

**Nagoya Railroad Co., Ltd. and Consolidated Subsidiaries**

**Consolidated Balance Sheets (Unaudited)**

31 March 2018 and 2019

|                                                           | Millions of yen    |                    | Thousands of<br>U.S. dollars<br>(Note 1) |
|-----------------------------------------------------------|--------------------|--------------------|------------------------------------------|
|                                                           | 2018               | 2019               | 2019                                     |
| <b>ASSETS</b>                                             |                    |                    |                                          |
| <b>Current assets:</b>                                    |                    |                    |                                          |
| Cash and cash equivalents                                 | ¥ 30,855           | ¥ 25,192           | \$ 226,955                               |
| Short-term investments                                    | 734                | 678                | 6,108                                    |
| Trade notes and accounts receivable                       | 57,808             | 63,297             | 570,243                                  |
| Inventories                                               | 70,647             | 75,650             | 681,532                                  |
| Others                                                    | 18,282             | 18,061             | 162,712                                  |
| Less allowance for doubtful accounts                      | (290)              | (213)              | (1,919)                                  |
| Total current assets                                      | 178,036            | 182,665            | 1,645,631                                |
| <b>Property and equipment:</b>                            |                    |                    |                                          |
| Land                                                      | 362,632            | 362,296            | 3,263,928                                |
| Buildings and structures                                  | 691,180            | 702,273            | 6,326,784                                |
| Machinery, equipment and vehicles                         | 323,094            | 336,187            | 3,028,712                                |
| Other properties                                          | 68,962             | 70,310             | 633,423                                  |
| Construction in progress                                  | 41,167             | 46,168             | 415,928                                  |
|                                                           | 1,487,035          | 1,517,234          | 13,668,775                               |
| Less accumulated depreciation                             | (697,732)          | (712,307)          | (6,417,180)                              |
| Property and equipment, net                               | 789,303            | 804,927            | 7,251,595                                |
| <b>Investments and other assets:</b>                      |                    |                    |                                          |
| Investment securities                                     | 80,477             | 75,710             | 682,072                                  |
| Investments in unconsolidated subsidiaries and affiliates | 35,656             | 36,105             | 325,270                                  |
| Deferred tax assets (Note 2(b))                           | 13,478             | 15,004             | 135,171                                  |
| Intangible assets                                         | 8,804              | 10,779             | 97,108                                   |
| Other assets                                              | 16,696             | 16,380             | 147,568                                  |
| Allowance for doubtful accounts                           | (1,828)            | (395)              | (3,559)                                  |
| Total investments and other assets                        | 153,283            | 153,583            | 1,383,630                                |
| <b>Total assets</b>                                       | <b>¥ 1,120,622</b> | <b>¥ 1,141,175</b> | <b>\$ 10,280,856</b>                     |

See Notes to Consolidated Financial Statements.

