

Consolidated Financial Statements

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

*Years ended March 31, 2015 and 2014
with Independent Auditor's Report*

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Consolidated Financial Statements

Years ended March 31, 2015 and 2014

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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, 2015 and 2014, 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, 2015 and 2014, 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 19, 2015
Nagoya, Japan

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Consolidated Balance Sheets

March 31, 2015 and 2014

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1(a))</i>
	2015	2014	2015
Assets			
Current assets:			
Cash and deposits (<i>Notes 9, 17 and 18</i>)	¥ 86,489	¥ 74,384	\$ 719,722
Accounts receivable due from expressway business operations (<i>Notes 18 and 21</i>)	86,224	51,070	717,517
Other accounts receivable (<i>Note 18</i>)	7,664	50,155	63,776
Marketable securities (<i>Notes 4, 17 and 18</i>)	100,450	40,000	835,899
Inventories (<i>Note 5</i>)	899,634	878,431	7,486,344
Deferred income taxes (<i>Note 10</i>)	2,599	2,345	21,628
Other current assets (<i>Note 18</i>)	15,881	12,819	132,155
Allowance for doubtful accounts	(15)	(21)	(125)
Total current assets	<u>1,198,926</u>	<u>1,109,183</u>	<u>9,976,916</u>
Property and equipment (<i>Notes 7, 15 and 20</i>):			
Buildings	61,101	58,520	508,455
Structures	56,445	53,147	469,710
Machinery and equipment	99,603	95,004	828,851
Vehicles	20,788	18,212	172,988
Tools, furniture and fixtures	13,437	12,731	111,817
Land	120,424	119,717	1,002,114
Leased assets	2,387	1,778	19,864
Construction in progress	4,543	4,018	37,805
Less accumulated depreciation	(119,016)	(103,245)	(990,399)
Total property and equipment	<u>259,712</u>	<u>259,882</u>	<u>2,161,205</u>
Investments and other assets:			
Investments in unconsolidated subsidiaries and affiliates (<i>Notes 6, 18 and 20</i>)	4,470	3,856	37,197
Investments in securities (<i>Notes 4 and 18</i>)	912	1,065	7,589
Intangible fixed assets (<i>Note 20</i>)	7,761	8,659	64,584
Deferred income taxes (<i>Note 10</i>)	2,546	2,544	21,187
Asset for retirement benefits (<i>Note 11</i>)	271	134	2,255
Others (<i>Note 9</i>)	4,771	5,325	39,702
Allowance for doubtful accounts	(255)	(298)	(2,122)
Total investments and other assets	<u>20,476</u>	<u>21,285</u>	<u>170,392</u>
Deferred assets:			
Bond issuance expenses for road construction	1,531	1,533	12,740
Total assets (<i>Notes 9, 12, 20 and 21</i>)	<u><u>¥ 1,480,645</u></u>	<u><u>¥ 1,391,883</u></u>	<u><u>\$ 12,321,253</u></u>

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1(a))</i>
	2015	2014	2015
Liabilities			
Current liabilities:			
Accounts payable due to expressway business operations (<i>Notes 18 and 21</i>)	¥ 120,216	¥ 83,599	\$ 1,000,383
Current portion of long-term debt (<i>Notes 8, 9, 18 and 21</i>)	41,000	51,325	341,183
Current portion of lease obligations (<i>Note 8</i>)	459	309	3,820
Other accounts payable (<i>Note 18</i>)	31,080	19,561	258,634
Income and other taxes payable (<i>Notes 10 and 18</i>)	3,289	1,861	27,370
Accrued employees' bonuses	2,933	2,829	24,407
Allowance for losses due to forged expressway cards	39	57	325
Other current liabilities	16,243	14,788	135,165
Total current liabilities (<i>Note 20</i>)	<u>215,259</u>	<u>174,329</u>	<u>1,791,287</u>
Long-term liabilities:			
Long-term debt (<i>Notes 8, 9, 18 and 21</i>)	957,193	917,541	7,965,324
Lease obligations (<i>Note 8</i>)	1,307	664	10,876
Deferred income taxes (<i>Note 10</i>)	313	64	2,605
Liability for retirement benefits (<i>Note 11</i>)	69,038	70,273	574,503
Accrued retirement benefits for directors, corporate auditors and corporate officers	195	232	1,623
Allowance for ETC mileage program	8,481	7,307	70,575
Allowance for card shopping point program	28	25	233
Others	24,705	22,807	205,583
Total long-term liabilities (<i>Note 20</i>)	<u>1,061,260</u>	<u>1,018,913</u>	<u>8,831,322</u>
Contingent liabilities (<i>Notes 12 and 21</i>)			
Net assets:			
Shareholders' equity (<i>Note 13</i>):			
Common stock	65,000	65,000	540,900
Authorized: 520,000,000 shares			
Issued: 130,000,000 shares at March 31, 2015 and 2014			
Capital surplus	71,650	71,650	596,239
Retained earnings	69,465	67,719	578,056
Total shareholders' equity	<u>206,115</u>	<u>204,369</u>	<u>1,715,195</u>
Accumulated other comprehensive loss:			
Net unrealized holding gain on securities (<i>Note 4</i>)	52	23	433
Retirement benefit liability adjustments	(4,318)	(9,457)	(35,932)
Total accumulated other comprehensive loss (<i>Note 11</i>)	(4,266)	(9,434)	(35,499)
Minority interests (<i>Note 16</i>)	<u>2,277</u>	<u>3,706</u>	<u>18,948</u>
Total net assets (<i>Note 16</i>)	<u>204,126</u>	<u>198,641</u>	<u>1,698,644</u>
Total liabilities and net assets	<u>¥ 1,480,645</u>	<u>¥ 1,391,883</u>	<u>\$ 12,321,253</u>

See notes to consolidated financial statements.

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Consolidated Statements of Income

Years ended March 31, 2015 and 2014

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1(a))</i>
	2015	2014	2015
Operating revenues (Notes 20 and 21)	¥938,169	¥ 635,444	\$ 7,807,015
Operating expenses:			
Road assets leasing expenses (Note 21)	461,889	360,586	3,843,630
Cost of sales and administrative expenses for expressway business operations (Notes 11 and 14)	393,178	213,770	3,271,848
Selling, general and administrative expenses (Notes 11 and 14)	78,788	59,048	655,638
Total operating expenses	933,855	633,404	7,771,116
Operating income (Note 20)	4,314	2,040	35,899
Other income (expenses):			
Interest income	70	66	583
Land and property rental fees	201	215	1,673
Amortization of negative goodwill (Note 20)	342	342	2,846
Equity in earnings of affiliates	511	318	4,252
Interest expenses	(34)	(83)	(283)
Gain on sales of fixed assets	251	57	2,089
Gain on sales of investments in securities (Note 4)	—	37	—
Loss on disposal of fixed assets	(221)	(167)	(1,839)
Loss on sales of fixed assets	(55)	(61)	(458)
Gain on negative goodwill (Notes 20 and 22)	1,215	1,010	10,111
Interest income refunds	506	20	4,211
Gain on donation of property and equipment	528	—	4,394
Others	593	513	4,933
Income before income taxes and minority interests	8,221	4,307	68,411
Income taxes (Note 10):			
Current	3,627	2,930	30,182
Deferred	142	100	1,182
	3,769	3,030	31,364
Income before minority interests	4,452	1,277	37,047
Minority interests	57	46	474
Net income (Note 16)	¥ 4,395	¥ 1,231	\$ 36,573

Central Nippon Expressway Company Limited and
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Consolidated Statements of Comprehensive Income

Years ended March 31, 2015 and 2014

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1(a))</i>
	2015	2014	2015
Income before minority interests	¥ 4,452	¥ 1,277	\$ 37,047
Other comprehensive income (loss):			
Net unrealized holding gain on securities	33	26	275
Retirement benefit liability adjustments	5,142	—	42,789
Share of other comprehensive (loss) income of affiliates accounted for by the equity method	(6)	0	(50)
Total other comprehensive income <i>(Note 23)</i>	5,169	26	43,014
Comprehensive income	¥ 9,621	¥ 1,303	\$ 80,061
Total comprehensive income attributable to:			
Shareholders of the Company	¥ 9,564	¥ 1,256	\$ 79,587
Minority interests	57	47	474

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

Years ended March 31, 2015 and 2014

	Number of shares in issue	<i>Millions of yen</i>		
		Common stock	Capital surplus	Retained earnings
Balance at April 1, 2013	130,000,000	¥ 65,000	¥ 71,650	¥ 66,488
Net income for the year	—	—	—	1,231
Other changes	—	—	—	—
Balance at April 1, 2014, as originally reported	130,000,000	65,000	71,650	67,719
Cumulative effect of change in accounting principle (Note 2)	—	—	—	(2,649)
Balance at April 1, 2014, as adjusted	130,000,000	65,000	71,650	65,070
Net income for the year	—	—	—	4,395
Other changes	—	—	—	—
Balance at March 31, 2015	130,000,000	¥ 65,000	¥ 71,650	¥ 69,465

