

Consolidated Financial Statements

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

*Years ended March 31, 2016 and 2015
with Independent Auditor's Report*

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Consolidated Financial Statements

Years ended March 31, 2016 and 2015

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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, 2016 and 2015, 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, 2016 and 2015, 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 23, 2016
Nagoya, Japan

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Consolidated Balance Sheets

March 31, 2016 and 2015

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1(a))</i>
	2016	2015	2016
Assets			
Current assets:			
Cash and deposits (<i>Notes 9, 17 and 18</i>)	¥ 73,444	¥ 86,489	\$ 651,793
Accounts receivable due from expressway business operations (<i>Notes 18 and 21</i>)	72,387	86,224	642,412
Other accounts receivable (<i>Note 18</i>)	9,777	7,664	86,768
Marketable securities (<i>Notes 4, 17 and 18</i>)	50	100,450	444
Inventories (<i>Note 5</i>)	686,098	899,634	6,088,907
Deferred income taxes (<i>Note 10</i>)	2,874	2,599	25,506
Other current assets (<i>Note 18</i>)	25,727	15,881	228,318
Allowance for doubtful accounts	(10)	(15)	(89)
Total current assets	870,347	1,198,926	7,724,059
Property and equipment (<i>Notes 7, 15 and 20</i>):			
Buildings	64,395	61,101	571,486
Structures	58,694	56,445	520,891
Machinery and equipment	101,896	99,603	904,295
Vehicles	25,932	20,788	230,138
Tools, furniture and fixtures	14,537	13,437	129,011
Land	120,413	120,424	1,068,628
Leased assets	2,871	2,387	25,479
Construction in progress	3,836	4,543	34,043
Less accumulated depreciation	(130,079)	(119,016)	(1,154,409)
Total property and equipment	262,495	259,712	2,329,562
Investments and other assets:			
Investments in unconsolidated subsidiaries and affiliates (<i>Notes 6, 18 and 20</i>)	4,848	4,470	43,024
Investments in securities (<i>Notes 4 and 18</i>)	664	912	5,893
Intangible fixed assets (<i>Note 20</i>)	8,884	7,761	78,843
Deferred income taxes (<i>Note 10</i>)	3,028	2,546	26,873
Asset for retirement benefits (<i>Note 11</i>)	266	271	2,361
Others (<i>Note 9</i>)	5,572	4,771	49,450
Allowance for doubtful accounts	(514)	(255)	(4,562)
Total investments and other assets	22,748	20,476	201,882
Deferred assets:			
Bond issuance expenses for road construction	995	1,531	8,830
Total assets (<i>Notes 9 and 20</i>)	¥ 1,156,585	¥ 1,480,645	\$ 10,264,333

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1(a))</i>
	2016	2015	2016
Liabilities			
Current liabilities:			
Accounts payable due to expressway business operations (Notes 18 and 21)	¥ 158,268	¥ 120,216	\$ 1,404,579
Current portion of long-term debt (Notes 8, 9, 18 and 21)	100	41,000	887
Current portion of lease obligations (Note 8)	561	459	4,979
Other accounts payable (Note 18)	48,022	31,080	426,180
Income and other taxes payable (Notes 10 and 18)	2,941	3,289	26,100
Accrued employees' bonuses	3,150	2,933	27,955
Allowance for losses due to forged expressway cards	—	39	—
Other current liabilities	20,856	16,243	185,092
Total current liabilities (Note 20)	<u>233,898</u>	<u>215,259</u>	<u>2,075,772</u>
Long-term liabilities:			
Long-term debt (Notes 8, 9, 18 and 21)	604,568	957,193	5,365,353
Lease obligations (Note 8)	1,218	1,307	10,809
Deferred income taxes (Note 10)	302	313	2,680
Liabilities for retirement benefits (Note 11)	91,204	69,038	809,407
Accrued retirement benefits for directors, audit and supervisory board members and corporate officers	236	195	2,094
Allowance for ETC mileage program	8,570	8,481	76,056
Allowance for card shopping point program	19	28	169
Others	25,885	24,705	229,723
Total long-term liabilities (Note 20)	<u>732,002</u>	<u>1,061,260</u>	<u>6,496,291</u>
Contingent liabilities (Notes 12 and 21)			
Net assets:			
Shareholder's equity (Note 13):			
Common stock	65,000	65,000	576,855
Authorized : 520,000,000 shares			
Issued : 130,000,000 shares at March 31, 2016 and 2015			
Capital surplus	71,869	71,650	637,815
Retained earnings	77,377	69,465	686,697
Total shareholder's equity	<u>214,246</u>	<u>206,115</u>	<u>1,901,367</u>
Accumulated other comprehensive loss:			
Net unrealized holding gain on securities (Note 4)	53	52	470
Retirement benefit liability adjustments (Note 11)	(25,679)	(4,318)	(227,893)
Total accumulated other comprehensive loss	<u>(25,626)</u>	<u>(4,266)</u>	<u>(227,423)</u>
Non-controlling interests (Note 16)	<u>2,065</u>	<u>2,277</u>	<u>18,326</u>
Total net assets (Note 16)	<u>190,685</u>	<u>204,126</u>	<u>1,692,270</u>
Total liabilities and net assets	<u>¥ 1,156,585</u>	<u>¥ 1,480,645</u>	<u>\$ 10,264,333</u>

See notes to consolidated financial statements.

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Consolidated Statements of Income

Years ended March 31, 2016 and 2015

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1(a))</i>
	2016	2015	2016
Operating revenues (Notes 20 and 21)	¥ 1,300,352	¥ 938,169	\$ 11,540,220
Operating expenses:			
Road assets leasing expenses (Note 21)	479,507	461,889	4,255,476
Cost of sales and administrative expenses for expressway business operations (Note 14)	732,507	393,178	6,500,772
Selling, general and administrative expenses (Note 14)	79,040	78,788	701,455
Total operating expenses	1,291,054	933,855	11,457,703
Operating income (Note 20)	9,298	4,314	82,517
Other income (expenses):			
Interest income	66	70	586
Land and property rental fees	199	201	1,766
Amortization of negative goodwill (Note 20)	342	342	3,035
Equity in earnings of affiliates	588	511	5,218
Interest expenses	(21)	(34)	(186)
Gain on sales of fixed assets	136	251	1,207
Loss on disposal of fixed assets	(247)	(221)	(2,192)
Loss on sales of fixed assets	(54)	(55)	(479)
Gain on negative goodwill (Notes 20 and 22)	—	1,215	—
Interest income refunds	—	506	—
Gain on donation of property and equipment	341	528	3,026
Others	1,052	593	9,336
Profit before income taxes	11,700	8,221	103,834
Income taxes (Note 10):			
Current	3,705	3,627	32,881
Deferred	(20)	142	(178)
	3,685	3,769	32,703
Profit	8,015	4,452	71,131
Profit attributable to:			
Non-controlling interests	103	57	914
Owner of parent	¥ 7,912	¥ 4,395	\$ 70,217

See notes to consolidated financial statements.