**Nagoya Railroad Co., Ltd. and Consolidated Subsidiaries**

**Consolidated Balance Sheets (Unaudited)**

31 March 2018 and 2019

|                                                                                                                                                         | Millions of yen |             | Thousands of<br>U.S. dollars<br>(Note 1) |
|---------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|-------------|------------------------------------------|
|                                                                                                                                                         | 2018            | 2019        | 2019                                     |
| <b>LIABILITIES AND NET ASSETS</b>                                                                                                                       |                 |             |                                          |
| <b>Current liabilities:</b>                                                                                                                             |                 |             |                                          |
| Short-term borrowings                                                                                                                                   | ¥ 22,500        | ¥ 20,746    | \$ 186,901                               |
| Current portion of long-term debt                                                                                                                       | 55,867          | 44,488      | 400,793                                  |
| Trade notes and accounts payable                                                                                                                        | 69,163          | 77,695      | 699,955                                  |
| Accrued expenses                                                                                                                                        | 15,669          | 16,450      | 148,198                                  |
| Income taxes payable                                                                                                                                    | 9,138           | 7,277       | 65,559                                   |
| Provisions                                                                                                                                              | 2,137           | 2,366       | 21,315                                   |
| Other current liabilities                                                                                                                               | 85,212          | 90,938      | 819,261                                  |
| Total current liabilities                                                                                                                               | 259,686         | 259,960     | 2,341,982                                |
| <b>Non-current liabilities:</b>                                                                                                                         |                 |             |                                          |
| Long-term debt                                                                                                                                          | 348,003         | 333,297     | 3,002,676                                |
| Accrued retirement benefits for directors and corporate auditors                                                                                        | 1,324           | 1,364       | 12,288                                   |
| Deferred tax liabilities (Note 2(b))                                                                                                                    | 3,792           | 4,068       | 36,649                                   |
| Deferred tax liabilities for land revaluation (Note 2(b))                                                                                               | 56,752          | 56,572      | 509,658                                  |
| Provisions                                                                                                                                              | 12,880          | 11,643      | 104,892                                  |
| Employee retirement benefit liability                                                                                                                   | 30,719          | 31,406      | 282,937                                  |
| Other non-current liabilities                                                                                                                           | 17,910          | 18,072      | 162,810                                  |
| Total non-current liabilities                                                                                                                           | 471,380         | 456,422     | 4,111,910                                |
| Total liabilities                                                                                                                                       | 731,066         | 716,382     | 6,453,892                                |
| <b>Contingent liabilities (Note 3)</b>                                                                                                                  |                 |             |                                          |
| <b>Net assets:</b>                                                                                                                                      |                 |             |                                          |
| <b>Shareholders' equity :</b>                                                                                                                           |                 |             |                                          |
| Common stock: authorised - 360,000 thousand shares<br>issued - 190,467 thousand shares at 31 March 2018<br>and 196,306 thousand shares at 31 March 2019 | 95,149          | 100,779     | 907,919                                  |
| Capital surplus                                                                                                                                         | 29,270          | 34,940      | 314,775                                  |
| Retained earnings                                                                                                                                       | 117,154         | 142,912     | 1,287,495                                |
| Treasury stock - at cost: 27 thousand shares at 31 March 2018<br>and 28 thousand shares at 31 March 2019                                                | (30)            | (31)        | (279)                                    |
| Total shareholders' equity                                                                                                                              | 241,543         | 278,600     | 2,509,910                                |
| <b>Accumulated other comprehensive income (loss):</b>                                                                                                   |                 |             |                                          |
| Net unrealised gains on available-for-sale securities                                                                                                   | 28,922          | 25,105      | 226,171                                  |
| Deferred gains and losses on hedges                                                                                                                     | 120             | 81          | 730                                      |
| Land revaluation increment                                                                                                                              | 88,698          | 88,052      | 793,261                                  |
| Foreign currency translation adjustments                                                                                                                | (17)            | (24)        | (216)                                    |
| Retirement benefit adjustments                                                                                                                          | 1,074           | 1,092       | 9,838                                    |
| Total accumulated other comprehensive income (loss)                                                                                                     | 118,797         | 114,306     | 1,029,784                                |
| <b>Non-controlling interests</b>                                                                                                                        | 29,216          | 31,887      | 287,270                                  |
| Total net assets                                                                                                                                        | 389,556         | 424,793     | 3,826,964                                |
| <b>Total liabilities and net assets</b>                                                                                                                 | ¥ 1,120,622     | ¥ 1,141,175 | \$ 10,280,856                            |