	<i>Millions of yen</i>			
	Accumulated other comprehensive loss			
	Net unrealized holding gain (loss) on securities	Retirement benefit liability adjustments	Minority interests	Total net assets
Balance at April 1, 2013	¥ (3)	¥ —	¥ 2,651	¥ 205,786
Net income for the year	—	—	—	1,231
Other changes	26	(9,457)	1,055	(8,376)
Balance at April 1, 2014, as originally reported	¥ 23	¥ (9,457)	¥ 3,706	¥ 198,641
Cumulative effect of change in accounting principle (Note 2)	—	—	—	(2,649)
Balance at April 1, 2014, as adjusted	23	(9,457)	3,706	195,992
Net income for the year	—	—	—	4,395
Other changes	29	5,139	(1,429)	3,739
Balance at March 31, 2015	¥ 52	¥ (4,318)	¥ 2,277	¥ 204,126

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

Years ended March 31, 2015 and 2014

	<i>Thousands of U.S. dollars (Note 1(a))</i>		
	Common stock	Capital surplus	Retained earnings
Balance at April 1, 2014, as originally reported	\$ 540,900	\$ 596,239	\$ 563,527
Cumulative effect of change in accounting principle (Note 2)	—	—	(22,044)
Balance at April 1, 2014, as adjusted	540,900	596,239	541,483
Net income for the year	—	—	36,573
Other changes	—	—	—
Balance at March 31, 2015	\$ 540,900	\$ 596,239	\$ 578,056

	<i>Thousands of U.S. dollars (Note 1(a))</i>			
	Accumulated other comprehensive loss			
	Net unrealized holding gain (loss) on securities	Retirement benefit liability adjustments	Minority interests	Total net assets
Balance at April 1, 2014, as originally reported	\$ 191	\$ (78,697)	\$ 30,840	\$ 1,653,000
Cumulative effect of change in accounting principle (Note 2)	—	—	—	(22,044)
Balance at April 1, 2014, as adjusted	191	(78,697)	30,840	1,630,956
Net income for the year	—	—	—	36,573
Other changes	242	42,765	(11,892)	31,115
Balance at March 31, 2015	\$ 433	\$ (35,932)	\$ 18,948	\$ 1,698,644

Central Nippon Expressway Company Limited and
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Consolidated Statements of Cash Flows

Years ended March 31, 2015 and 2014

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1(a))</i>
	2015	2014	2015
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 8,221	¥ 4,307	\$ 68,411
Depreciation and amortization	21,227	20,794	176,641
Gain on negative goodwill	(1,215)	(1,010)	(10,111)
Equity in earnings of affiliates	(511)	(318)	(4,252)
Increase in asset and liability for retirement benefits	954	911	7,939
Increase (decrease) in accrued employees' bonuses	100	(44)	832
Increase in allowance for ETC mileage program	1,174	1,707	9,769
(Decrease) increase in allowance for doubtful accounts	(49)	46	(408)
Interest and dividend income	(87)	(103)	(724)
Interest expense	4,478	4,773	37,264
(Gain) loss on sales of fixed assets	(196)	5	(1,631)
Loss on disposal of fixed assets	1,320	1,105	10,984
Increase in accounts receivable due from expressway business operations	(34,927)	(6,508)	(290,647)
Increase in inventories	(21,093)	(188,332)	(175,526)
Increase (decrease) in accounts payable due to expressway business operations	38,291	(9,272)	318,640
Increase (decrease) in other accounts payable	49,346	(80,118)	410,635
Others	3,706	(176)	30,842
Subtotal	70,739	(252,233)	588,658
Interest and dividends received	134	162	1,115
Interest paid	(4,556)	(6,862)	(37,913)
Income taxes paid	(2,652)	(1,649)	(22,069)
Net cash provided by (used in) operating activities	63,665	(260,582)	529,791
Cash flows from investing activities:			
Increase in time deposits	(175)	(1,468)	(1,456)
Decrease in time deposits	1,366	1,788	11,367
Payment for purchase of marketable security	(300)	-	(2,496)
Proceeds from sales and redemption of marketable securities	-	77	-
Payments for purchase of investments in securities	(131)	(1)	(1,090)
Proceeds from sales and redemption of investments in securities	49	513	408
Payments for purchase of fixed assets	(19,347)	(16,073)	(160,997)
Proceeds from sale of fixed assets	425	577	3,537
Payment for acquisition of investments in a subsidiary resulting in change in scope of consolidation (Note 17)	(361)	-	(3,004)
Proceeds from acquisition of investments in subsidiaries resulting in change in scope of consolidation (Note 17)	-	1,312	-
Others	156	(45)	1,297
Net cash used in investing activities	(18,318)	(13,320)	(152,434)
Cash flows from financing activities:			
Proceeds from long-term loans	36,000	34,000	299,576
Repayments of long-term loans (Note 17)	(56,337)	(23,060)	(468,811)
Proceeds from issuance of bonds for road construction	249,056	291,841	2,072,531
Redemption of bonds for road construction (Note 17)	(200,000)	(50,000)	(1,664,309)
Cash dividends paid to minority shareholders	(14)	(17)	(117)
Others	(755)	(354)	(6,283)
Net cash provided by financing activities	27,950	252,410	232,587
Effect of exchange rate changes on cash equivalents	0	0	0
Net increase (decrease) in cash and cash equivalents	73,297	(21,492)	609,944
Cash and cash equivalents at beginning of the year	112,627	134,119	937,231
Cash and cash equivalents at end of the year (Note 17)	¥ 185,924	¥ 112,627	\$ 1,547,175

See notes to consolidated financial statements.

Central Nippon Expressway Company Limited and its Consolidated Subsidiaries

Notes to Consolidated Financial Statements

March 31, 2015 and 2014

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 additional information.

Certain amounts in the prior year’s financial statements have been reclassified to conform to the current year’s presentation. Such reclassification had no effect on consolidated net income or net assets.

The translation of Japanese yen amounts into U.S. dollars is included solely for the convenience of the reader and has been made at ¥120.17 = U.S. \$1.00, the approximate rate of exchange in effect on March 31, 2015. This translation should not be construed as a representation that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollar amounts at the above or any other rate.

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

1. Summary of Significant Accounting Policies (continued)

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

The accompanying consolidated financial statements include the accounts of the Company and its 25 and 23 significant consolidated subsidiaries (collectively, the “Group”) for the years ended March 31, 2015 and 2014, respectively. The Company has applied the equity method to its investments in 13 and 12 significant affiliates for the purpose of the consolidated financial statements for the years ended March 31, 2015 and 2014, respectively.

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

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

Other subsidiaries and affiliates are not significant in terms of their total assets, net income 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 or less. Where there has been a permanent decline in the value of such investments, the Company has written down the investments.

Goodwill is amortized using the straight-line method over the respective determinable useful lives within 20 years 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 before or on March 31, 2010 had been amortized using the straight-line method over a period of 20 years.

(c) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, deposits held at call with banks, net of overdrafts, and all highly liquid investments with maturities of 3 months or less.

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.

For hybrid financial instruments containing an embedded derivative that cannot be reliably identified and measured separately the entire contract is measured at fair value with the gain or loss recognized in income.

(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 is principally stated at lower of cost, determined by the individual cost method, or net selling value.

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

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

1. Summary of Significant Accounting Policies (continued)

(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 assets (except for leased assets)

Amortization of intangible 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) Leases

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 a currency swap contract to hedge its exposure to adverse fluctuation of the foreign currency exchange rate corresponding to a corporate bond denominated in a foreign currency 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.

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 swap accounted for by the allocation method, 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 liability for retirement benefits is provided based on the amount of the projected benefit obligation reduced by the pension plan assets at fair value at the end of the 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 use a simplified method for calculating retirement benefit expenses and liabilities based on the assumption that the benefits payable, which are calculated as if all eligible employees voluntarily terminated their employment at fiscal year end, approximates the retirement benefit obligation at year-end.

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, corporate auditors and corporate officers

Directors, corporate auditors 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 losses due to forged expressway cards

Certain losses are expected to be incurred due to the use of forged expressway cards based on historical experience. Allowance for losses due to forged expressway cards is provided based on an estimate of losses reasonably expected to be incurred subsequent to the balance sheet date.

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

(q) Allowance for ETC mileage program

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

(r) 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.

(s) 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.

Central Nippon Expressway Company Limited and its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

(s) Recognition of revenues and costs (continued)

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

For construction contracts related to the Agency Business that commenced on or before March 31, 2009, the percentage-of-completion method is applied if the construction work extends beyond a two-year period and the contract amount exceeds ¥5,000 million (\$41,608 thousand). Other construction contracts are accounted for by the completed-contract method.

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

2. Accounting Change

Accounting standards for retirement benefits

The Company and its consolidated subsidiaries adopted the main clause of Section 35 of “Accounting Standard for Retirement Benefits” (ASBJ Statement No.26 of May 17, 2012) and the main clause of Section 67 of “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No.25 of March 26, 2015) effective from April 1, 2014.

Under the new standard and guidance, the method of calculating the retirement benefit obligation and service costs have been revised in the following respects: the method for attributing projected benefits to each period has been changed from the straight-line method to the benefit formula method, and the method for determining the discount rate has been revised to use a single weighted-average discount rate reflecting the expected timing and amount of benefit payments.

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Accounting Change (continued)

The cumulative effect of changing the method for calculating the retirement benefit obligation and services cost was recognized as an adjustment to retained earnings at April 1, 2014, in accordance with the transitional treatment provided in Section 37 of Accounting Standard for Retirement Benefits.

