295,971	295,971	—
Marketable securities and investments in securities:			
Held-to-maturity debt securities	3,129	3,254	125
Other securities	1,801	1,801	—
Total assets	<u>\$ 2,192,621</u>	<u>\$ 2,192,746</u>	<u>\$ 125</u>
Liabilities:			
Accounts payable due to expressway business operations	\$ 952,072	\$ 952,072	\$—
Other accounts payable	250,530	250,530	—
Income and other taxes payable	33,425	33,425	—
Bonds for road construction (*)	7,280,658	7,302,656	21,998
Long-term loans for road construction (*)	910,750	910,010	(740)
Other long-term loans (*)	7,424	7,424	—
Total liabilities	<u>\$ 9,434,859</u>	<u>\$ 9,456,117</u>	<u>\$ 21,258</u>

* Including the current portion of long-term debt.

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

18. 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 19 “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)

18. Financial Instruments and Related Disclosures (continued)

Financial instruments for which it is extremely difficult to determine the fair value as of March 31, 2017 and 2016 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2017	2016	2017
Unlisted stocks:			
Investments in unconsolidated subsidiaries and affiliates	¥ 5,222	¥ 4,848	\$ 46,546
Other securities	42	116	374

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, 2017 are as follows:

	<i>Millions of yen</i>			
	2017			
	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	¥ 108,452	¥ –	¥ –	¥ –
Accounts receivable due from expressway business operations	103,780	–	–	–
Other accounts receivable	33,205	–	–	–
Investments in securities:				
Held-to-maturity debt securities	–	250	100	–
Total	¥ 245,437	¥ 250	¥ 100	¥ –

	<i>Thousands of U.S. dollars</i>			
	2017			
	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	\$ 966,682	\$ –	\$ –	\$ –
Accounts receivable due from expressway business operations	925,038	–	–	–
Other accounts receivable	295,971	–	–	–
Investments in securities:				
Held-to-maturity debt securities	–	2,228	891	–
Total	\$ 2,187,691	\$ 2,228	\$ 891	\$ –

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

19. 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, 2017 and 2016 were as follows:

Hedge accounting method	Hedging instrument	Main hedged item	<i>Millions of yen</i>		
			2017		
			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			<u>¥ 470,017</u>	<u>¥ 470,017</u>	
Hedge accounting method	Hedging instrument	Main hedged item	<i>Millions of yen</i>		
			2016		
			Contract amount	Contract amount over one year	Fair value
Allocation method for currency swaps	Currency swap	Bonds for road construction	¥ 168,926	¥ 168,926	*1
Integrated treatment of interest rate and currency swaps (special treatment, allocation method)	Currency swap including interest-rate swaps	Bonds for road construction	31,795	31,795	*2
Total			<u>¥ 200,721</u>	<u>¥ 200,721</u>	

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

19. Derivative Financial Instruments and Hedging Activities (continued)

Hedge accounting method	Hedging instrument	Main hedged item	<i>Thousands of U.S. dollars</i>		
			2017		
			Contract amount	Contract amount over one year	Fair value
Allocation method for currency swaps	Currency swap	Bonds for road construction	\$ 3,028,149	\$ 3,028,149	*1
Integrated treatment of interest rate and currency swaps (special treatment, allocation method)	Currency swap including interest-rate swaps	Bonds for road construction	1,161,325	1,161,325	*2
Total			<u>\$ 4,189,474</u>	<u>\$ 4,189,474</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 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)

20. 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 presented in segment information is calculated based on operating income 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
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Notes to Consolidated Financial Statements (continued)

20. 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, 2017 and 2016 is outlined as follows:

<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
<i>Millions of yen</i>						
2016						
	Reportable segments			Total	Adjustments	Consolidated
	Expressway business	Rest area business	Other related business			
Sales to third parties	¥ 1,249,741	¥ 31,670	¥ 18,941	¥1,300,352	¥ —	¥ 1,300,352
Intersegment sales and transfers	22	6	2	30	(30)	—
Net sales	1,249,763	31,676	18,943	1,300,382	(30)	1,300,352
Segment income	¥ 3,303	¥ 5,352	¥ 630	¥ 9,285	¥ 13	¥ 9,298
Segment assets	¥ 874,740	¥177,044	¥19,931	¥1,071,715	¥ 84,870	¥ 1,156,585
Segment liabilities	603,735	—	925	604,660	361,240	965,900
Other items:						
Depreciation and amortization	16,876	3,228	308	20,412	—	20,412
Investments in affiliates	3,920	—	824	4,744	—	4,744
Increase in property and equipment and intangible fixed assets	19,612	3,996	485	24,093	2,938	27,031