**Nagoya Railroad Co., Ltd. and Consolidated Subsidiaries**

**Consolidated Statements of Income (Unaudited)**

For the Years Ended 31 March 2018 and 2019

|                                                            | Millions of yen |           | Thousands of<br>U.S. dollars<br>(Note 1) |
|------------------------------------------------------------|-----------------|-----------|------------------------------------------|
|                                                            | 2018            | 2019      | 2019                                     |
| <b>Operating revenues (Note 4)</b>                         | ¥ 604,804       | ¥ 622,568 | \$ 5,608,721                             |
| <b>Operating expenses</b>                                  |                 |           |                                          |
| Transportation, other services and cost of sales           | 505,776         | 519,201   | 4,677,486                                |
| Selling, general and administrative expenses               | 52,051          | 53,911    | 485,685                                  |
| Total operating expenses                                   | 557,827         | 573,112   | 5,163,171                                |
| <b>Operating income</b>                                    | 46,977          | 49,456    | 445,550                                  |
| <b>Other income (expenses):</b>                            |                 |           |                                          |
| Interest and dividend income                               | 1,614           | 1,674     | 15,081                                   |
| Interest expense                                           | (3,728)         | (3,443)   | (31,018)                                 |
| Equity in net earnings of affiliates                       | 2,926           | 2,708     | 24,396                                   |
| Impairment loss on fixed assets                            | (3,907)         | (1,487)   | (13,396)                                 |
| Gain on sale or disposition of property and equipment, net | 197             | (4,850)   | (43,694)                                 |
| Gain on contributions for construction                     | 976             | 1,387     | 12,495                                   |
| Loss on reduction of property and equipment                | (890)           | (1,228)   | (11,063)                                 |
| Provision for loss on liquidation                          | (915)           | (573)     | (5,162)                                  |
| Others, net                                                | 2,167           | 2,476     | 22,306                                   |
| Other income (expenses), net                               | (1,560)         | (3,336)   | (30,055)                                 |
| <b>Profit before income taxes</b>                          | 45,417          | 46,120    | 415,495                                  |
| <b>Income taxes:</b>                                       |                 |           |                                          |
| Current                                                    | 15,407          | 14,498    | 130,612                                  |
| Deferred                                                   | (1,377)         | (366)     | (3,297)                                  |
| Total income taxes                                         | 14,030          | 14,132    | 127,315                                  |
| <b>Profit</b>                                              | 31,387          | 31,988    | 288,180                                  |
| <b>Profit attributable to:</b>                             |                 |           |                                          |
| Owners of the parent                                       | 28,692          | 30,457    | 274,387                                  |
| Non-controlling interests                                  | 2,695           | 1,531     | 13,793                                   |
| Total profit                                               | ¥ 31,387        | ¥ 31,988  | \$ 288,180                               |
| <b>Per share:</b>                                          |                 |           |                                          |
| Net income:                                                |                 |           |                                          |
| - Basic                                                    | ¥ 155.04        | ¥ 158.90  | \$ 1.43                                  |
| - Diluted                                                  | 136.31          | 144.71    | 1.30                                     |
| Cash dividends                                             | 27.50           | 27.50     | 0.25                                     |

\* The company's common stock was consolidated at the ratio of 5 shares to 1 share with an effective date of 1 October 2017. Accordingly, the net income per share-basic and the net income per share-diluted were calculated based on the assumption that the share consolidation was conducted at the beginning of the fiscal year ended 31 March 2018.

See Notes to Consolidated Financial Statements.

**Nagoya Railroad Co., Ltd. and Consolidated Subsidiaries**

**Consolidated Statements of Comprehensive Income (Unaudited)**

For the Years Ended 31 March 2018 and 2019

|                                                                                            | Millions of yen |          | Thousands of<br>U.S. dollars<br>(Note 1) |
|--------------------------------------------------------------------------------------------|-----------------|----------|------------------------------------------|
|                                                                                            | 2018            | 2019     | 2019                                     |
| <b>Profit</b>                                                                              | ¥ 31,387        | ¥ 31,988 | \$ 288,180                               |
| Other comprehensive income:                                                                |                 |          |                                          |
| Net unrealised gains and losses on available-for-sale securities                           | 5,094           | (3,785)  | (34,099)                                 |
| Deferred gains and losses on hedges                                                        | 338             | (43)     | (387)                                    |
| Land revaluation increment                                                                 | (175)           | (164)    | (1,477)                                  |
| Foreign currency translation adjustments                                                   | (4)             | (7)      | (63)                                     |
| Retirement benefit adjustments                                                             | 2,322           | 49       | 441                                      |
| Share of other comprehensive income of affiliates accounted<br>for using the equity method | 36              | (235)    | (2,118)                                  |
| Total other comprehensive income                                                           | 7,611           | (4,185)  | (37,703)                                 |
| <b>Comprehensive income</b>                                                                | ¥ 38,998        | ¥ 27,803 | \$ 250,477                               |
| <b>Comprehensive income attributable to:</b>                                               |                 |          |                                          |
| Owners of the parent                                                                       | ¥ 36,048        | ¥ 26,448 | \$ 238,270                               |
| Non-controlling interests                                                                  | 2,950           | 1,355    | 12,207                                   |
| Total comprehensive income                                                                 | ¥ 38,998        | ¥ 27,803 | \$ 250,477                               |