As a result, at the beginning of the year ended March 31, 2015, the asset for retirement benefits increased by ¥51 million (\$424 thousand), liability for retirement benefits increased by ¥2,786 million (\$23,184 thousand) and retained earnings at the beginning of the current year decreased by ¥2,649 million (\$22,044 thousand).

The resulting effects on net assets, the consolidated statements of income and net income per share as of and for the year ended March 31, 2015 were immaterial.

3. Accounting Standards Issued but Not Yet Effective

Accounting standards for business combinations

On September 13, 2013, the ASBJ issued “Revised Accounting Standard for Business Combinations” (ASBJ Statement No.21), “Revised Accounting Standard for Consolidated Financial Statement” (ASBJ Statement No.22), “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No.7), “Revised Accounting Standard for Earnings Per Share” (ASBJ Statement No.2), “Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No.10), and “Revised Guidance on Accounting Standard for Earnings Per Share” (ASBJ Guidance No.4).

Under these revised accounting standards, the accounting treatment for any changes in a parent’s ownership interest in a subsidiary when the parent retains control over the subsidiary and the corresponding accounting for acquisition-related costs were revised. In addition, the presentation method of net income was amended, the term “minority interests” was replaced by “non-controlling interests,” and the accounting treatment for adjustments to provisional amounts during the measurement period was also changed.

The Company and its domestic consolidated subsidiaries expect to adopt these revised accounting standards and guidance from the beginning of the year ending March 31, 2016. However, the accounting treatment for adjustments to provisional amounts during the measurement period will be adopted for business combinations conducted on or after April 1, 2015.

The Company and its domestic consolidated subsidiaries are currently evaluating the effect of adopting these revised standards on its consolidated financial statements.

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

4. Securities

Held-to-maturity debt securities with available market value at March 31, 2015 and 2014 are as follows:

<i>Millions of yen</i>						
Held-to-maturity debt securities						
	2015			2014		
	Carrying value	Market value	Unrealized gain	Carrying value	Market value	Unrealized gain (loss)
Securities with market value exceeding carrying value:						
National and local government bonds	¥ 351	¥366	¥ 15	¥ 352	¥ 365	¥ 13
Corporate bonds	150	154	4	150	155	5
Securities with market value not exceeding carrying value:						
National and local government bonds	—	—	—	—	—	—
Other	—	—	—	20,000	20,000	(0)
Total	<u>¥ 501</u>	<u>¥520</u>	<u>¥ 19</u>	<u>¥ 20,502</u>	<u>¥ 20,520</u>	<u>¥ 18</u>

<i>Thousands of U.S. dollars</i>			
Held-to-maturity debt securities			
	2015		
	Carrying value	Market value	Unrealized gain
Securities with market value exceeding carrying value:			
National and local government bonds	\$ 2,921	\$ 3,046	\$ 125
Corporate bonds	1,248	1,281	33
Securities with market value not exceeding carrying value:			
National and local government bonds	—	—	—
Other	—	—	—
Total	<u>\$ 4,169</u>	<u>\$ 4,327</u>	<u>\$ 158</u>

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, 2015 and 2014 are as follows:

<i>Millions of yen</i>						
Other securities						
2015			2014			
Acquisition cost	Carrying value	Unrealized gain (loss)	Acquisition cost	Carrying value	Unrealized gain (loss)	
Securities with carrying value exceeding acquisition cost:						
Stocks	¥ 128	¥ 209	¥ 81	¥ 128	¥ 166	¥ 38
Securities with carrying value not exceeding acquisition cost:						
Stocks	38	32	(6)	38	27	(11)
Bonds	204	204	—	237	237	—
Other	100,300	100,300	—	20,000	20,000	—
Subtotal	100,542	100,536	(6)	20,275	20,264	(11)
Total	¥ 100,670	¥ 100,745	¥ 75	¥ 20,403	¥ 20,430	¥ 27

				<i>Thousands of U.S. dollars</i>		
				Other securities		
				2015		
				Acquisition cost	Carrying value	Unrealized gain (loss)
Securities with carrying value exceeding acquisition cost:						
Stocks	\$ 1,065	\$ 1,739	\$ 674			
Securities with carrying value not exceeding acquisition cost:						
Stocks	316	266	(50)			
Bonds	1,698	1,698	—			
Other	834,651	834,651	—			
Subtotal	836,665	836,615	(50)			
Total	\$ 837,730	\$ 838,354	\$ 624			

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 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.

Hybrid financial instruments containing an embedded derivative that cannot be separated are stated at fair value and the resulting gains or losses are included in the carrying value of the bonds in the above table.

Because no quoted market price is available and it is extremely difficult to estimate the corresponding future cash flow, unlisted stocks of ¥116 million (\$965 thousand) and ¥133 million at March 31, 2015 and 2014 are not included in the above table.

Sales of securities classified as other securities and the aggregate gain for the years ended March 31, 2014 are summarized as follows:

	<i>Millions of yen</i>
	2014
Sales proceeds:	
Stocks	¥ 53
Corporate bonds	—
Other	—
	<u>¥ 53</u>
Aggregate gain:	
Stocks	¥ 37
Corporate bonds	—
Other	—
	<u>¥ 37</u>

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

5. Inventories

Inventories at March 31, 2015 and 2014 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2015	2014	2015
Work in process for road construction	¥ 896,195	¥ 873,903	\$ 7,457,727
Merchandise and finished goods	559	1,270	4,651
Work in process	1,299	1,547	10,810
Raw materials and supplies	1,581	1,711	13,156
	¥ 899,634	¥ 878,431	\$ 7,486,344

6. Investments in Unconsolidated Subsidiaries and Affiliates

Investments in unconsolidated subsidiaries and affiliates included stock of jointly controlled companies of ¥1,642 million (\$13,664 thousand) and ¥1,514 million at March 31, 2015 and 2014, 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, 2015 and 2014 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, 2014	Net change	March 31, 2015	March 31, 2015
Rental properties	¥ 6,513	¥ (304)	¥ 6,209	¥ 5,568
<i>Millions of yen</i>				
<i>Carrying value</i>			<i>Fair value</i>	
	April 1, 2013	Net change	March 31, 2014	March 31, 2014
Rental properties	¥ 5,607	¥ 906	¥ 6,513	¥ 5,887
<i>Thousands of U.S. dollars</i>				
<i>Carrying value</i>			<i>Fair value</i>	
	April 1, 2014	Net change	March 31, 2015	March 31, 2015
Rental properties	\$ 54,198	\$ (2,530)	\$ 51,668	\$ 46,334

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, 2015 and 2014 mainly represents the transfer of construction in progress from rental properties to real estate including certain portions used as investment property.

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 accompanying consolidated balance sheets as of March 31, 2015 and 2014 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, 2014</u>	<u>Net change</u>	<u>March 31, 2015</u>
Real estate including certain portions used as investment property	¥ 132,352	¥ 1,027	¥ 133,379
			¥ 112,409

<i>Millions of yen</i>			
	<i>Carrying value</i>		<i>Fair value</i>
	<u>April 1, 2013</u>	<u>Net change</u>	<u>March 31, 2014</u>
Real estate including certain portions used as investment property	¥ 133,604	¥ (1,252)	¥ 132,352
			¥ 115,204

<i>Thousands of U.S. dollars</i>			
	<i>Carrying value</i>		<i>Fair value</i>
	<u>April 1, 2014</u>	<u>Net change</u>	<u>March 31, 2015</u>
Real estate including certain portions used as investment property	\$1,101,373	\$ 8,546	\$ 1,109,919
			\$ 935,416

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, 2015 and 2014 mainly represent the transfer of construction in progress from rental properties to real estate and the increase of the consolidated subsidiaries.

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, 2015 and 2014 are as follows:

	<i>Millions of yen</i>		
	2015		
	Operating revenues	Operating expenses	Net
Rental properties	¥ 492	¥ 218	¥ 274
Real estate including certain portions used as investment property	24,406	12,127	12,279
	<i>Millions of yen</i>		
	2014		
	Operating revenues	Operating expenses	Net
Rental properties	¥ 514	¥ 248	¥ 266
Real estate including certain portions used as investment property	31,472	18,825	12,647
	<i>Thousands of U.S. dollars</i>		
	2015		
	Operating revenues	Operating expenses	Net
Rental properties	\$ 4,094	\$ 1,814	\$ 2,280
Real estate including certain portions used as investment property	203,096	100,915	102,181

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 ¥5,106 million (\$42,490 thousand) and ¥12,060 million for the years ended March 31, 2015 and 2014, 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, 2015 and 2014 consisted of the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2015	2014	2015
Bonds for road construction	¥ 902,185	¥ 852,520	\$ 7,507,573
Long-term loans for road construction at interest rates ranging from 0.372% to 0.697% due from 2015 to 2019	95,000	110,000	790,547
Other long-term loans at interest rates ranging from 0.120% to 3.880% due from 2016 to 2033	1,008	6,346	8,387
	998,193	968,866	8,306,507
Less current portion	(41,000)	(51,325)	(341,183)
	¥ 957,193	¥ 917,541	\$ 7,965,324

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, 2015 and 2014 are summarized as follows:

						<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
		Issue date	Maturity date	Interest rate (%)	Note	2015	2014	2015
No.29	Bond of Central Nippon Expressway Company Limited	May 31, 2011	March 19, 2021	1.21	*	¥ —	¥ 20,000	\$ —
No.30	Bond of Central Nippon Expressway Company Limited	September 27, 2011	September 19, 2014	0.27	*	—	10,000	—
No.31	Bond of Central Nippon Expressway Company Limited	September 27, 2011	September 20, 2016	0.43	*	—	20,000	—
No.32	Bond of Central Nippon Expressway Company Limited	September 27, 2011	September 20, 2018	0.64	*	—	15,000	—
No.33	Bond of Central Nippon Expressway Company Limited	September 27, 2011	September 17, 2021	1.08	*	—	25,000	—
No.34	Bond of Central Nippon Expressway Company Limited	November 25, 2011	September 19, 2014	0.27	*	—	35,000	—
No.35	Bond of Central Nippon Expressway Company Limited	November 25, 2011	September 20, 2016	0.44	*	—	10,000	—
No.36	Bond of Central Nippon Expressway Company Limited	November 25, 2011	September 17, 2021	1.06	*	—	15,000	—
No.37	Bond of Central Nippon Expressway Company Limited	February 28, 2012	February 26, 2016	0.38	*	—	35,000	—
No.38	Bond of Central Nippon Expressway Company Limited	February 28, 2012	February 28, 2019	0.67	*	—	15,000	—
No.39	Bond of Central Nippon Expressway Company Limited	February 28, 2012	December 20, 2021	1.05		¥ 50,000	¥ 50,000	\$ 416,077

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, 2015 and 2014 are summarized as follows (continued):

		Issue date	Maturity date	Interest rate (%)	Note	Millions of yen		Thousands of U.S. dollars
						2015	2014	2015
No.40	Bond of Central Nippon Expressway Company Limited	May 23, 2012	March 18, 2016	0.29		¥ 40,000	¥ 40,000	\$ 332,862
No.41	Bond of Central Nippon Expressway Company Limited	May 23, 2012	March 20, 2019	0.56		20,000	20,000	166,432
No.42	Bond of Central Nippon Expressway Company Limited	May 23, 2012	March 18, 2022	0.94		40,000	40,000	332,862
No.43	Bond of Central Nippon Expressway Company Limited	September 20, 2012	September 20, 2017	0.36		30,000	30,000	249,646
No.44	Bond of Central Nippon Expressway Company Limited	September 20, 2012	September 20, 2019	0.53		15,000	15,000	124,823
No.45	Bond of Central Nippon Expressway Company Limited	September 20, 2012	September 20, 2022	0.90		35,000	35,000	291,254
No.46	Bond of Central Nippon Expressway Company Limited	November 9, 2012	September 20, 2017	0.35		60,000	60,000	499,293
No.47	Bond of Central Nippon Expressway Company Limited	March 19, 2013	March 20, 2018	0.27		50,000	50,000	416,077
No.48	Bond of Central Nippon Expressway Company Limited	March 19, 2013	March 20, 2023	0.80		20,000	20,000	166,432
No.49	Bond of Central Nippon Expressway Company Limited	May 21, 2013	March 20, 2018	0.50		70,000	70,000	582,508
No.1	U.S. Bond of Central Nippon Expressway Company Limited	September 10, 2013	September 10, 2018	2.36		97,520	97,520	811,517
No.50	Bond of Central Nippon Expressway Company Limited	November 8, 2013	November 8, 2016	0.23		15,000	15,000	124,823
No.51	Bond of Central Nippon Expressway Company Limited	November 8, 2013	November 8, 2018	0.32		25,000	25,000	208,039
No.52	Bond of Central Nippon Expressway Company Limited	November 8, 2013	November 6, 2020	0.48		15,000	15,000	124,823
No.53	Bond of Central Nippon Expressway Company Limited	February 14, 2014	June 20, 2017	0.22		30,000	30,000	249,646
No.54	Bond of Central Nippon Expressway Company Limited	February 14, 2014	December 20, 2018	0.31		20,000	20,000	166,432
No.55	Bond of Central Nippon Expressway Company Limited	February 14, 2014	December 18, 2020	0.47		10,000	10,000	83,215
No.56	Bond of Central Nippon Expressway Company Limited	February 14, 2014	December 20, 2023	0.75		10,000	10,000	83,215
No.57	Bond of Central Nippon Expressway Company Limited	May 30, 2014	May 20, 2019	0.29		100,000	—	832,154
No.2	U.S. Bond of Central Nippon Expressway Company Limited	August 5, 2014	August 5, 2019	2.17		50,840	—	423,067
No.3	U.S. Bond of Central Nippon Expressway Company Limited	November 5, 2014	November 5, 2019	2.08		53,825	—	447,907
No.58	Bond of Central Nippon Expressway Company Limited	February 19, 2015	December 20, 2019	0.18		25,000	—	208,039
No.59	Bond of Central Nippon Expressway Company Limited	February 19, 2015	December 20, 2021	0.30		10,000	—	83,215
No.60	Bond of Central Nippon Expressway Company Limited	February 19, 2015	December 20, 2024	0.54		10,000	—	83,215
Total						¥ 902,185	¥ 852,520	\$ 7,507,573

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

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, 2015 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 debt
2016	¥ 40,000	¥ –	¥ 1,000
2017	15,000	30,000	0
2018	240,000	30,000	0
2019	262,520	35,000	0
2020 and thereafter	344,665	–	8
	¥ 902,185	¥ 95,000	¥ 1,008

Years ending March 31,	<i>Thousands of U.S. dollars</i>		
	Bonds for road construction	Long-term loans for road construction	Other long-term debt
2016	\$ 332,862	\$ –	\$ 8,321
2017	124,823	249,646	0
2018	1,997,171	249,646	0
2019	2,184,572	291,255	0
2020 and thereafter	2,868,145	–	66
	\$ 7,507,573	\$ 790,547	\$ 8,387

The aggregate annual maturities of lease obligations subsequent to March 31, 2015 are summarized as follows:

Years ending March 31,	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	Lease obligations	
2016	¥ 459	\$ 3,820
2017	435	3,620
2018	409	3,404
2019	215	1,789
2020 and thereafter	248	2,063
	¥ 1,766	\$ 14,696

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

9. Pledged Assets

At March 31, 2015 and 2014, 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>
	2015	2014	2015
Bonds for road construction			
Carrying value	¥902,185	¥ 852,520	\$ 7,507,573
Face value	902,185	852,520	7,507,573

In addition, at March 31, 2015 and 2014, the total assets of the Company were also pledged as collateral for bonds in the amounts of ¥1,065,000 million (\$8,862,445 thousand) and ¥1,020,000 million at March 31, 2015 and 2014, respectively, assumed by JEHDRA pursuant to Article 15 of the JEHDRA Act.

At March 31, 2015 and 2014, 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>
	2015	2014	2015
Cash and deposits	¥ 3	¥ 3	\$ 25
Others	303	419	2,521

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

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 35.3% and 37.7% for the years ended March 31, 2015 and 2014, respectively.

The effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2015 and 2014 differ from the above statutory tax rates for the following reasons:

	2015	2014
Statutory tax rates	35.3%	37.7%
Adjustments:		
Effects of changes in corporation tax rates	33.3	6.9
Valuation allowance	(18.9)	23.9
Gain on negative goodwill	(5.2)	(8.8)
Amortization of negative goodwill	(1.5)	(3.0)
Equity in earnings of affiliates	(2.2)	(2.8)
Other	5.1	16.4
Effective tax rates	45.9%	70.3%

The significant components of the Group's deferred tax assets and liabilities at March 31, 2015 and 2014 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2015	2014	2015
Deferred tax assets:			
Allowance for doubtful accounts	¥ 85	¥ 98	\$ 707
Accrued employees' bonuses	995	1,018	8,280
Allowance for losses due to forged expressway cards	13	20	108
Liability for retirement benefits	22,424	24,940	186,602
Allowance for ETC mileage program	2,715	2,580	22,593
Other	6,091	5,995	50,687
Gross deferred tax assets	32,323	34,651	268,977
Less valuation allowance	(27,078)	(29,687)	(225,330)
Total deferred tax assets	5,245	4,964	43,647
Deferred tax liabilities:			
Other	(413)	(139)	(3,437)
Total deferred tax liabilities	(413)	(139)	(3,437)
Net deferred tax assets	¥ 4,832	¥ 4,825	\$ 40,210

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

10. Income Taxes (continued)

The “Act for Partial Amendment of the Income Tax Act, etc.” (Act No.9 of 2015) and the “Act for Partial Amendment of the Local Tax Act, etc.” (Act No.2 of 2015) were promulgated on March 31, 2015. As a result, the effective statutory tax rate used to measure the Company’s deferred tax assets and liabilities was changed from 35.3% to 32.8% and 32.0% for the temporary differences expected to be realized or settled in the year beginning April 1, 2015 and for the temporary differences expected to be realized or settled from April 1, 2016, respectively. The effect of the announced reduction of the effective statutory tax rate was to decrease deferred tax assets after offsetting deferred tax liabilities by ¥213 million (\$1,772 thousand), increase income taxes-deferred by ¥184 million (\$1,531 thousand), increase unrealized holding gain on securities by ¥2 million (\$17 thousand) and decrease the retirement benefit liability adjustments in accumulated comprehensive income by ¥31 million (\$258 thousand) as of and for the year ended March 31, 2015.