Central Nippon Expressway Company Limited and
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Consolidated Statements of Comprehensive Income

Years ended March 31, 2016 and 2015

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1(a))</i>
	2016	2015	2016
Profit	¥ 8,015	¥ 4,452	\$ 71,131
Other comprehensive (loss) income <i>(Note 23)</i> :			
Net unrealized holding gain on securities	5	33	44
Retirement benefit liability adjustments	(20,973)	5,142	(186,129)
Share of other comprehensive loss of affiliates accounted for by the equity method	(392)	(6)	(3,478)
Total other comprehensive (loss) income	(21,360)	5,169	(189,563)
Comprehensive (loss) income	¥ (13,345)	¥ 9,621	\$ (118,432)
Total comprehensive income (loss) attributable to:			
Owner of parent	¥ (13,448)	¥ 9,564	\$ (119,346)
Non-controlling interests	103	57	914

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

Years ended March 31, 2016 and 2015

	Number of shares in issue	<i>Millions of yen</i>		
		Common stock	Capital surplus	Retained earnings
Balance at April 1, 2014, as originally reported	130,000,000	¥65,000	¥71,650	¥ 67,719
Cumulative effect of change in accounting policy (<i>Note 2</i>)	—	—	—	(2,649)
Balance at April 1, 2014, as adjusted	130,000,000	65,000	71,650	65,070
Profit attributable to owner of parent for the year	—	—	—	4,395
Other changes	—	—	—	—
Balance at April 1, 2015	130,000,000	65,000	71,650	69,465
Profit attributable to owner of parent for the year	—	—	—	7,912
Change in ownership interests due to transactions with non-controlling interests	—	—	219	—
Other changes	—	—	—	—
Balance at March 31, 2016	130,000,000	¥65,000	¥71,869	¥ 77,377

	<i>Millions of yen</i>			
	Accumulated other comprehensive loss			
	Net unrealized holding gain on securities	Retirement benefit liability adjustments	Non-controlling interests	Total net assets
Balance at April 1, 2014, as originally reported	¥ 23	¥ (9,457)	¥ 3,706	¥198,641
Cumulative effect of change in accounting policy (<i>Note 2</i>)	—	—	—	(2,649)
Balance at April 1, 2014, as adjusted	23	(9,457)	3,706	195,992
Profit attributable to owner of parent for the year	—	—	—	4,395
Other changes	29	5,139	(1,429)	3,739
Balance at April 1, 2015,	52	(4,318)	2,277	204,126
Profit attributable to owner of parent for the year	—	—	—	7,912
Change in ownership interests due to transactions with non-controlling interests	—	—	—	219
Other changes	1	(21,361)	(212)	(21,572)
Balance at March 31, 2016	¥ 53	¥(25,679)	¥ 2,065	¥190,685

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

Years ended March 31, 2016 and 2015

	<i>Thousands of U.S. dollars (Note 1(a))</i>		
	Common stock	Capital surplus	Retained earnings
Balance at April 1, 2015	\$ 576,855	\$ 635,871	\$ 616,480
Profit attributable to owner of parent for the year	—	—	70,217
Change in ownership interests due to transactions with non-controlling interests	—	1,944	—
Other changes	—	—	—
Balance at March 31, 2016	\$ 576,855	\$ 637,815	\$ 686,697

	<i>Thousands of U.S. dollars (Note 1(a))</i>			
	Accumulated other comprehensive loss			
	Net unrealized holding gain on securities	Retirement benefit liability adjustments	Non-controlling interests	Total net assets
Balance at April 1, 2015	\$ 461	\$ (38,321)	\$ 20,208	\$ 1,811,554
Profit attributable to owner of parent for the year	—	—	—	70,217
Change in ownership interests due to transactions with non-controlling interests	—	—	—	1,944
Other changes	9	(189,572)	(1,882)	(191,445)
Balance at March 31, 2016	\$ 470	\$ (227,893)	\$ 18,326	\$ 1,692,270

Central Nippon Expressway Company Limited and
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Consolidated Statements of Cash Flows

Years ended March 31, 2016 and 2015

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1(a))</i>
	2016	2015	2016
Cash flows from operating activities:			
Profit before income taxes	¥ 11,700	¥ 8,221	\$ 103,834
Depreciation and amortization	20,412	21,227	181,150
Gain on negative goodwill	—	(1,215)	—
Equity in earnings of affiliates	(588)	(511)	(5,218)
Increase in asset and liabilities for retirement benefits	451	954	4,002
Increase in accrued employees' bonuses	216	100	1,917
Increase in allowance for ETC mileage program	89	1,174	790
Increase (decrease) in allowance for doubtful accounts	255	(49)	2,263
Interest and dividend income	(76)	(87)	(674)
Interest expense	3,673	4,478	32,597
Gain on sales of fixed assets	(82)	(196)	(728)
Loss on disposal of fixed assets	1,979	1,320	17,563
Decrease (increase) in accounts receivable due from expressway business operations	10,981	(34,927)	97,453
Decrease (increase) in inventories	213,305	(21,093)	1,893,016
Increase in accounts payable due to expressway business operations	42,184	38,291	374,370
Increase in other accounts payable	6,833	49,346	60,641
Others	1,933	3,706	17,154
Subtotal	313,265	70,739	2,780,130
Interest and dividends received	88	134	780
Interest paid	(4,164)	(4,556)	(36,954)
Income taxes paid	(3,988)	(2,652)	(35,392)
Net cash provided by operating activities	305,201	63,665	2,708,564
Cash flows from investing activities:			
Increase in time deposits	(0)	(175)	(0)
Decrease in time deposits	100	1,366	887
Payment for purchase of marketable securities	—	(300)	—
Proceeds from sales and redemption of marketable securities	450	—	3,994
Payments for purchase of investments in securities	(195)	(131)	(1,731)
Proceeds from sales and redemption of investments in securities	200	49	1,775
Payments for purchase of fixed assets	(24,819)	(19,347)	(220,261)
Proceeds from sale of fixed assets	811	425	7,197
Payment for acquisition of investments in a subsidiary resulting in change in scope of consolidation (Note 17)	—	(361)	—
Others	59	156	525
Net cash used in investing activities	(23,394)	(18,318)	(207,614)
Cash flows from financing activities:			
Proceeds from long-term loans	34,014	36,000	301,864
Repayments of long-term loans (Note 17)	(61,075)	(56,337)	(542,022)
Proceeds from issuance of bonds for road construction	225,495	249,056	2,001,198
Redemption of bonds for road construction (Note 17)	(592,520)	(200,000)	(5,258,431)
Cash dividends paid to non-controlling shareholders	—	(14)	—
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(96)	—	(852)
Others	(570)	(755)	(5,059)
Net cash (used in) provided by financing activities	(394,752)	27,950	(3,503,302)
Effect of exchange rate changes on cash and cash equivalents	(0)	0	(0)
Net (decrease) increase in cash and cash equivalents	(112,945)	73,297	(1,002,352)
Cash and cash equivalents at beginning of the year	185,924	112,627	1,650,018
Cash and cash equivalents at end of the year (Note 17)	¥ 72,979	¥ 185,924	\$ 647,666

See notes to consolidated financial statements.