See Notes to Consolidated Financial Statements.

## For the Years Ended 31 March 2018 and 2019

\*The company's common stock was consolidated at the ratio of 5 shares to 1 share with an effective date of 1 October 2017. Accordingly, "Number of shares of common stock issued" was calculated based on the assumption that the share consolidation was conducted at the beginning of the fiscal year ended 31 March 2018.

See Notes to Consolidated Financial Statements.

**Nagoya Railroad Co., Ltd. and Consolidated Subsidiaries**

**Consolidated Statements of Cash Flows (Unaudited)**

For the Years Ended 31 March 2018 and 2019

|                                                                                                                        | Millions of yen |          | Thousands of<br>U.S. dollars<br>(Note 1) |
|------------------------------------------------------------------------------------------------------------------------|-----------------|----------|------------------------------------------|
|                                                                                                                        | 2018            | 2019     | 2019                                     |
| <b>Cash flows from operating activities:</b>                                                                           |                 |          |                                          |
| Profit before income taxes                                                                                             | ¥ 45,417        | ¥ 46,120 | \$ 415,495                               |
| Adjustments for:                                                                                                       |                 |          |                                          |
| Depreciation and amortisation                                                                                          | 38,906          | 40,258   | 362,685                                  |
| Impairment loss on fixed assets                                                                                        | 3,907           | 1,487    | 13,396                                   |
| Loss (gain) on sale or disposition of property and equipment, net                                                      | (210)           | 4,908    | 44,216                                   |
| Gain on contributions for construction                                                                                 | (976)           | (1,387)  | (12,495)                                 |
| Increase (decrease) in employee retirement benefit liability                                                           | (139)           | 759      | 6,838                                    |
| Decrease (increase) in trade notes and accounts receivable                                                             | 358             | (5,896)  | (53,117)                                 |
| Decrease (increase) in inventories                                                                                     | 1,925           | (508)    | (4,577)                                  |
| Increase (decrease) in trade notes and accounts payable                                                                | (2,838)         | 5,200    | 46,847                                   |
| Gain on negative goodwill                                                                                              | —               | (1,079)  | (9,721)                                  |
| Others, net                                                                                                            | (3,703)         | (4,759)  | (42,873)                                 |
| Subtotal                                                                                                               | 82,647          | 85,103   | 766,694                                  |
| Interest and dividends received                                                                                        | 2,186           | 2,266    | 20,414                                   |
| Interest paid                                                                                                          | (3,777)         | (3,461)  | (31,180)                                 |
| Income taxes paid                                                                                                      | (15,124)        | (16,504) | (148,685)                                |
| Net cash provided by (used in) operating activities                                                                    | 65,932          | 67,404   | 607,243                                  |
| <b>Cash flows from investing activities:</b>                                                                           |                 |          |                                          |
| Purchases of fixed assets                                                                                              | (50,315)        | (56,632) | (510,198)                                |
| Proceeds from sales of fixed assets                                                                                    | 2,609           | 2,551    | 22,982                                   |
| Proceeds for contributions for construction                                                                            | 7,059           | 6,163    | 55,523                                   |
| Purchases of investments securities                                                                                    | (232)           | (810)    | (7,297)                                  |
| Proceeds from sales or redemptions of investment securities                                                            | 841             | 588      | 5,297                                    |
| Purchases of shares of subsidiaries                                                                                    |                 |          |                                          |
| resulting in change in scope of consolidation                                                                          | (784)           | (614)    | (5,532)                                  |
| Collections of loans receivable                                                                                        | 366             | 638      | 5,748                                    |
| Others, net                                                                                                            | 170             | (172)    | (1,550)                                  |
| Net cash provided by (used in) investing activities                                                                    | (40,286)        | (48,288) | (435,027)                                |
| <b>Cash flows from financing activities:</b>                                                                           |                 |          |                                          |
| Proceeds from long-term debt                                                                                           | 65,386          | 37,614   | 338,865                                  |
| Repayment of long-term debt                                                                                            | (79,366)        | (55,448) | (499,532)                                |
| Net increase (decrease) in short-term borrowings                                                                       | 2,120           | (1,263)  | (11,378)                                 |
| Dividends paid to shareholders                                                                                         | (4,593)         | (5,235)  | (47,162)                                 |
| Dividends paid to minority shareholders                                                                                | (218)           | (243)    | (2,189)                                  |
| Purchases of shares of subsidiaries                                                                                    |                 |          |                                          |
| resulting in no change in scope of consolidation                                                                       | (1)             | (168)    | (1,514)                                  |
| Others, net                                                                                                            | (60)            | (60)     | (540)                                    |
| Net cash provided by (used in) financing activities                                                                    | (16,732)        | (24,803) | (223,450)                                |
| Effect of exchange rate changes on cash and cash equivalents                                                           | (3)             | (4)      | (36)                                     |
| Net increase in cash and cash equivalents                                                                              | 8,911           | (5,691)  | (51,270)                                 |
| Cash and cash equivalents at beginning of year                                                                         | 21,944          | 30,855   | 277,973                                  |
| Increase (decrease) in cash and cash equivalents resulting from change in the fiscal year of consolidated subsidiaries | —               | 28       | 252                                      |
| Cash and cash equivalents at end of year                                                                               | ¥ 30,855        | ¥ 25,192 | \$ 226,955                               |