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 (“WFPF”) 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 liability 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 the Company rationally cannot be calculated. In cases where the proportional portion can be calculated, the liability for retirement benefits is provided based on the amount of the projected benefit obligation after deducting by the pension plan assets.

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

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, 2015 and 2014 are as follows (excluding defined benefit plans based on the simplified method):

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2015	2014	2015
Beginning balance of retirement benefit obligation, as originally reported	¥ 104,594	¥ 103,217	\$ 870,384
Cumulative effect of change in accounting principle	2,735	—	22,759
Beginning balance of retirement benefit obligation, as adjusted	107,329	103,217	893,143
Service cost	3,860	3,977	32,121
Interest cost	1,685	1,536	14,022
Actuarial (gain) loss	(1,148)	36	(9,553)
Benefit paid	(3,722)	(4,172)	(30,973)
Ending balance of retirement benefit obligation	¥ 108,004	¥ 104,594	\$ 898,760

The changes in plan assets at fair value for the years ended March 31, 2015 and 2014 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>
	2015	2014	2015
Beginning balance of plan assets at fair value	¥ 35,335	¥ 33,326	\$ 294,042
Expected return on plan assets	1,124	1,265	9,353
Actuarial gain	2,511	55	20,895
Contributions by the employers	2,624	1,979	21,836
Benefit paid	(1,913)	(1,783)	(15,919)
Other	505	493	4,203
Ending balance of plan assets at fair value	¥ 40,186	¥ 35,335	\$ 334,410

The changes in retirement benefit obligation under the simplified method for the years ended March 31, 2015 and 2014 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2015	2014	2015
Beginning balance of retirement benefit obligation	¥ 880	¥ 818	\$ 7,323
Service cost	281	241	2,338
Benefit paid	(66)	(112)	(549)
Payment for the plan	(147)	(67)	(1,223)
Ending balance of retirement benefit obligation	¥ 948	¥ 880	\$ 7,889

Central Nippon Expressway Company Limited and
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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, 2015 and 2014 for the Company's and the consolidated subsidiaries' defined benefit plans:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2015	2014	2015
Funded retirement benefit obligation	¥ 81,607	¥ 78,839	\$ 679,096
Plan assets at fair value	(40,983)	(36,100)	(341,042)
	40,624	42,739	338,054
Unfunded retirement benefit obligation	28,143	27,400	234,194
Net amounts of liabilities and assets recognized in consolidated balance sheets	68,767	70,139	572,248
Liability for retirement benefits	69,038	70,273	574,503
Asset for retirement benefits	(271)	(134)	(2,255)
Net amounts of liabilities recognized in consolidated balance sheets	¥ 68,767	¥ 70,139	\$ 572,248

The components of retirement benefit expense for the years ended March 31, 2015 and 2014 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2015	2014	2015
Service cost	¥ 3,354	¥ 3,484	\$ 27,910
Interest cost	1,685	1,536	14,022
Expected return on plan assets	(1,124)	(1,265)	(9,353)
Amortization:			
Actuarial gain or loss	1,418	1,476	11,800
Prior service cost	(14)	(14)	(117)
Retirement benefit expenses under the simplified method	281	241	2,338
Other	(135)	(141)	(1,123)
Retirement benefit expenses	¥ 5,465	¥ 5,317	\$ 45,477

The components of retirement benefits liability adjustments included in other comprehensive income (before tax effect) for the year ended March 31, 2015 are as follows:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	2015	
Prior service cost	¥ 14	\$ 117
Actuarial differences	(5,076)	(42,240)
Total	¥ (5,062)	\$ (42,123)

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

11. Retirement Benefits (continued)

2. Defined benefit plans (continued)

The components of retirement benefit liability adjustments included in accumulated other comprehensive loss (before tax effect) as of March 31, 2015 and 2014 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2015	2014	2015
Unrecognized prior service cost	¥ (67)	¥ (82)	\$ (558)
Unrecognized actuarial loss	5,091	10,167	42,365
Total	¥ 5,024	¥ 10,085	\$ 41,807

The fair value of plans assets, by major category, as a percentage of total assets as of March 31, 2015 and 2014 are as follows:

	2015	2014
Securities	32.50%	30.10%
Bonds	37.00	37.98
Cash and deposits	0.60	0.01
General accounts at life insurance companies	12.30	12.39
Other	17.60	19.52
Total	100.00%	100.00%

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, 2015 and 2014 are as follows:

	2015	2014
Discount rates	0.2-1.8%	1.0-1.5%
Expected long-term rates of return on plan assets	0.8-4.8%	0.0-5.4%
Rates of salary increase	0.0-7.7%	0.0-7.7%

The required contributions to defined contribution plans including the multi-employer welfare pension plans were ¥453 million (\$3,770 thousand) and ¥511 million for the years ended March 31, 2015 and 2014, respectively.

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 its immateriality.

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

12. Contingent Liabilities

At March 31, 2015 and 2014, the Company provides the following debt guarantees:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2015	2014	2015
JEHDRA	¥ 1,407,119	¥ 3,005,206	\$ 11,709,403
E-NEXCO	7	2,272	59
W-NEXCO	22	28	183
	¥ 1,407,148	¥ 3,007,506	\$ 11,709,645

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).

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, 2015 and 2014, the Company is jointly and severally liable with JEHDRA, E-NEXCO and W-NEXCO for the debt succeeded to by the Company from JHPC and already assumed by JEHDRA (excluding loans from the Japanese government).

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2015	2014	2015
JEHDRA	¥ 5,496	¥ 10,981	\$ 45,735

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

12. Contingent Liabilities (continued)

At March 31, 2015 and 2014, 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>
	2015	2014	2015
JEHDRA	¥ 1,236,950	¥ 1,346,950	\$ 10,293,334

As a consequence of these transfers addressed above, bonds for road construction and long-term loans for road construction decreased by ¥200,000 million (face value) (\$1,664,309 thousand) and ¥50,000 million (\$416,077 thousand), respectively, for the year ended March 31, 2015.

13. Shareholders' 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 ¥869 million (\$7,231 thousand) and ¥829 million for the years ended March 31, 2015 and 2014, 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, 2015 under non-cancellable operating leases related to road assets are summarized as follows:

Years ending March 31,	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
2016	¥ 421,748	\$ 3,509,595
2017 and thereafter	18,176,951	151,260,306
	¥ 18,598,699	\$ 154,769,901

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, 2015 under non-cancellable operating leases other than road assets are summarized as follows:

Years ending March 31,	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
2016	¥ 389	\$ 3,237
2017 and thereafter	1,309	10,893
	¥ 1,698	\$ 14,130

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

16. Amounts per Share

Per share amounts as of and for the years ended March 31, 2015 and 2014 are as follows:

	<i>Yen</i>		<i>U.S. dollars</i>
	2015	2014	2015
Net income:			
Basic	¥ 33.80	¥ 9.47	\$ 0.28
Net assets	1,552.69	1,499.49	12.92

Basic net income per share has been computed based on the net income attributable to shareholders of common stock and the weighted-average number of shares of common stock outstanding during the year. Diluted net income per share has not been presented because there were no potentially dilutive shares of common stock for the years ended March 31, 2015 and 2014.

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

The financial data used in the computation of basic net income per share for the years ended March 31, 2015 and 2014 is summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2015	2014	2015
Net income	¥ 4,395	¥ 1,231	\$ 36,573
Adjusted net income available for distribution to common stockholders	¥ 4,395	¥ 1,231	\$ 36,573
	<i>Thousands of shares</i>		
	2015	2014	
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, 2015 and 2014 is summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2015	2014	2015
Total net assets	¥ 204,126	¥ 198,641	\$ 1,698,644
Deduction from total net assets			
Minority interests	2,277	3,706	18,948
Total net assets available to common stockholders	¥ 201,849	¥ 194,935	\$ 1,679,696
	<i>Thousands of shares</i>		
	2015	2014	
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, 2015 and 2014 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,		
	2015	2014	2015
Cash and deposits	¥ 86,489	¥ 74,384	\$ 719,722
Certificates of deposits included in marketable securities maturing within three months	100,000	20,000	832,154
Commercial papers included in marketable securities maturing within three months	—	20,000	—
Deposits over three months	(565)	(1,757)	(4,701)
Cash and cash equivalents	<u>¥ 185,924</u>	<u>¥ 112,627</u>	<u>\$ 1,547,175</u>

During the year ended March 31, 2015, NEXCO Central Nippon Investment LLC., the Company's consolidated subsidiary, purchased shares of Hakone Turnpike Limited. and newly included it in the scope of consolidation.

The following summarizes the assets and liabilities included in consolidation and the relationship between acquisition cost and the net payment for acquisition:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	2015	
Current assets	¥ 208	\$ 1,731
Non-current assets	1,208	10,052
Current liabilities	(40)	(333)
Non-current liabilities	(634)	(5,275)
Negative goodwill	(183)	(1,523)
Acquisition cost	559	4,652
Cash and cash equivalents	(198)	(1,648)
Net payment for acquisition	<u>¥ 361</u>	<u>\$ 3,004</u>

Net payment from the acquisition of ¥361 million (\$3,004 thousand) are included in payment for acquisition of investments in a subsidiary resulting in change in scope of consolidation in the consolidated statement of cash flows for the year ended March 31, 2015.