Central Nippon Expressway Company Limited and its Consolidated Subsidiaries

Notes to Consolidated Financial Statements

March 31, 2016 and 2015

1. Summary of Significant Accounting Policies

(a) Basis of presentation

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

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

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

The translation of Japanese yen amounts into U.S. dollars is included solely for the convenience of the reader and has been made at ¥112.68 = U.S. \$1.00, the approximate rate of exchange in effect on March 31, 2016. This translation should not be construed as a representation that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollar amounts at the above or any other rate.

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

1. Summary of Significant Accounting Policies (continued)

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

The accompanying consolidated financial statements include the accounts of the Company and its 25 significant consolidated subsidiaries for the years ended March 31, 2016 and 2015. The Company has applied the equity method to its investments in 13 significant affiliates for the purpose of the consolidated financial statements for the years ended March 31, 2016 and 2015.

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

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

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

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

Negative goodwill is credited to income when incurred. Negative goodwill recognized 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 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 fixed assets (except for leased assets)

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

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

(i) Leased assets

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

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

1. Summary of Significant Accounting Policies (continued)

(j) Bond issuance expenses for road construction

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

(k) Derivatives and hedging activities

The Company has entered into currency swap contracts and interest-rate swap contracts to hedge its exposure to exchange rate fluctuation risk and interest rate fluctuation risk corresponding to corporate bonds denominated in 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. Interest-rate swap contracts that meet certain conditions are accounted for by the special treatment. Under the treatment, the net amount to be paid or received under the contracts is added to or deducted from the interest on the hedged items, by treating them as a single item.

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

(l) Income taxes

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

(m) Accrued employees' bonuses

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

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

(n) Retirement benefits

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

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

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

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

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

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

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

(p) Allowance for 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
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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 is ¥5,000 million (\$44,373 thousand) or more. Other construction contracts are accounted for by the completed-contract method.

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

2. Accounting Changes

1. Accounting Standards for Business Combinations and Consolidated Financial Statements

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

Central Nippon Expressway Company Limited and its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Accounting Change (continued)

1. Accounting Standards for Business Combinations and Consolidated Financial Statements (continued)

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

In order to reflect this change in presentation, certain accounts in the prior year’s consolidated financial statements have been reclassified to conform to the current period’s presentation.

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

As a result, profit before income taxes decreased by ¥219 million (\$1,944 thousand) and capital surplus increased by ¥219 million (\$1,944 thousand) for the year ended and as of March 31, 2016.

As a result, capital surplus in consolidated statements of changes in net assets increased by ¥219 million (\$1,944 thousand) as of March 31, 2016.

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

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

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Accounting Change (continued)

2. 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 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.

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, liabilities for retirement benefits increased by ¥2,786 million and retained earnings at the beginning of the current year decreased by ¥2,649 million.

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.

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

3. Accounting Standards Issued but Not Yet Effective

Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, March 28, 2016)

(1) Summary

When responsibility for providing practical guidelines on the accounting and auditing treatment of recoverability of deferred tax assets (limited to the portion related to accounting treatment) was transferred from the Japanese Institute of Certified Public Accountants (JICPA) to the ASBJ, the ASBJ partially revised the requirement criteria for entity categorization and the treatment of net deferred tax assets regarding guidance for the recoverability of deferred tax assets mainly prescribed in JICPA Audit Committee Report No. 66 “Auditing Treatment for Determining the Recoverability of Deferred Tax Assets.” The ASBJ has mainly adhered to the basic framework for categorizing into five categories and for estimating the recoverability of deferred tax assets based on each of these categories. In addition, implementation guidance is described in this guidance for entities adopting Accounting Standard for Tax Effects (Business Accounting Council (Japan)) and assessing deferred tax assets.

(2) Planned adoption date

The Group will adopt the guidance from the year beginning on April 1, 2016.

(3) Impact of adoption

The Group is currently assessing the impact 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 fair value at March 31, 2016 and 2015 are as follows:

	<i>Millions of yen</i>					
	Held-to-maturity debt securities					
	2016			2015		
	Carrying value	Fair value	Unrealized gain	Carrying value	Fair value	Unrealized gain
Securities with fair value exceeding carrying value:						
National and local government bonds	¥ 350	¥ 369	¥ 19	¥ 351	¥ 366	¥ 15
Corporate bonds	50	52	2	150	154	4
Total	<u>¥ 400</u>	<u>¥ 421</u>	<u>¥ 21</u>	<u>¥ 501</u>	<u>¥ 520</u>	<u>¥ 19</u>
	<i>Thousands of U.S. dollars</i>					
	Held-to-maturity debt securities					
	2016					
	Carrying value	Fair value	Unrealized gain			
Securities with fair value exceeding carrying value:						
National and local government bonds	\$3,107	\$ 3,275	\$ 168			
Corporate bonds	444	461	17			
Total	<u>\$3,551</u>	<u>\$ 3,736</u>	<u>\$ 185</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, 2016 and 2015 are as follows:

<i>Millions of yen</i>						
Other securities						
2016			2015			
Acquisition cost	Carrying value	Unrealized gain (loss)	Acquisition cost	Carrying value	Unrealized gain (loss)	
Securities with carrying value exceeding acquisition cost:						
Stocks	¥ 78	¥175	¥ 97	¥ 128	¥ 209	¥ 81
Securities with carrying value not exceeding acquisition cost:						
Stocks	38	23	(15)	38	32	(6)
Bonds	—	—	—	204	204	—
Other	—	—	—	100,300	100,300	—
Subtotal	38	23	(15)	100,542	100,536	(6)
Total	¥ 116	¥ 198	¥ 82	¥100,670	¥100,745	¥ 75

				<i>Thousands of U.S. dollars</i>		
				Other securities		
				2016		
	Acquisition cost	Carrying value	Unrealized gain (loss)			
Securities with carrying value exceeding acquisition cost:						
Stocks	\$ 692	\$1,553	\$ 861			
Securities with carrying value not exceeding acquisition cost:						
Stocks	337	204	(133)			
Bonds	—	—	—			
Other	—	—	—			
Subtotal	337	204	(133)			
Total	\$1,029	\$1,757	\$ 728			

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

4. Securities (continued)

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

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

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 (\$1,029 thousand) and ¥116 million at March 31, 2016 and 2015 are not included in the above table.