See Notes to Consolidated Financial Statements.

## **1. Basis of consolidated financial statements**

The accompanying consolidated financial statements of Nagoya Railroad Co., Ltd. (the “Company”) and its consolidated subsidiaries (together with the Company, the “Group”) have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to the application and disclosure requirements from International Financial Reporting Standards.

The accompanying consolidated financial statements have been restructured and translated into English from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP. In preparing these consolidated financial statements, certain reclassifications have been made to the consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan. Certain supplementary information included in the Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements. In addition, certain comparative figures have been reclassified to conform to the current year’s presentation.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan, using the approximate exchange rate prevailing at 31 March 2019, which was ¥111 to U.S. \$1.00. Such translations 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. dollars at this or any other rate of exchange.

## **2. Summary of significant accounting policies**

### **(a) Basis of consolidation**

The accompanying consolidated financial statements include the accounts of the Company and its significant subsidiaries. Investments in significant unconsolidated subsidiaries and affiliated companies are accounted for using the equity method. Investments in unconsolidated subsidiaries and affiliated companies not accounted for using the equity method are stated at cost. If the equity method of accounting had been applied to investments in these companies, the effect on the accompanying consolidated financial statements would have been immaterial.

### **(b) Additional Information**

#### **(Application of Implementation Guidance on Tax Effect Accounting)**

The Company and its domestic subsidiaries adopted “Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, 16 February 2018, Accounting Standards Board of Japan)” from the beginning of the year ended 31 March 2019.

As a result, all deferred tax assets and liabilities have been classified as “Investments and other assets” and “Non-current liabilities” on the balance sheet, respectively.