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

17. Supplemental Information on Consolidated Statements of Cash Flows (continued)

During the year ended March 31, 2014, the Company purchased shares of Central Nippon Road Maintenance Kanazawa Co., Ltd. and newly included it in the scope of consolidation.

The following summarizes the assets and liabilities included in consolidation and the relationship between acquisition cost and the net proceeds from acquisition:

	<i>Millions of yen</i>
	2014
Current assets	¥ 1,182
Non-current assets	874
Current liabilities	(145)
Non-current liabilities	(19)
Negative goodwill	(440)
Minority interests	(847)
Interests previously acquired	(541)
Acquisition cost	64
Cash and cash equivalents	(843)
Net proceeds from acquisition	¥ (779)

Net proceeds from the acquisition of ¥779 million are included in proceeds from acquisition of investments in subsidiaries resulting in change in scope of consolidation in the consolidated statement of cash flows for the year ended March 31, 2014.

During the year ended March 31, 2014, the Company purchased shares of Central Nippon Road Maintenance Chubu Co., Ltd. and newly included it in the scope of consolidation.

The following summarizes the assets and liabilities included in consolidation and the relationship between acquisition cost and the net proceeds from acquisition:

	<i>Millions of yen</i>
	2014
Current assets	¥ 1,458
Non-current assets	32
Current liabilities	(204)
Non-current liabilities	(50)
Negative goodwill	(162)
Minority interests	(672)
Interests previously acquired	(402)
Acquisition cost	—
Cash and cash equivalents	(533)
Net proceeds from acquisition	¥ (533)

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

17. Supplemental Information on Consolidated Statements of Cash Flows (continued)

Net proceeds from the acquisition of ¥533 million are included in proceeds from acquisition of investments in subsidiaries resulting in change in scope of consolidation in the consolidated statement of cash flows for the year ended March 31, 2014.

As described in Note 1(s) “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, 2015 and 2014, expressway assets constructed by the Company in the amounts of ¥255,470 million (\$2,125,905 thousand) and ¥74,456 million, respectively, were transferred to JEHDRA pursuant to Article 51.2 through 51.4 of the Special Measures Act and, concurrently, the long-term debt of ¥50,000 million (\$416,077 thousand) and ¥15,950 million, respectively and bonds related to road construction of ¥200,000 million (\$1,664,309 thousand) and ¥50,000 million 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, 2015 and 2014.

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 certificates of deposits and commercial papers. 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 bond denominated in a foreign currency is exposed to exchange rate fluctuation risk. For the purpose of hedging foreign currency exchange fluctuation risk, the Company entered into a foreign currency swap contract when the corporate bond denominated in a foreign currency was issued.

Derivative transactions where the foreign currency swap is designated as the hedging instrument and corporate bond denominated in a foreign currency as the hedged item are accounted for by the allocation method.

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 certificates of deposits and commercial papers 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, investments in securities and short-term debt receivable included in other current assets primarily consist of certificates of deposits and commercial papers 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 a foreign currency, which are exposed to foreign currency exchange risk, are monitored by each corporate bond and are accounted for by the allocation method by utilizing currency swap contracts.

(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.

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)

(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, which requires that the recognized foreign currency transaction be translated at the corresponding currency swap contract rate.

Fair value of financial instruments

The carrying value of financial instruments on the accompanying consolidated balance sheets as of March 31, 2015 and 2014 and their estimated fair value are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value.

Millions of yen										
		2015			2014					
		Carrying value	Estimated fair value	Difference	Carrying value	Estimated fair value	Difference			
Assets:										
Cash and deposits	¥	86,489	¥	86,489	¥	74,384	¥	74,384	¥	–
Accounts receivable due from expressway business operations		86,224		86,224		51,070		51,070		–
Other accounts receivable		7,664		7,664		50,155		50,155		–
Marketable securities and investments in securities:										
Held-to-maturity debt securities		501		520		20,502		20,520		18
Other securities		100,745		100,745		20,430		20,430		–
Short-term loans receivable included in other current assets		2		2		3		3		–
Total assets		281,625		281,644		216,544		216,562		18
Liabilities:										
Accounts payable due to expressway business operations		120,216		120,216		83,599		83,599		–
Other accounts payable		31,080		31,080		19,561		19,561		–
Income and other taxes payable		3,289		3,289		1,861		1,861		–
Bonds for road construction (*)		902,185		912,477		852,520		861,220		8,700
Long-term loans for road construction (*)		95,000		95,017		110,000		110,014		14
Other long-term loans		1,008		1,008		6,346		6,362		16
Total liabilities		¥ 1,152,778		¥ 1,163,087		¥ 1,073,887		¥ 1,082,617		¥ 8,730

* Included in the current portion of long-term debt and long-term debt.

Central Nippon Expressway Company Limited and
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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>		
	2015		
	Carrying value	Estimated fair value	Difference
Assets:			
Cash and deposits	\$ 719,722	\$ 719,722	\$ –
Accounts receivable due from expressway business operations	717,517	717,517	–
Other accounts receivable	63,776	63,776	–
Marketable securities and investments in securities:			
Held-to-maturity debt securities	4,169	4,327	158
Other securities	838,354	838,354	–
Short-term loans receivable included in other current assets	17	17	–
Total assets	<u>2,343,555</u>	<u>2,343,713</u>	<u>158</u>
Liabilities:			
Accounts payable due to expressway business operations	1,000,383	1,000,383	–
Other accounts payable	258,634	258,634	–
Income and other taxes payable	27,370	27,370	–
Bonds for road construction (*)	7,507,573	7,593,218	85,645
Long-term loans for road construction (*)	790,547	790,688	141
Other long-term loans	8,387	8,387	0
Total liabilities	<u>\$ 9,592,894</u>	<u>\$ 9,678,680</u>	<u>\$ 85,786</u>

* Included in the current portion of long-term debt and long-term debt.

Central Nippon Expressway Company Limited and
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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, other accounts receivable and short-term loans receivable approximates the carrying value since these items are settled in a short period of time.

For marketable securities and investments in securities, the fair value of the corresponding certificates of deposit 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 other than certificates of deposit 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 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 these 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, 2015 and 2014 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2015	2014	2015
Unlisted stocks:			
Investments in unconsolidated subsidiaries and affiliates	¥ 4,470	¥ 3,856	\$ 37,197
Other securities	116	133	965

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, 2015 are as follows:

	<i>Millions of yen</i>			
	2015			
	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	¥ 86,489	¥ –	¥ –	¥ –
Accounts receivable due from expressway business operations	86,224	–	–	–
Other accounts receivable	7,664	–	–	–
Investments in securities:				
Held-to-maturity debt securities	100	100	300	–
Other securities	100,300	–	–	419
Total	¥ 280,777	¥ 100	¥ 300	¥ 419

	<i>Thousands of U.S. dollars</i>			
	2015			
	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	\$ 719,722	\$ –	\$ –	\$ –
Accounts receivable due from expressway business operations	717,517	–	–	–
Other accounts receivable	63,776	–	–	–
Investments in securities:				
Held-to-maturity debt securities	832	832	2,496	–
Other securities	834,651	–	–	3,487
Total	\$ 2,336,498	\$ 832	\$ 2,496	\$ 3,487

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

19. Derivative Financial Instruments and Hedging Activities

For hybrid financial instruments containing an embedded derivative that cannot be reliably identified and measured separately which did not qualify hedge accounting at March 31, 2015 and 2014, the entire contract is measured at fair value with the gain or loss recognized in income and included in investments in securities at March 31, 2015 and 2014.

The contract amount and the fair value of the derivative instrument outstanding which qualified for hedge accounting at March 31, 2015 and 2014 was as follows:

			<i>Millions of yen</i>		
			2015		
Hedge accounting method	Hedging instrument	Main hedged item	Contract amount	Contract amount payable after one year	Fair value
Allocation method for currency swaps	Currency swap	Bonds for road construction	¥ 202,185	¥ 202,185	(*)
			<i>Millions of yen</i>		
			2014		
Hedge accounting method	Hedging instrument	Main hedged item	Contract amount	Contract amount payable after one year	Fair value
Allocation method for currency swaps	Currency swap	Bonds for road construction	¥ 97,520	¥ 97,520	(*)
			<i>Thousands of U.S. dollars</i>		
			2015		
Hedge accounting method	Hedging instrument	Main hedged item	Contract amount	Contract amount payable after one year	Fair value
Allocation method for currency swaps	Currency swap	Bonds for road construction	\$ 1,682,491	\$ 1,682,491	(*)

(*) Because the currency swap contract is accounted for as if the contract rate applied to the currency swap had originally applied to the underlying bonds for road construction, the fair value is included in the fair value of the 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 Accounting Policies."

Segment income (loss) 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.

(Changes in accounting treatment for retirement benefits)

As noted in Note 2 "Accounting Change", due to the change in the method of calculating retirement benefit obligations and service costs, the method of calculating retirement benefit and service costs in each business segment was changed. The effects of this change were immaterial.