5. Inventories

Inventories at March 31, 2016 and 2015 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2016	2015	2016
Work in process for road construction	¥ 683,162	¥ 896,195	\$ 6,062,851
Merchandise and finished goods	273	559	2,423
Work in process	1,090	1,299	9,673
Raw materials and supplies	1,573	1,581	13,960
	¥ 686,098	¥ 899,634	\$ 6,088,907

6. Investments in Unconsolidated Subsidiaries and Affiliates

Investments in unconsolidated subsidiaries and affiliates included stock of jointly controlled companies of ¥1,939 million (\$17,208 thousand) and ¥1,642 million at March 31, 2016 and 2015, 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, 2016 and 2015 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, 2015	Net change	March 31, 2016	March 31, 2016
Rental properties	¥ 6,209	¥ (837)	¥ 5,372	¥ 4,712
<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>Thousands of U.S. dollars</i>				
<i>Carrying value</i>			<i>Fair value</i>	
	April 1, 2015	Net change	March 31, 2016	March 31, 2016
Rental properties	\$ 55,103	\$ (7,428)	\$ 47,675	\$ 41,818

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

Net change in rental properties in the above table for the years ended March 31, 2016 and 2015 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 consolidated balance sheets as of March 31, 2016 and 2015 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, 2015</u>	<u>Net change</u>	<u>March 31, 2016</u>
			<u>March 31, 2016</u>
Real estate including certain portions used as investment property	¥ 133,379	¥1,781	¥ 135,160
			¥ 112,497
<i>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>
			<u>March 31, 2015</u>
Real estate including certain portions used as investment property	¥ 132,352	¥1,027	¥ 133,379
			¥ 112,409
<i>Thousands of U.S. dollars</i>			
	<i>Carrying value</i>		<i>Fair value</i>
	<u>April 1, 2015</u>	<u>Net change</u>	<u>March 31, 2016</u>
			<u>March 31, 2016</u>
Real estate including certain portions used as investment property	\$ 1,183,697	\$15,806	\$ 1,199,503
			\$ 998,376

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

Net changes in real estate including certain portions used as investment property for the years ended March 31, 2016 and 2015 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, 2016 and 2015 are as follows:

	<i>Millions of yen</i>		
	2016		
	Operating revenues	Operating expenses	Net
Rental properties	¥ 476	¥ 193	¥ 283
Real estate including certain portions used as investment property	24,216	12,435	11,781
	<i>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>Thousands of U.S. dollars</i>		
	2016		
	Operating revenues	Operating expenses	Net
Rental properties	\$ 4,224	\$ 1,713	\$ 2,511
Real estate including certain portions used as investment property	214,909	110,357	104,552

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

Operating revenues in the above table includes revenues from retail businesses and others operated by consolidated subsidiaries in the amounts of ¥4,813 million (\$42,714 thousand) and ¥5,106 million for the years ended March 31, 2016 and 2015, 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, 2016 and 2015 consisted of the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2016	2015	2016
Bonds for road construction	¥ 535,721	¥ 902,185	\$ 4,754,357
Long-term loans for road construction at interest rates ranging from 0.200% to 0.554% due from 2016 to 2020	68,014	95,000	603,603
Other long-term loans at interest rates ranging from 0.120% to 2.000% due from 2017 to 2033	933	1,008	8,280
	604,668	998,193	5,366,240
Less current portion	(100)	(41,000)	(887)
	¥ 604,568	¥ 957,193	\$ 5,365,353

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, 2016 and 2015 are summarized as follows:

		Issue date	Maturity date	Interest rate (%)	Note	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
						2016	2015	2016
No.39	Bond of Central Nippon Expressway Company Limited	February 28, 2012	December 20, 2021	1.05	*	¥ —	¥ 50,000	\$ —
No.40	Bond of Central Nippon Expressway Company Limited	May 23, 2012	March 18, 2016	0.29	*	—	40,000	—
No.41	Bond of Central Nippon Expressway Company Limited	May 23, 2012	March 20, 2019	0.56	*	—	20,000	—
No.42	Bond of Central Nippon Expressway Company Limited	May 23, 2012	March 18, 2022	0.94	*	—	40,000	—
No.43	Bond of Central Nippon Expressway Company Limited	September 20, 2012	September 20, 2017	0.36	*	—	30,000	—
No.44	Bond of Central Nippon Expressway Company Limited	September 20, 2012	September 20, 2019	0.53	*	—	15,000	—
No.45	Bond of Central Nippon Expressway Company Limited	September 20, 2012	September 20, 2022	0.90	*	—	35,000	—
No.46	Bond of Central Nippon Expressway Company Limited	November 9, 2012	September 20, 2017	0.35	*	—	60,000	—
No.47	Bond of Central Nippon Expressway Company Limited	March 19, 2013	March 20, 2018	0.27	*	—	50,000	—
No.48	Bond of Central Nippon Expressway Company Limited	March 19, 2013	March 20, 2023	0.80	*	—	20,000	—
No.49	Bond of Central Nippon Expressway Company Limited	May 21, 2013	March 20, 2018	0.50	*	—	70,000	—
No.1	U.S. Bond of Central Nippon Expressway Company Limited	September 10, 2013	September 10, 2018	2.36	*	—	97,520	—

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, 2016 and 2015 are summarized as follows (continued):

						Millions of yen		Thousands of U.S. dollars	
		Issue date	Maturity date	Interest rate (%)	Note	2016	2015	2016	
No.50	Bond of Central Nippon Expressway Company Limited	November 8, 2013	November 8, 2016	0.23	*	¥ —	¥ 15,000	\$ —	
No.51	Bond of Central Nippon Expressway Company Limited	November 8, 2013	November 8, 2018	0.32	*	—	25,000	—	
No.52	Bond of Central Nippon Expressway Company Limited	November 8, 2013	November 6, 2020	0.48	*	—	15,000	—	
No.53	Bond of Central Nippon Expressway Company Limited	February 14, 2014	June 20, 2017	0.22		30,000	30,000	266,241	
No.54	Bond of Central Nippon Expressway Company Limited	February 14, 2014	December 20, 2018	0.31		20,000	20,000	177,494	
No.55	Bond of Central Nippon Expressway Company Limited	February 14, 2014	December 18, 2020	0.47	*	—	10,000	—	
No.56	Bond of Central Nippon Expressway Company Limited	February 14, 2014	December 20, 2023	0.75		10,000	10,000	88,747	
No.57	Bond of Central Nippon Expressway Company Limited	May 30, 2014	March 20, 2019	0.29		100,000	100,000	887,469	
No.2	U.S. Bond of Central Nippon Expressway Company Limited	August 5, 2014	August 5, 2019	2.17		50,840	50,840	451,189	
No.3	U.S. Bond of Central Nippon Expressway Company Limited	November 5, 2014	November 5, 2019	2.08		53,825	53,825	477,680	
No.58	Bond of Central Nippon Expressway Company Limited	February 19, 2015	December 20, 2019	0.18		25,000	25,000	221,867	
No.59	Bond of Central Nippon Expressway Company Limited	February 19, 2015	December 20, 2021	0.31		10,000	10,000	88,747	
No.60	Bond of Central Nippon Expressway Company Limited	February 19, 2015	December 20, 2024	0.54		10,000	10,000	88,747	
No.61	Bond of Central Nippon Expressway Company Limited	June 2, 2015	June 2, 2020	0.26		60,000	—	532,481	
No.4	U.S. Bond of Central Nippon Expressway Company Limited (fixed rate)	September 17, 2015	September 17, 2020	2.38		34,414	—	305,414	
No.4	U.S. Bond of Central Nippon Expressway Company Limited (variable rate)	September 17, 2015	September 17, 2020	1.41	**	13,886	—	123,233	
No.62	Bond of Central Nippon Expressway Company Limited	November 13, 2015	September 18, 2020	0.23		50,000	—	443,734	
No.63	Bond of Central Nippon Expressway Company Limited	November 13, 2015	November 13, 2025	0.58		20,000	—	177,494	
No.5	U.S. Bond of Central Nippon Expressway Company Limited (fixed rate)	February 16, 2016	February 16, 2021	2.24		29,848	—	264,892	
No.5	U.S. Bond of Central Nippon Expressway Company Limited (variable rate)	February 16, 2016	February 16, 2021	1.58	**	17,908	—	158,928	
Total						¥ 535,721	¥ 902,185	\$ 4,754,357	