### 3. Contingent liabilities

At 31 March 2018 and 2019, contingent liabilities were as follows:

|                               | Millions of yen |               | Thousands of<br>U.S. dollars |
|-------------------------------|-----------------|---------------|------------------------------|
|                               | 31 March 2018   | 31 March 2019 | 31 March 2019                |
| Contingently liable for:      |                 |               |                              |
| Guarantees of loans of others | ¥593            | ¥645          | \$5,811                      |
| Total                         | ¥593            | ¥645          | \$5,811                      |

### 4. Segment information

#### (1) General information about reportable segments

The reportable segments of the Company are those units for which separate financial statements can be obtained among the constituent units of the Company and which are regularly examined by the Board of Directors to determine the allocation of management resources and to assess business performance.

The Group is engaged in diversified business activities involving traffic, transport, real estate, leisure, distribution, aviation services, equipment maintenance and others. On the basis of the above activities, the Company's reportable segments are "Traffic," "Transport," "Real Estate," "Leisure and Services," "Distribution" and "Aviation services."

The business descriptions of the reportable segments are as follows:

- Traffic: business related to railroads, buses and taxis
- Transport: business related to trucking and maritime transportation
- Real Estate: Real Estate development, Real Estate leasing and Building maintenance
- Leisure and Services: business related to hotels, restaurants, tourist facilities and travel
- Distribution: department store operations and distributions of other merchandise sales
- Aviation Services: business related general aviation and flight catering

#### (2) Basis of measurement for reportable segment operating revenues, profit or loss, assets and other material items

The accounting procedures applied to the reportable segments are basically the same as those described in Note 2, "Summary of significant accounting policies." Reportable segment income figures are on an operating income basis. Intersegment sales and transfers are based on prevailing market prices.

### (3) Information about reportable segment operating revenues, profit or loss, assets and other material items

Information about reportable segments as of and for the year ended 31 March 2018 was as follows:

|                                                          | Reportable segments |           |             |                      |              |                   | Others (*1) | Total     | Adjustments | Consolidated financial statements |
|----------------------------------------------------------|---------------------|-----------|-------------|----------------------|--------------|-------------------|-------------|-----------|-------------|-----------------------------------|
|                                                          | Traffic             | Transport | Real Estate | Leisure and Services | Distribution | Aviation Services |             |           |             |                                   |
| Millions of yen                                          |                     |           |             |                      |              |                   |             |           |             |                                   |
| For the year 2018:                                       |                     |           |             |                      |              |                   |             |           |             |                                   |
| Operating revenues:                                      |                     |           |             |                      |              |                   |             |           |             |                                   |
| External customers                                       | ¥ 164,771           | ¥ 131,767 | ¥ 79,057    | ¥ 52,751             | ¥ 123,386    | ¥ 25,245          | ¥ 27,827    | ¥ 604,804 | ¥ —         | ¥ 604,804                         |
| Intersegment sales/transfer                              | 2,275               | 424       | 10,102      | 1,484                | 11,068       | —                 | 16,908      | 42,261    | (42,261)    | —                                 |
| Total                                                    | ¥ 167,046           | ¥ 132,191 | ¥ 89,159    | ¥ 54,235             | ¥ 134,454    | ¥ 25,245          | ¥ 44,735    | ¥ 647,065 | ¥ (42,261)  | ¥ 604,804                         |
| Segment income (*2)                                      | 23,942              | 5,690     | 10,603      | 1,509                | 1,267        | 1,953             | 1,586       | 46,550    | 427         | 46,977                            |
| Segment assets (*3)                                      | 482,237             | 113,299   | 282,607     | 32,680               | 46,735       | 23,253            | 57,596      | 1,038,407 | 82,215      | 1,120,622                         |
| Other material items:                                    |                     |           |             |                      |              |                   |             |           |             |                                   |
| Depreciation and amortisation (*4)                       | 18,500              | 5,920     | 6,071       | 1,250                | 1,447        | 2,676             | 3,514       | 39,378    | (472)       | 38,906                            |
| Amortisation of goodwill                                 | —                   | —         | 173         | —                    | —            | —                 | —           | 173       | —           | 173                               |
| Impairment loss on fixed assets                          | 12                  | 73        | 3,584       | 208                  | 6            | —                 | 24          | 3,907     | —           | 3,907                             |
| Increase in property and equipment and intangible assets | 18,830              | 8,768     | 12,875      | 1,056                | 1,169        | 5,312             | 4,227       | 52,237    | —           | 52,237                            |

\*1) "Others" is a business segment that is not considered a reportable segment. It includes the business of equipment maintenance, information processing, insurance agency and others.