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, 2015 and 2014 is outlined as follows:

<i>Millions of yen</i>						
2015						
	Reportable segments			Total	Adjustments	Consolidated
	Expressway business	Rest area business	Other related business			
Sales to third parties	¥ 891,048	¥ 31,387	¥ 15,734	¥ 938,169	¥ –	¥ 938,169
Intersegment sales and transfers	22	12	27	61	(61)	–
Net sales	891,070	31,399	15,761	938,230	(61)	938,169
Segment income (loss)	¥ (2,067)	¥ 5,284	¥ 1,058	¥ 4,275	¥ 39	¥ 4,314
Segment assets	¥1,100,321	¥173,111	¥ 11,163	¥1,284,595	¥ 196,050	¥ 1,480,645
Segment liabilities	997,185	1,000	–	998,185	278,334	1,276,519
Other items:						
Depreciation and amortization	17,630	3,334	263	21,227	–	21,227
Investments in affiliates	3,722	–	645	4,367	–	4,367
Increase in property and equipment and intangible fixed assets	14,011	2,403	1,807	18,221	2,601	20,822

<i>Millions of yen</i>						
2014						
	Reportable segments			Total	Adjustments	Consolidated
	Expressway business	Rest area business	Other related business			
Sales to third parties	¥ 582,550	¥ 40,190	¥ 12,704	¥ 635,444	¥ –	¥ 635,444
Intersegment sales and transfers	19	21	23	63	(63)	–
Net sales	582,569	40,211	12,727	635,507	(63)	635,444
Segment income (loss)	¥ (3,532)	¥ 5,685	¥ (145)	¥ 2,008	¥ 32	¥ 2,040
Segment assets	¥1,086,394	¥174,809	¥ 5,742	¥1,266,945	¥ 124,938	¥ 1,391,883
Segment liabilities	962,520	4,000	–	966,520	226,722	1,193,242
Other items:						
Depreciation and amortization	17,279	3,315	200	20,794	–	20,794
Investments in affiliates	3,161	–	592	3,753	–	3,753
Increase in property and equipment and intangible fixed assets	11,282	3,168	84	14,534	2,038	16,572

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>						
2015						
	Reportable segments			Total	Adjustments	Consolidated
	Expressway business	Rest area business	Other related business			
Sales to third parties	\$ 7,414,896	\$ 261,188	\$ 130,931	\$ 7,807,015	\$ –	\$ 7,807,015
Intersegment sales and transfers	183	100	225	508	(508)	–
Net sales	7,415,079	261,288	131,156	7,807,523	(508)	7,807,015
Segment income (loss)	\$ (17,201)	\$ 43,971	\$ 8,804	\$ 35,574	\$ 325	\$ 35,899
Segment assets	\$ 9,156,370	\$ 1,440,551	\$ 92,893	\$ 10,689,814	\$ 1,631,439	\$ 12,321,253
Segment liabilities	8,298,119	8,322	–	8,306,441	2,316,168	10,622,609
Other items:						
Depreciation and amortization	146,709	27,744	2,188	176,641	–	176,641
Investments in affiliates	30,973	–	5,367	36,340	–	36,340
Increase in property and equipment and intangible fixed assets	116,593	19,997	15,037	151,627	21,644	173,271

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 ¥39 million (\$325 thousand) and ¥32 million for the years ended March 31, 2015 and 2014, respectively, are eliminations of intersegment transactions.

The adjustments of segment assets in the amounts of ¥196,050 million (\$1,631,439 thousand) and ¥124,938 million at March 31, 2015 and 2014, 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 ¥278,334 million (\$2,316,168 thousand) and ¥226,722 million at March 31, 2015 and 2014, respectively, include corporate liabilities not allocated to reportable segments, principally consisting of other accounts payable and liability for retirement benefits.

The adjustments of property and equipment and intangible fixed assets in the amounts of ¥2,601 million (\$21,644 thousand) and ¥2,038 million for the years ended March 31, 2015 and 2014, 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, 2015 and 2014 is analyzed as follows:

<i>Millions of yen</i>				
2015				
	Toll fee	Completion of road assets	Other	Total
Sales to external customers	¥ 633,895	¥ 255,470	¥ 48,804	¥ 938,169
<i>Millions of yen</i>				
2014				
	Toll fee	Completion of road assets	Other	Total
Sales to external customers	¥ 511,417	¥ 70,457	¥ 53,570	¥ 635,444
<i>Thousands of U.S. dollars</i>				
2015				
	Toll fee	Completion of road assets	Other	Total
Sales to external customers	\$ 5,274,985	\$ 2,125,905	\$ 406,125	\$ 7,807,015

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, 2015 and 2014 were made in Japan, the disclosure of geographical segment information has been omitted.

As property and equipment in the consolidated balance sheets is located only in Japan, the disclosure of information on property and equipment by country or geographic region as of March 31, 2015 and 2014 has been omitted.

Sales to JEHDRA concerning completion of expressway assets amounted to ¥256,533 million (\$2,134,751 thousand) and ¥70,457 million by the expressway business segment for the years ended March 31, 2015 and 2014.

No amortization of goodwill for any segments was recorded for the year ended March 31, 2015 because there is no remaining balance of goodwill for any segments as of March 31, 2015.

Information on amortization of goodwill and the remaining balance by reportable segment as of and for the year ended March 31, 2014 is as follows:

	Millions of yen					
	2014					
	Expressway business	Rest area business	Other related business	Total	Eliminations and other	Consolidated
Amortization of goodwill	¥—	¥ 0	¥—	¥ 0	¥—	¥ 0
Remaining balance	¥—	¥—	¥—	¥—	¥—	¥—

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

20. Segment Information (continued)

Amortization and the remaining balance of negative goodwill arising from business combinations before April 1, 2010 amounted to ¥342 million (\$2,846 thousand) and ¥342 million, and ¥4,528 million (\$37,680 thousand) and ¥4,871 million in “Eliminations and other” as of and for the years ended March 31, 2015 and 2014, respectively.

Gain on negative goodwill in the expressway business segment in the amount of ¥985 million (\$8,197 thousand), in rest area business segment of ¥47 million (\$391 thousand) and in other segment of ¥183 million (\$1,523 thousand) for the year ended March 31, 2015 resulted from the additional acquisition of Central Nippon Road Maintenance Kanazawa Co., Ltd. by Central Nippon Highway Maintenance Hokuriku Co., Ltd. and the acquisition of Hakone Turnpike Limited. by NEXCO Central Nippon Investment LLC., as disclosed in Note 22 “Business Combinations.”

Gain on negative goodwill in the expressway business segment in the amount of ¥743 million and in the rest area business segment of ¥267 million for the year ended March 31, 2014 incurred from the acquisition of Central Nippon Road Maintenance Kanazawa Co., Ltd. by Central Nippon Highway Maintenance Hokuriku Co., Ltd. and the acquisition of Central Nippon Road Maintenance Chubu Co., Ltd. by Central Nippon Highway Maintenance Nagoya Co., Ltd., as disclosed in Note 22 “Business Combinations.”

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

21. Related Party Transactions

Principal transactions between the Company and JEHDRA for the years ended March 31, 2015 and 2014 are summarized as follows:

2015						
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)	¥ 461,889	\$ 3,843,630	Accounts payable due to expressway business operations	¥ 92,344	\$ 768,445
Transfer of road assets and loans and jointly and severally liable debts	Revenues from the transfer of road assets constructed by the Company (*1)	255,470	2,125,905	Accounts receivable due from expressway business operations	29,443	245,011
	Transfer of liabilities and guarantee of debts (*3)	250,000	2,080,386	—	—	—
Jointly and severally liable for debts	Guarantee of debts (*4)	1,407,119	11,709,403	—	—	—
	Guarantee of debts (*5)	992,446	8,258,684	—	—	—
2014						
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)	¥ 360,586	Accounts payable due to expressway business operations	¥ 57,516		
	Revenues from the transfer of road assets constructed by the Company (*1)	70,457	Accounts receivable due from expressway business operations (*2)	13		
Transfer of road assets and loans and jointly and severally liable debts	Transfer of liabilities and guarantee of debts (*3)	65,950	Account receivable due from expressway business operations	5,094		
	Guarantee of debts (*4)	3,005,206	—	—		
Jointly and severally liable for debts	Guarantee of debts (*5)	1,291,981	—	—		

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

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 major shareholder of the Company. JEHDRA's share capital at March 31, 2014 and 2013 amounted to ¥5,491,664 million (\$45,699,126 thousand) and ¥5,376,312 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 the between the Company and JEHDRA.

(*2) Leasing fees may be reduced in proportion to the amount of expressway tolls received by users if the actual toll amounts received fall short of the estimated toll amount in accordance with applicable agreements.

(*3) 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.

(*4) 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.

(*5) Pursuant to Article 15 of the JEHDRA Act, the Company is jointly and severally liable with E-NEXCO and W-NEXCO in the amounts of ¥5,496 million (\$45,735 thousand) and ¥10,981 million and solely liable in the amounts of ¥986,950 million (\$8,212,948 thousand) and ¥1,281,000 million at March 31, 2015 and 2014, respectively, for the debt transferred to JEHDRA in the amount corresponding to costs for construction for expressways, reconstruction, repairs, maintenance and disaster recovery. Related guarantee fees are not received by the Company.

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

22. Business Combinations

(1) Acquisition of Hakone Turnpike Limited.

On April 25, 2014, NEXCO Central Nippon Investment LLC., the Company's consolidated subsidiary, acquired the shares of Hakone Turnpike Limited for a total cost of ¥559 million (\$4,652 thousand). As a result, Hakone Turnpike Limited became a wholly owned subsidiary of NEXCO Central Nippon Investment LLC. As a result, ¥183 million (\$1,523 thousand) of negative goodwill was recognized, corresponding to the excess of the fair value of net assets acquired on the acquisition date over the acquisition costs, which was credited to income for the year ended March 31, 2015.