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

** The interest rates are those as of March 31, 2016.

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, 2016 are summarized as follows:

Years ending March 31,	<i>Millions of yen</i>		
	Bonds for road construction	Long-term loans for road construction	Other long-term loans
2017	¥ —	¥ —	¥100
2018	30,000	5	100
2019	120,000	35,003	726
2020	129,665	33,000	0
2021 and thereafter	256,056	6	7
	¥ 535,721	¥68,014	¥933

Years ending March 31,	<i>Thousands of U.S. dollars</i>		
	Bonds for road construction	Long-term loans for road construction	Other long-term loans
2017	\$ —	\$ —	\$ 887
2018	266,241	44	887
2019	1,064,963	310,641	6,443
2020	1,150,737	292,865	0
2021 and thereafter	2,272,416	53	63
	\$ 4,754,357	\$ 603,603	\$ 8,280

The aggregate annual maturities of lease obligations subsequent to March 31, 2016 are summarized as follows:

Years ending March 31,	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	Lease obligations	
2017	¥ 561	\$ 4,979
2018	538	4,775
2019	334	2,964
2020	176	1,562
2021 and thereafter	170	1,508
	¥ 1,779	\$ 15,788

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

9. Pledged Assets

At March 31, 2016 and 2015, 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>
	2016	2015	2016
Bonds for road construction			
Carrying value	¥ 535,721	¥ 902,185	\$ 4,754,357
Face value	535,721	902,185	4,754,357

In addition, at March 31, 2016 and 2015, the total assets of the Company were also pledged as collateral for bonds in the amounts of ¥1,392,520 million (\$12,358,182 thousand) and ¥1,065,000 million at March 31, 2016 and 2015, respectively, assumed by JEHDRA pursuant to Article 15 of the JEHDRA Act.

At March 31, 2016 and 2015, 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>
	2016	2015	2016
Cash and deposits	¥ 3	¥ 3	\$ 27
Investments and other assets-others	250	303	2,219

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

10. Income Taxes

The Company and its domestic subsidiaries are subject to several taxes based on income which, in the aggregate, resulted in statutory tax rates of approximately 32.8% and 35.3% for the years ended March 31, 2016 and 2015, respectively.

The effective tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 2015 differs from the above statutory tax rate for the following reasons:

	2015
Statutory tax rate	35.3%
Adjustments:	
Effects of changes in corporation tax rates	33.3
Valuation allowance	(18.9)
Gain on negative goodwill	(5.2)
Amortization of negative goodwill	(1.5)
Equity in earnings of affiliates	(2.2)
Other	5.1
Effective tax rate	45.9%

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

The significant components of the Group's deferred tax assets and liabilities at March 31, 2016 and 2015 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2016	2015	2016
Deferred tax assets:			
Allowance for doubtful accounts	¥ 162	¥ 85	\$ 1,438
Accrued employees' bonuses	1,036	995	9,194
Allowance for losses due to forged expressway cards	—	13	—
Liabilities for retirement benefits	28,216	22,424	250,408
Allowance for ETC mileage program	2,604	2,715	23,110
Other	5,561	6,091	49,352
Gross deferred tax assets	37,579	32,323	333,502
Less valuation allowance	(31,603)	(27,078)	(280,467)
Total deferred tax assets	5,976	5,245	53,035
Deferred tax liabilities:			
Other	(376)	(413)	(3,336)
Total deferred tax liabilities	(376)	(413)	(3,336)
Net deferred tax assets	¥ 5,600	¥ 4,832	\$ 49,699

Central Nippon Expressway Company Limited and its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

10. Income Taxes (continued)

The “Act to Partial Revision of the Income Tax Act.” (Act No.15 of 2016) and the “Act to Partial Revision of Local Tax Act etc.” (Act No. 13 of 2016) were enacted during the Japanese Diet session on March 29, 2016. Accordingly, the statutory tax rates used for calculating deferred tax assets and liabilities will be reduced from 32.0% used in the previous fiscal year to 30.6% for temporary differences which are expected to be realized during the period from April 1, 2016 to March 31, 2018 and to 30.4% for these which are expected to be realized on or after April 1, 2018. The effect of the announced reduction of the effective statutory tax rate was to decrease deferred tax assets after offsetting deferred tax liabilities by ¥124 million (\$1,100 thousand), increase income taxes-deferred by ¥100 million (\$887 thousand), increase unrealized holding gain on securities by ¥1 million (\$9 thousand) and decrease the retirement benefit liability adjustments in accumulated other comprehensive income by ¥24 million (\$213 thousand) as of and for the year ended March 31, 2016.

11. Retirement Benefits

1. Overview

The Company and its consolidated subsidiaries have defined benefit plans, which include both unfunded severance indemnity plans and funded lump-sum severance indemnity plans and a defined contribution plan. The defined benefit pension plans, include corporate pension plans and welfare pension fund plans (“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 liabilities for retirement benefits based on the simplified method. These domestic subsidiaries have calculated their retirement benefit obligation based on the amount which would be payable at the year end if all eligible employees terminated their services voluntarily.