\*2) Segment income adjustment amounting to ¥427 million was treated as intersegment elimination.

\*3) Segment assets adjustment amounting to ¥82,215 million consisted of unallocated general corporate assets amounting to ¥111,753 million, net of intersegment elimination of ¥29,538 million. Such general corporate assets consisted mainly of cash, deposits and investment securities.

\*4) Depreciation and amortisation adjustment amounting to ¥472 million was treated as intersegment elimination.

5) Segment income was reconciled to operating income in the accompanying consolidated statements of income.

Information about reportable segments as of and for the year ended 31 March 2019 was as follows:

|                                                          | Reportable segments |           |             |                      |              |                   |             |           |             | Consolidated financial statements |
|----------------------------------------------------------|---------------------|-----------|-------------|----------------------|--------------|-------------------|-------------|-----------|-------------|-----------------------------------|
|                                                          | Traffic             | Transport | Real Estate | Leisure and Services | Distribution | Aviation Services | Others (*1) | Total     | Adjustments |                                   |
| For the year 2019:                                       | Millions of yen     |           |             |                      |              |                   |             |           |             |                                   |
| Operating revenues:                                      |                     |           |             |                      |              |                   |             |           |             |                                   |
| External customers                                       | ¥ 165,433           | ¥ 136,425 | ¥ 81,491    | ¥ 52,001             | ¥ 129,303    | ¥ 27,570          | ¥ 30,345    | ¥ 622,568 | ¥ —         | ¥ 622,568                         |
| Intersegment sales/transfer                              | 2,228               | 438       | 10,523      | 1,419                | 12,929       | —                 | 17,668      | 45,205    | (45,205)    | —                                 |
| Total                                                    | ¥ 167,661           | ¥ 136,863 | ¥ 92,014    | ¥ 53,420             | ¥ 142,232    | ¥ 27,570          | ¥ 48,013    | ¥ 667,773 | ¥ (45,205)  | ¥ 622,568                         |
| Segment income (*2)                                      | 24,380              | 5,969     | 11,405      | 1,796                | 1,185        | 2,804             | 1,627       | 49,166    | 290         | 49,456                            |
| Segment assets (*3)                                      | 489,776             | 115,331   | 301,598     | 34,290               | 48,740       | 24,483            | 54,523      | 1,068,741 | 72,434      | 1,141,175                         |
| Other material items:                                    |                     |           |             |                      |              |                   |             |           |             |                                   |
| Depreciation and amortisation (*4)                       | 18,520              | 6,174     | 6,276       | 1,133                | 2,081        | 2,926             | 3,571       | 40,681    | (423)       | 40,258                            |
| Amortisation of goodwill                                 | —                   | —         | 322         | —                    | —            | —                 | 4           | 326       | —           | 326                               |
| Impairment loss on fixed assets                          | 29                  | —         | 1,307       | 110                  | 22           | —                 | 19          | 1,487     | —           | 1,487                             |
| Increase in property and equipment and intangible assets | 19,110              | 12,728    | 13,141      | 1,275                | 572          | 3,034             | 4,974       | 54,834    | —           | 54,834                            |