Hakone Turnpike Limited has been engaged in owning, maintaining and operating motoring roads and other related businesses. The purpose of this acquisition is to ensure effective operations of the motoring roads business based on the Road Transportation Act of Japan.

The assets and liabilities of Hakone Turnpike Limited on the date of the business combination are as follows:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
Current assets	¥ 208	\$ 1,731
Non-current assets	1,208	10,052
Total assets	1,416	11,783
Current liabilities	40	333
Non-current liabilities	1,259	10,477
Total liabilities	¥ 1,299	\$ 10,810

Hakone Turnpike Limited. has a fiscal year end of March 31 and its operating results from April 1, 2014 to March 31, 2015 have been included in the consolidated financial statements.

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

22. Business Combinations (continued)

- (2) Acquisition of Astech Co., Ltd., currently named as Central Nippon Road Maintenance Kanazawa Co., Ltd.

On May 20, 2013, Central Nippon Highway Maintenance Hokuriku Co., Ltd., a wholly-owned subsidiary, additionally acquired 22% of the voting rights of Astech Co., Ltd., currently named as Central Nippon Road Maintenance Kanazawa Co., Ltd., which is engaged in maintenance and repairs of expressways and related operations in exchange for a cash consideration. As a result, Central Nippon Highway Maintenance Hokuriku Co., Ltd. currently holds 55% of the voting rights after this acquisition. The purpose of the business combination is to ensure that maintenance and repair work on expressways is performed in an efficient manner. Central Nippon Road Maintenance Kanazawa Co., Ltd. has a fiscal year end of March 31 and its operating results from April 1, 2013 to March 31, 2014 have been included in the consolidated financial statements.

The fair value of the consideration paid to purchase shares of the acquired entity including acquisition-related expenses was ¥605 million, which was paid to acquire 22% of the voting rights. As a result, ¥364 million of negative goodwill was recognized, corresponding to the excess of the fair value of net assets acquired on the date of the business combination over the acquisition costs, which was credited to income for the year ended March 31, 2014.

The assets and liabilities on the date of the business combination are as follows:

	<i>Millions of yen</i>
Current assets	¥ 1,182
Non-current assets	874
Total assets	2,056
Current liabilities	145
Non-current liabilities	19
Total liabilities	¥ 164

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

22. Business Combinations (continued)

(3) Acquisition of Central Nippon Road Maintenance Chubu Co., Ltd.

On May 20, 2013, as a result of the acquisition of Astech Co., Ltd., currently named as Central Nippon Road Maintenance Kanazawa Co., Ltd., by Central Nippon Highway Maintenance Hokuriku Co., Ltd., the Group automatically acquired shares of Central Nippon Road Maintenance Chubu Co., Ltd., which is engaged in maintenance and repairs of expressways and related operations.

The fair value of the consideration paid to purchase shares of the acquired entity was ¥402 million. As a result, ¥70 million of negative goodwill was recognized, corresponding to the excess of the fair value of net assets acquired on the acquisition date over the acquisition costs, which was credited to income for the year ended March 31, 2014.

The assets and liabilities on the date of the business combination are as follows:

	<i>Millions of yen</i>
Current assets	¥ 1,458
Non-current assets	32
Total assets	1,490
Current liabilities	204
Non-current liabilities	50
Total liabilities	¥ 254

In addition, another consolidated subsidiary acquired 30% of the voting rights of Central Nippon Road Maintenance Chubu Co., Ltd. After these acquisitions, the Group holds 76% of the voting rights in total. The purpose of the corresponding business combination is to ensure that maintenance and repair work on expressways is performed in an efficient manner. Central Nippon Road Maintenance Chubu Co., Ltd. has a fiscal year end of March 31 and its operating results from April 1, 2013 to March 31, 2014 have been included in the consolidated financial statements.

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

23. Other Comprehensive Income

The following table presents an analysis of components of other comprehensive income for the years ended March 31, 2015 and 2014.

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2015	2014	2015
Net unrealized holding gain on securities:			
Amount arising during the year	¥ 48	¥ 37	\$ 399
Reclassification adjustments for loss included in net income	—	3	—
Amount before tax effect	48	40	399
Tax effect	(15)	(14)	(124)
Net unrealized holding gain on securities	33	26	275
Retirement benefits liability adjustments			
Amount arising during the year	3,668	—	30,523
Reclassification adjustments for loss included in net income	1,394	—	11,600
Amount before tax effect	5,062	—	42,123
Tax effect	80	—	666
Retirement benefits liability adjustments	5,142	—	42,789
Share of other comprehensive (loss) income of affiliates accounted for by the equity method:			
Amount arising during the year	(6)	0	(50)
Total other comprehensive income	¥ 5,169	¥ 26	\$ 43,014

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

24. Subsequent Event

Issuance of Corporate Bond

On June 2, 2015, the Company issued Bond of Central Nippon Expressway Company Limited No.61 with a face value of ¥60,000 million (\$499,293 thousand) and an applicable interest rate of 0.262% maturing on June 2, 2020 for construction of expressways, reconstruction, repairs, maintenance, disaster recovery and other management activities related to its expressways.

The issuance price was 100% of face value and the payment date was June 2, 2015. A statutory lien was pledged in accordance with the applicable law.

The following special provisions were attached to the bond.

JEHDRA is jointly and severally liable with the Company for the corresponding obligation, to the extent that the obligation related to the bond is assumed by JEHDRA pursuant to the JEHDRA Act.

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

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

Central Nippon Expressway Company Limited and its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

25. Significant Subsidiaries and Affiliates

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

Name	Ownership interest	Country of incorporation	Subsidiaries / affiliates
Central Nippon Exis Co., Ltd.	100.0%	Japan	Consolidated subsidiary
Central Nippon Extoll Yokohama Co., Ltd.	100.0	Japan	Consolidated subsidiary
Central Nippon Extoll Nagoya Co., Ltd.	100.0	Japan	Consolidated subsidiary
Central Nippon Highway Patrol Tokyo Co., Ltd.	100.0	Japan	Consolidated subsidiary
Central Nippon Highway Patrol Nagoya Co., Ltd.	100.0	Japan	Consolidated subsidiary
Central Nippon Highway Engineering Tokyo Co., Ltd.	100.0	Japan	Consolidated subsidiary
Central Nippon Highway Engineering Nagoya Co., Ltd.	100.0	Japan	Consolidated subsidiary
Central Nippon Highway Maintenance Tomei Co., Ltd.	88.7	Japan	Consolidated subsidiary
Central Nippon Highway Maintenance Chuoh Co., Ltd.	100.0	Japan	Consolidated subsidiary
Central Nippon Highway Maintenance Nagoya Co., Ltd.	100.0	Japan	Consolidated subsidiary
Central Nippon Highway Maintenance Hokuriku Co., Ltd.	100.0	Japan	Consolidated subsidiary
NEXCO Central Nippon Services Co., Ltd.	100.0	Japan	Consolidated subsidiary
Central-NEXCO Technical Marketing Co., Ltd.	100.0	Japan	Consolidated subsidiary
NEXCO Central Nippon Investment LLC.	100.0	Japan	Consolidated subsidiary
H.R. Yokohama Co., Ltd.	100.0	Japan	Consolidated subsidiary
Grancer Seiwa Service Co., Ltd.	72.2	Japan	Consolidated subsidiary
Central Nippon Highway Advance Co., Ltd.	100.0	Japan	Consolidated subsidiary
Central Nippon Road Maintenance Shizuoka Co., Ltd.	51.0	Japan	Consolidated subsidiary
Central Nippon Road Maintenance Tokyo Co., Ltd.	86.2	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.	71.7	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 its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

25. 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.	24.1	Japan	Equity-method affiliate
Japan Expressway International Co., Ltd.	28.7	Japan	Equity-method affiliate
Central Nippon Facilities Management Co., Ltd.	20.0	Japan	Equity-method affiliate
Nihon Road Maintenance Co., Ltd.	15.0	Japan	Equity-method affiliate
Tokyo Highway Co., Ltd.	15.0	Japan	Equity-method affiliate
TC Maintenance Co., Ltd.	33.4	Japan	Equity-method affiliate
NHS Nagoya Co., Ltd.	33.5	Japan	Equity-method affiliate
KOSOKUHOZEN Co., Ltd.	33.4	Japan	Equity-method affiliate
Deros Japan Co., Ltd.	30.3	Japan	Equity-method affiliate

Effective the year ended March 31, 2015, NEXCO Central Nippon Development Co., Ltd. was established by NEXCO Central Nippon Investment LLC. and has been newly consolidated.

Effective the year ended March 31, 2015, Hakone Turnpike Limited., whose shares were newly acquired by NEXCO Central Nippon Investment LLC., a consolidated subsidiary, has been newly consolidated.

Effective the year ended March 31, 2015, Deros Japan Co., Ltd., whose shares were additionally acquired by Central Nippon Highway Maintenance Hokuriku Co., Ltd., a consolidated subsidiary, has been newly accounted for by the equity method.

Weiza Co., Ltd. has not been included in the scope of consolidation since this company is not significant in terms of its total assets, net income or loss, and retained earnings.

Weiza 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 net income or loss, and retained earnings and are not material as a whole.