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

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

11. Retirement Benefits (continued)

2. Defined benefit plans

The changes in retirement benefit obligation for the years ended March 31, 2016 and 2015 are as follows (excluding defined benefit plans based on the simplified method):

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2016	2015	2016
Beginning balance of retirement benefit obligation, as originally reported	¥108,004	¥104,594	\$ 958,502
Cumulative effect of change in accounting principle	—	2,735	—
Beginning balance of retirement benefit obligation, as adjusted	108,004	107,329	958,502
Service cost	3,936	3,860	34,931
Interest cost	1,627	1,685	14,439
Actuarial loss (gain)	20,749	(1,148)	184,141
Prior service cost	127	—	1,127
Benefit paid	(4,248)	(3,722)	(37,700)
Ending balance of retirement benefit obligation	¥130,195	¥108,004	\$ 1,155,440

The changes in plan assets at fair value for the years ended March 31, 2016 and 2015 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>
	2016	2015	2016
Beginning balance of plan assets at fair value	¥40,186	¥ 35,335	\$ 356,638
Expected return on plan assets	1,590	1,124	14,111
Actuarial (loss) gain	(1,911)	2,511	(16,960)
Contributions by the employers	2,132	2,624	18,921
Benefit paid	(2,081)	(1,913)	(18,468)
Other	443	505	3,932
Ending balance of plan assets at fair value	¥40,359	¥40,186	\$ 358,174

The changes in liabilities for retirement benefit under the simplified method for the years ended March 31, 2016 and 2015 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2016	2015	2016
Beginning balance of liabilities for retirement benefit	¥948	¥ 880	\$ 8,413
Service cost	365	281	3,239
Benefit paid	(72)	(66)	(639)
Payment for the plan	(139)	(147)	(1,234)
Ending balance of liabilities for retirement benefit	¥1,102	¥ 948	\$ 9,779

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

11. Retirement Benefits (continued)

2. Defined benefit plans (continued)

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheets as of March 31, 2016 and 2015 for the Company's and the consolidated subsidiaries' defined benefit plans:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2016	2015	2016
Funded retirement benefit obligation	¥ 100,697	¥ 81,607	\$ 893,655
Plan assets at fair value	(41,175)	(40,983)	(365,415)
	59,522	40,624	528,240
Unfunded retirement benefit obligation	31,416	28,143	278,806
Net amounts of liabilities and assets recognized in consolidated balance sheets	90,938	68,767	807,046
Liabilities for retirement benefits	91,204	69,038	809,407
Asset for retirement benefits	(266)	(271)	(2,361)
Net amounts of liabilities recognized in consolidated balance sheets	¥ 90,938	¥ 68,767	\$ 807,046

The components of retirement benefit expense for the years ended March 31, 2016 and 2015 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2016	2015	2016
Service cost	¥ 3,493	¥ 3,354	\$ 30,999
Interest cost	1,627	1,685	14,439
Expected return on plan assets	(1,590)	(1,124)	(14,111)
Amortization:			
Actuarial gain or loss	1,076	1,418	9,549
Prior service cost	(10)	(14)	(89)
Retirement benefit expenses under the simplified method	365	281	3,239
Other	(138)	(135)	(1,223)
Retirement benefit expenses	¥ 4,823	¥ 5,465	\$ 42,803

The components of retirement benefits liability adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2016 and 2015 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2016	2015	2016
Prior service cost	¥ 137	¥ 14	\$ 1,216
Actuarial differences	21,584	(5,076)	191,551
Total	¥21,721	¥(5,062)	\$192,767

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, 2016 and 2015 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2016	2015	2016
Unrecognized prior service cost	¥ 70	¥ (67)	\$ 621
Unrecognized actuarial loss	26,675	5,091	236,733
Total	¥ 26,745	¥ 5,024	\$ 237,354

The fair value of plans assets, by major category, as a percentage of total assets as of March 31, 2016 and 2015 are as follows:

	2016	2015
Securities	27.7%	32.5%
Bonds	13.9	37.0
Cash and deposits	0.2	0.6
General accounts at life insurance companies	13.0	12.3
Short-term financial assets	34.1	2.5
Other	11.1	15.1
Total	100%	100%

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

The assumptions used in accounting for the defined benefit plans for the years ended March 31, 2016 and 2015 are as follows:

	2016	2015
Discount rates	(0.1)-1.3%	0.2-1.8%
Expected long-term rates of return on plan assets	0.8-5.8%	0.8-4.8%
Rates of salary increase	0.0-6.0%	0.0-7.7%

The required contributions to defined contribution plans including the multi-employer welfare pension plans were ¥177 million (\$1,571 thousand) and ¥453 million for the years ended March 31, 2016 and 2015, 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
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

12. Contingent Liabilities

At March 31, 2016 and 2015, the Company provides the following debt guarantees:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2016	2015	2016
JEHDRA	¥ 661,000	¥ 1,407,119	\$ 5,866,170
E-NEXCO	6	7	53
W-NEXCO	12	22	106
	¥ 661,018	¥ 1,407,148	\$ 5,866,329

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, 2016 and 2015, 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>
	2016	2015	2016
JEHDRA	¥ –	¥ 5,496	\$ –

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

12. Contingent Liabilities (continued)

At March 31, 2016 and 2015, 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>
	2016	2015	2016
JEHDRA	¥ 1,454,570	¥ 1,236,950	\$ 12,908,857

As a consequence of these transfers addressed above, bonds for road construction and long-term loans for road construction decreased by ¥592,520 million (face value) (\$5,258,431 thousand) and ¥60,000 million (\$532,481 thousand), respectively, for the year ended March 31, 2016.

13. Shareholder's Equity

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

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

14. Research and Development Cost

Research and development cost included in cost of sales and administrative expenses for expressway business operations and selling, general and administrative expenses amounted to ¥973 million (\$8,635 thousand) and ¥869 million for the years ended March 31, 2016 and 2015, respectively.

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

15. Leases

Future minimum lease payments subsequent to March 31, 2016 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>
2017	¥ 423,716	\$ 3,760,348
2018 and thereafter	17,524,332	155,523,003
	<u>¥ 17,948,048</u>	<u>\$ 159,283,351</u>

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

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

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

Future minimum lease payments subsequent to March 31, 2016 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>
2017	¥ 357	\$ 3,168
2018 and thereafter	1,026	9,106
	<u>¥ 1,383</u>	<u>\$ 12,274</u>

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, 2016 and 2015 are as follows:

	<i>Yen</i>		<i>U.S. dollars</i>
	2016	2015	2016
Profit attributable to owner of parent:			
Basic	¥ 60.86	¥ 33.80	\$ 0.54
Net assets	1,450.92	1,552.69	12.88

Basic profit per share has been computed based on the profit attributable to owner of parent and the weighted-average number of shares of common stock outstanding during the year. Diluted profit per share has not been presented because there were no potentially dilutive shares of common stock for the years ended March 31, 2016 and 2015.

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

The financial data used in the computation of basic profit attributable to owner of parent per share for the years ended March 31, 2016 and 2015 is summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2016	2015	2016
Profit attributable to owner of parent	¥7,912	¥4,395	\$70,217
Adjusted profit attributable to owner of parent	¥7,912	¥4,395	\$70,217

	<i>Thousands of shares</i>	
	2016	2015
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, 2016 and 2015 is summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2016	2015	2016
Total net assets	¥190,685	¥204,126	\$1,692,270
Deduction from total net assets:			
Non-controlling interests	2,065	2,277	18,326
Total net assets available to common stockholders	¥188,620	¥201,849	\$1,673,944

	<i>Thousands of shares</i>	
	2016	2015
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, 2016 and 2015 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,		
	2016	2015	2016
Cash and deposits	¥73,444	¥ 86,489	\$ 651,793
Certificates of deposits included in marketable securities maturing within three months	—	100,000	—
Deposits over three months	(465)	(565)	(4,127)
Cash and cash equivalents	¥ 72,979	¥ 185,924	\$ 647,666

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>
	2015
Current assets	¥ 208
Non-current assets	1,208
Current liabilities	(40)
Non-current liabilities	(634)
Negative goodwill	(183)
Acquisition cost	559
Cash and cash equivalents	(198)
Net payment for acquisition	¥ 361

Net payment from the acquisition of ¥361 million 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)

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, 2016 and 2015, expressway assets constructed by the Company in the amounts of ¥591,392 million (\$5,248,420 thousand) and ¥255,470 million, respectively, were transferred to JEHDRA pursuant to Article 51.2 through 51.4 of the Special Measures Act and, concurrently, the long-term loans of ¥60,000 million (\$532,481 thousand) and ¥50,000 million, respectively, and bonds for road construction of ¥592,520 million (\$5,258,431 thousand) and ¥200,000 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, 2016 and 2015.