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

20. Segment Information (continued)

<i>Thousands of U.S. dollars</i>						
2017						
	Reportable segments			Total	Adjustments	Consolidated
	Expressway business	Rest area business	Other related business			
Sales to third parties	\$ 7,500,062	\$ 283,528	\$ 306,222	\$ 8,089,812	\$ —	\$ 8,089,812
Intersegment sales and transfers	205	196	45	446	(446)	—
Net sales	7,500,267	283,724	306,267	8,090,258	(446)	8,089,812
Segment income (loss)	\$ 12,800	\$ 45,102	\$ (989)	\$ 56,913	\$ 71	\$ 56,984
Segment assets	\$ 9,750,414	\$ 1,567,689	\$ 146,974	\$ 11,465,077	\$ 1,177,324	\$ 12,642,401
Segment liabilities	8,191,407	—	7,354	8,198,761	2,600,588	10,799,349
Other items:						
Depreciation and amortization	154,336	28,987	2,647	185,970	—	185,970
Investments in affiliates	38,363	—	7,247	45,610	—	45,610
Increase in property and equipment and intangible fixed assets	167,938	19,155	205	187,298	19,200	206,498

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

20. Segment Information (continued)

Adjustments in the above tables:

The adjustments of segment income in the amounts of ¥8 million (\$71 thousand) and ¥13 million for the years ended March 31, 2017 and 2016, respectively, are eliminations of intersegment transactions.

The adjustments of segment assets in the amounts of ¥132,084 million (\$1,177,324 thousand) and ¥84,870 million at March 31, 2017 and 2016, respectively, include corporate assets not allocated to reportable segments, mainly consisting of surplus funds held by the Company (deposits and marketable securities) and assets related common departments in the Company.

The adjustments of segment liabilities in the amounts of ¥291,760 million (\$2,600,588 thousand) and ¥361,240 million at March 31, 2017 and 2016, 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 ¥2,154 million (\$19,200 thousand) and ¥2,938 million for the years ended March 31, 2017 and 2016, 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, 2017 and 2016 is analyzed as follows:

<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>Millions of yen</i>				
2016				
	Toll fee	Completion of road assets	Other	Total
Sales to third parties	¥ 657,552	¥ 591,392	¥ 51,408	¥ 1,300,352
<i>Thousands of U.S. dollars</i>				
2017				
	Toll fee	Completion of road assets	Other	Total
Sales to third parties	\$ 5,927,222	\$ 1,566,156	\$ 596,434	\$ 8,089,812

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

20. Segment Information (continued)

As more than 90% of the consolidated net sales for the years ended March 31, 2017 and 2016 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 are located in Japan, the disclosure of information on property and equipment by country or geographic region as of March 31, 2017 and 2016 has been omitted.

Sales to JEHDRA amounted to ¥175,728 million (\$1,566,343 thousand) and ¥591,499 million by the expressway business segment for the years ended March 31, 2017 and 2016, respectively.

Amortization and the remaining balance of negative goodwill arising from business combinations before April 1, 2010 amounted to ¥342 million (\$3,048 thousand) and ¥342 million, and ¥3,844 million (\$34,263 thousand) and ¥4,186 million in “Adjustments” for the years ended and as of March 31, 2017 and 2016, respectively.

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Notes to Consolidated Financial Statements (continued)

21. Related Party Transactions

Principal transactions between the Company and JEHDRA for the years ended March 31, 2017 and 2016 are summarized as follows:

2017						
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)	¥ 479,422	\$ 4,273,304	Accounts payable due to expressway business operations	¥ 71,270	\$ 635,262
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	1,566,156	Accounts receivable due from expressway business operations	43,295	385,908
	Transfer of liabilities and guarantee of debts (*2)	160,000	1,426,152	—	—	—
Jointly and severally liable for debts	Guarantee of debts (*3)	661,000	5,891,791	—	—	—
	Guarantee of debts (*4)	1,229,570	10,959,711	—	—	—
2016						
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)	¥ 479,507	Accounts payable due to expressway business operations	¥ 100,403		
Transfer of road assets and loans and jointly and severally liable debts	Revenues from the transfer of road assets constructed by the Company (*1)	591,392	Account receivable due from expressway business operations	13,950		
	Transfer of liabilities and guarantee of debts (*2)	652,520	—	—		
Jointly and severally liable for debts	Guarantee of debts (*3)	661,000	—	—		
	Guarantee of debts (*4)	802,050	—	—		

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

21. 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, 2017 and 2016 amounted to ¥5,571,387 million (\$49,660,282 thousand) and ¥5,534,089 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
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Notes to Consolidated Financial Statements (continued)

22. Other Comprehensive Income (Loss)

The following table presents an analysis of components of other comprehensive income (loss) for the years ended March 31, 2017 and 2016.