|                                                          | Reportable segments       |              |             |                      |              |                   |             |              |              | Consolidated financial statements |
|----------------------------------------------------------|---------------------------|--------------|-------------|----------------------|--------------|-------------------|-------------|--------------|--------------|-----------------------------------|
|                                                          | Traffic                   | Transport    | Real Estate | Leisure and Services | Distribution | Aviation Services | Others (*1) | Total        | Adjustments  |                                   |
|                                                          | Thousands of U.S. dollars |              |             |                      |              |                   |             |              |              |                                   |
| For the year 2019:                                       |                           |              |             |                      |              |                   |             |              |              |                                   |
| Operating revenues:                                      |                           |              |             |                      |              |                   |             |              |              |                                   |
| External customers                                       | \$ 1,490,387              | \$ 1,229,054 | \$ 734,153  | \$ 468,477           | \$ 1,164,892 | \$ 248,379        | \$ 273,379  | \$ 5,608,721 | \$ —         | \$ 5,608,721                      |
| Intersegment sales/transfer                              | 20,072                    | 3,946        | 94,802      | 12,784               | 116,477      | —                 | 159,171     | 407,252      | (407,252)    | —                                 |
| Total                                                    | \$ 1,510,459              | \$ 1,233,000 | \$ 828,955  | \$ 481,261           | \$ 1,281,369 | \$ 248,379        | \$ 432,550  | \$ 6,015,973 | \$ (407,252) | \$ 5,608,721                      |
| Segment income (*2)                                      | 219,640                   | 53,775       | 102,748     | 16,180               | 10,676       | 25,261            | 14,657      | 442,937      | 2,613        | 445,550                           |
| Segment assets (*3)                                      | 4,412,396                 | 1,039,018    | 2,717,099   | 308,919              | 439,099      | 220,568           | 491,198     | 9,628,297    | 652,559      | 10,280,856                        |
| Other material items:                                    |                           |              |             |                      |              |                   |             |              |              |                                   |
| Depreciation and amortisation (*4)                       | 166,847                   | 55,622       | 56,541      | 10,207               | 18,748       | 26,360            | 32,171      | 366,496      | (3,811)      | 362,685                           |
| Amortisation of goodwill                                 | —                         | —            | 2,901       | —                    | —            | —                 | 36          | 2,937        | —            | 2,937                             |
| Impairment loss on fixed assets                          | 261                       | —            | 11,775      | 991                  | 198          | —                 | 171         | 13,396       | —            | 13,396                            |
| Increase in property and equipment and intangible assets | 172,162                   | 114,667      | 118,387     | 11,486               | 5,153        | 27,334            | 44,811      | 494,000      | —            | 494,000                           |

\*1) "Others" is a business segment that is not considered a reportable segment. It includes the business of equipment maintenance, information processing, insurance agency and others.

\*2) Segment income adjustment amounting to ¥290 million (\$2,613 thousand) was treated as intersegment elimination.

\*3) Segment assets adjustment amounting to ¥72,434 million (\$652,559 thousand) consisted of unallocated general corporate assets amounting to ¥105,414 million (\$949,676 thousand), net of intersegment elimination of ¥32,980 million (\$297,117 thousand). Such general corporate assets consisted mainly of cash, deposits and investment securities.

\*4) Depreciation and amortisation adjustment amounting to ¥423million (\$3,811 thousand) was treated as intersegment elimination.

5) Segment income was reconciled to operating income in the accompanying consolidated statements of income.

### **(Information Related to Changes in Reportable Segments )**

Based on “The new medium-term management plan, BUILD UP 2020,” the company revised its reportable segments from the year ended 31 March 2019. Accordingly, the previous reportable segments “Traffic,” “Transport,” “Real Estate,” “Leisure and Services” and “Distribution” have been changed to “Traffic,” “Transport,” “Real Estate,” “Leisure and Services,” “Distribution” and “Aviation Services.” “Building Maintenance” included in “Others” has been reclassified to “Real Estate.”

Further, the year ended 31 March 2018 information has been prepared and presented based on the new reportable segments.

### **5. Subsequent events**

Based on the resolution of the Board of Directors of the Company on 25 March 2019, the Company issued the 58th Series Unsecured Straight Bonds as shown below.

The details are as follows:

#### **58th Series Unsecured Straight Bonds**

1. Total amount of issue: 10 billion yen
2. Issue value: 100 yen per face value of 100 yen
3. Coupon: 0.725% per annum
4. Issue date: 25 April 2019
5. Maturity date: 25 April 2039
6. Use of proceeds: Redemption of bonds