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.

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)

(2) Types of financial instruments and related risk (continued)

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

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

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

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

(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.

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 (continued)

(b) Monitoring of market risk

Marketable securities and investments in securities 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 and interest fluctuation risk, are monitored by each corporate bond and are controlled by utilizing currency swap transactions and interest-rate swap transactions, respectively.

(c) Monitoring of liquidity risk

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

(d) Derivative transactions

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

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

18. Financial Instruments and Related Disclosures (continued)

Fair value of financial instruments

The carrying value of financial instruments on the accompanying consolidated balance sheets as of March 31, 2016 and 2015 and their fair value are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value.

	<i>Millions of yen</i>					
	2016			2015		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Assets:						
Cash and deposits	¥ 73,444	¥ 73,444	¥ –	¥ 86,489	¥ 86,489	¥ –
Accounts receivable due from expressway business operations	72,387	72,387	–	86,224	86,224	–
Other accounts receivable	9,777	9,777	–	7,664	7,664	–
Marketable securities and investments in securities:						
Held-to-maturity debt securities	400	421	21	501	520	19
Other securities	198	198	–	100,745	100,745	–
Short-term loans receivable included in other current assets	–	–	–	2	2	–
Total assets	<u>156,206</u>	<u>156,227</u>	<u>21</u>	<u>281,625</u>	<u>281,644</u>	<u>19</u>
Liabilities:						
Accounts payable due to expressway business operations	158,268	158,268	–	120,216	120,216	–
Other accounts payable	48,022	48,022	–	31,080	31,080	–
Income and other taxes payable	2,941	2,941	–	3,289	3,289	–
Bonds for road construction (*)	535,721	541,522	5,801	902,185	912,477	10,292
Long-term loans for road construction (*)	68,014	68,105	91	95,000	95,017	17
Other long-term loans (*)	933	933	–	1,008	1,008	0
Total liabilities	<u>¥813,899</u>	<u>¥819,791</u>	<u>¥5,892</u>	<u>¥1,152,778</u>	<u>¥1,163,087</u>	<u>¥ 10,309</u>

* Including the current portion of long-term debts.

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>			
2016			
	Carrying value	Fair value	Difference
Assets:			
Cash and deposits	\$ 651,793	\$ 651,793	\$ –
Accounts receivable due from expressway business operations	642,412	642,412	–
Other accounts receivable	86,768	86,768	–
Marketable securities and investments in securities:			
Held-to-maturity debt securities	3,551	3,736	185
Other securities	1,757	1,757	–
Total assets	<u>1,386,281</u>	<u>1,386,466</u>	<u>185</u>
Liabilities:			
Accounts payable due to expressway business operations	1,404,579	1,404,579	–
Other accounts payable	426,180	426,180	–
Income and other taxes payable	26,100	26,100	–
Bonds for road construction (*)	4,754,357	4,805,840	51,483
Long-term loans for road construction (*)	603,603	604,411	808
Other long-term loans (*)	8,280	8,280	–
Total liabilities	<u>\$7,223,099</u>	<u>\$ 7,275,390</u>	<u>\$ 52,291</u>

* Including the current portion of long-term debts.

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

18. Financial Instruments and Related Disclosures (continued)

The fair value of cash and deposits, accounts receivable due from expressway business operations, 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 including the current portion is determined based on market prices.

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

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

Please refer to Note 19 “Derivative Financial Instruments and Hedging Activities” for information on derivative transactions.

Central Nippon Expressway Company Limited and
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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, 2016 and 2015 are summarized as follows:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	2016	2015
Unlisted stocks:		
Investments in unconsolidated subsidiaries and affiliates	¥ 4,848	¥ 4,470
Other securities	116	116
		\$ 43,024
		1,029

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, 2016 are as follows:

	<i>Millions of yen</i>			
	2016			
	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	¥ 73,444	¥ –	¥ –	¥ –
Accounts receivable due from expressway business operations	72,387	–	–	–
Other accounts receivable	9,777	–	–	–
Investments in securities:				
Held-to-maturity debt securities	50	250	100	–
Other securities	–	–	–	–
Total	¥155,658	¥ 250	¥ 100	¥ –

	<i>Thousands of U.S. dollars</i>			
	2016			
	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	\$ 651,793	\$ –	\$ –	\$ –
Accounts receivable due from expressway business operations	642,412	–	–	–
Other accounts receivable	86,768	–	–	–
Investments in securities:				
Held-to-maturity debt securities	444	2,219	888	–
Other securities	–	–	–	–
Total	\$ 1,381,417	\$ 2,219	\$ 888	\$ –

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, 2016 and 2015, 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, 2016 and 2015.

The contract amount and the fair value of the derivative instrument outstanding which qualified for hedge accounting at March 31, 2016 and 2015 was as follows:

			<i>Millions of yen</i>		
			2016		
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	¥ 168,926	¥ 168,926	*1
Integrated treatment of interest rate and currency swaps (special treatment, allocation method)	Currency swap including interest-rate swaps	Bonds for road construction	31,795	31,795	*2
Total			¥ 200,721	¥ 200,721	

			<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	*1

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

19. Derivative Financial Instruments and Hedging Activities (continued)

			<i>Thousands of U.S. dollars</i>		
			2016		
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	\$ 1,499,166	\$ 1,499,166	*1
Integrated treatment of interest rate and currency swaps (special treatment, allocation method)	Currency swap including interest-rate swaps	Bonds for road construction	282,171	282,171	*2
Total			\$ 1,781,337	\$ 1,781,337	

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

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

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

20. Segment Information

(1) Outline of reporting segments

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

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

Details on the reportable segments are as follows:

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

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

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

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

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

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

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

Intersegment sales are determined in reference to market actual value.