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2017	2016	2017
Net unrealized holding gain on securities:			
Amount arising during the year	¥ 4	¥ 7	\$ 36
Reclassification adjustments for gain and loss included in profit (loss)	—	(0)	—
Amount before tax effect	4	7	36
Tax effect	(2)	(2)	(18)
Net unrealized holding gain on securities	2	5	18
Retirement benefits liability adjustments			
Amount arising during the year	1,799	(22,770)	16,035
Reclassification adjustments for gain and loss included in profit (loss)	3,494	1,049	31,144
Amount before tax effect	5,293	(21,721)	47,179
Tax effect	(68)	748	(606)
Retirement benefits liability adjustments	5,225	(20,973)	46,573
Share of other comprehensive loss of affiliates accounted for by the equity method:			
Amount arising during the year	(68)	(392)	(607)
Total other comprehensive income (loss)	¥ 5,159	¥ (21,360)	\$ 45,984

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

23. 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:

	Total amount issued	Interest rate	Issue price	Issuance date	Redemption date
Bond of Central Nippon Expressway Company Limited No.69	¥99,000 million (\$882,432 thousand)	0.070% per annum	100% of face value	May 31, 2017	March 18, 2022

The following special provisions were attached to the bonds.

In case that JEHDRA assumes the obligation related to the bonds pursuant to the JEHDRA Act, JEHDRA is jointly and severally liable with the Company for the corresponding obligation.

When the obligation outlined above is assumed by JEHDRA, total assets of JEHDRA shall be additionally pledged as collateral for bond holders.

The order of statutory lien by bond holders is equivalent to that of holders of bonds of the Japan Expressway Holding and Debt Repayment Agency.

(2) 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 WFPF. Based upon the approval, assuming the Company will apply paragraph 46 of the "Revised Implementation Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No.25, March 26, 2015), the corresponding gain expected to be recognized in the fiscal year ending March 31, 2018 will be ¥22,372 million (\$199,412 thousand).

(3) Acquisition of FCC Infrastructure Investment Joint Stock Company

On June 4, 2017, the Company and Japan Expressway International Company Limited, the Company's affiliate, agreed with FECON Corporation to acquire 5.6 million shares of FCC Infrastructure Investment Joint Stock Company at a cost of VND 84 billion. As a result, FCC Infrastructure Investment Joint Stock Company will become an equity method affiliate of the Company following approval by the Vietnamese government.

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

23. Subsequent Events (continued)

(3) Acquisition of FCC Infrastructure Investment Joint Stock Company (continued)

The voting rights to be acquired equal 20.0% including 14.0% indirect ownership interests.

FCC Infrastructure Investment Joint Stock Company, whose capital stock is VND 280 billion has been engaged in constructing, maintaining and operating toll roads in Vietnam. The purpose of this acquisition is to ensure the development of toll road businesses in Vietnam.

Central Nippon Expressway Company Limited and its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

24. 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 Company Limited	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-NEXCO Auto Service Co., Ltd.	100.0	Japan	Consolidated subsidiary
Central Nippon Road Maintenance Kanazawa Co., Ltd.	80.6	Japan	Consolidated subsidiary
Central Nippon Road Maintenance Chubu Co., Ltd.	91.2	Japan	Consolidated subsidiary
Hakone Turnpike Limited	100.0	Japan	Consolidated subsidiary
NEXCO Central Nippon Development Co., Ltd.	100.0	Japan	Consolidated subsidiary

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

24. Significant Subsidiaries and Affiliates (continued)

Name	Ownership interest	Country of incorporation	Subsidiaries / affiliates
Hokuriku Expressway Terminal Co., Ltd.	27.7%	Japan	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 Company Limited	28.7	Japan	Equity-method affiliate
Central Nippon Facilities Management Company Limited	20.0	Japan	Equity-method affiliate
Nihon Road Maintenance Co., Ltd.	15.0	Japan	Equity-method affiliate
Tokyo Highway Co., Ltd.	15.0	Japan	Equity-method affiliate
NHS Nagoya Co., Ltd.	33.5	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

Weiza Co., Ltd., Ushiyama Clean Service Co., Ltd. and Shoei Co., Ltd. have neither been accounted for by the equity method nor included in the scope of consolidation since these companies are not significant in terms of profit attributable to the Company or loss, and retained earnings and are not material as a whole.