(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, 2016 and 2015 is outlined as follows:

<i>Millions of yen</i>						
2016						
Reportable segments						
	Expressway business	Rest area business	Other related business	Total	Adjustments	Consolidated
Sales to third parties	¥1,249,741	¥ 31,670	¥ 18,941	¥1,300,352	¥ –	¥ 1,300,352
Intersegment sales and transfers	22	6	2	30	(30)	–
Net sales	1,249,763	31,676	18,943	1,300,382	(30)	1,300,352
Segment income	¥ 3,303	¥ 5,352	¥ 630	¥ 9,285	¥ 13	¥ 9,298
Segment assets	¥ 874,740	¥177,044	¥ 19,931	¥1,071,715	¥ 84,870	¥ 1,156,585
Segment liabilities	603,735	–	925	604,660	361,240	965,900
Other items:						
Depreciation and amortization	16,876	3,228	308	20,412	–	20,412
Investments in affiliates	3,920	–	824	4,744	–	4,744
Increase in property and equipment and intangible fixed assets	19,612	3,996	485	24,093	2,938	27,031
<i>Millions of yen</i>						
2015						
Reportable segments						
	Expressway business	Rest area business	Other related business	Total	Adjustments	Consolidated
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

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>						
2016						
	Reportable segments			Total	Adjustments	Consolidated
	Expressway business	Rest area business	Other related business			
Sales to third parties	\$11,091,063	\$ 281,062	\$ 168,095	\$ 11,540,220	\$ –	\$ 11,540,220
Intersegment sales and transfers	195	53	18	266	(266)	–
Net sales	11,091,258	281,115	168,113	11,540,486	(266)	11,540,220
Segment income	\$ 29,313	\$ 47,497	\$ 5,591	\$ 82,401	\$ 116	\$ 82,517
Segment assets	\$ 7,763,046	\$ 1,571,211	\$ 176,881	\$ 9,511,138	\$ 753,195	\$ 10,264,333
Segment liabilities	5,357,961	–	8,209	5,366,170	3,205,893	8,572,063
Other items:						
Depreciation and amortization	149,770	28,647	2,733	181,150	–	181,150
Investments in affiliates	34,789	–	7,313	42,102	–	42,102
Increase in property and equipment and intangible fixed assets	174,051	35,463	4,304	213,818	26,074	239,892

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 ¥13 million (\$116 thousand) and ¥39 million for the years ended March 31, 2016 and 2015, respectively, are eliminations of intersegment transactions.

The adjustments of segment assets in the amounts of ¥84,870 million (\$753,195 thousand) and ¥196,050 million at March 31, 2016 and 2015, 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 ¥361,240 million (\$3,205,893 thousand) and ¥278,334 million at March 31, 2016 and 2015, respectively, include corporate liabilities not allocated to reportable segments, principally consisting of other accounts payable and liabilities for retirement benefits.

The adjustments of property and equipment and intangible fixed assets in the amounts of ¥2,938 million (\$26,074 thousand) and ¥2,601 million for the years ended March 31, 2016 and 2015, 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, 2016 and 2015 is analyzed as follows:

<i>Millions of yen</i>				
2016				
	Toll fee	Completion of road assets	Other	Total
Sales to external customers	¥ 657,552	¥ 591,392	¥ 51,408	¥ 1,300,352
<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>Thousands of U.S. dollars</i>				
2016				
	Toll fee	Completion of road assets	Other	Total
Sales to external customers	\$ 5,835,570	\$ 5,248,420	\$456,230	\$11,540,220

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, 2016 and 2015 were made in Japan, the disclosure of geographical segment information has been omitted.

As more than 90% of property and equipment in the consolidated balance sheets are located in Japan, the disclosure of information on property and equipment by country or geographic region as of March 31, 2016 and 2015 has been omitted.

Sales to JEHDRA amounted to ¥591,499 million (\$5,249,370 thousand) and ¥256,533 million by the expressway business segment for the years ended March 31, 2016 and 2015.

Amortization and the remaining balance of negative goodwill arising from business combinations before April 1, 2010 amounted to ¥342 million (\$3,035 thousand) and ¥342 million, and ¥4,186 million (\$37,149 thousand) and ¥4,528 million in “Adjustments” for the year ended and as of ended March 31, 2016 and 2015, respectively.

Gain on negative goodwill in the expressway business segment in the amount of ¥985 million, in rest area business segment of ¥47 million and in other segment of ¥183 million 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.”

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, 2016 and 2015 are summarized as follows:

2016						
Relationship with the related party	Nature of transaction	Transaction amount (Millions of yen)	Transaction amount (Thousands of U.S. dollars)	Account name	Carrying amount (Millions of yen)	Carrying amount (Thousands of U.S. dollars)
Leasing of road assets	Road assets leasing expenses (*1)	¥ 479,507	\$ 4,255,476	Accounts payable due to expressway business operations	¥ 100,403	\$ 891,045
Transfer of road assets and loans and jointly and severally liable debts	Revenues from the transfer of road assets constructed by the Company (*1)	591,392	5,248,420	Accounts receivable due from expressway business operations	13,950	123,802
	Transfer of liabilities and guarantee of debts (*2)	652,520	5,790,912	—	—	—
Jointly and severally liable for debts	Guarantee of debts (*3)	661,000	5,866,170	—	—	—
	Guarantee of debts (*4)	802,050	7,117,945	—	—	—
2015						
Relationship with the related party	Nature of transaction	Transaction amount (Millions of yen)	Account name	Carrying amount (Millions of yen)		
Leasing of road assets			Accounts payable due to expressway business operations	¥ 92,344		
	Road assets leasing expenses (*1)	¥ 461,889				
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	Account receivable due from expressway business operations	29,443		
	Transfer of liabilities and guarantee of debts (*2)	250,000	—	—		
Jointly and severally liable for debts	Guarantee of debts (*3)	1,407,119	—	—		
	Guarantee of debts (*4)	992,446	—	—		

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

21. Related Party Transactions (continued)

The capital of JEHDRA is mainly provided by the Minister of Finance, which is the shareholder of the Company. JEHDRA's share capital at March 31, 2015 and 2014 amounted to ¥5,534,089 million (\$49,113,321 thousand) and ¥5,491,664 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) Pursuant to Article 15 of the JEHDRA Act, the Company is jointly and severally liable for the debt transferred to JEHDRA corresponding to costs for construction of expressways, reconstruction, repairs, maintenance and disaster recovery. Related guarantee fees are not received by the Company.

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

(*4) Pursuant to Article 15 of the JEHDRA Act, the Company is jointly and severally liable with E-NEXCO and W-NEXCO in the amount of ¥5,496 million at March 31, 2015 and solely liable in the amounts of ¥802,050 million (\$7,117,945 thousand) and ¥986,950 million at March 31, 2016 and 2015, 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
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Notes to Consolidated Financial Statements (continued)

22. Business Combinations

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. As a result, Hakone Turnpike Limited became a wholly owned subsidiary of NEXCO Central Nippon Investment LLC. As a result, ¥183 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, 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>
Current assets	¥ 208
Non-current assets	1,208
Total assets	1,416
Current liabilities	40
Non-current liabilities	1,259
Total liabilities	1,299

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 for the year ended March 31, 2015.

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

23. Other Comprehensive (Loss) Income

The following table presents an analysis of components of other comprehensive (loss) income for the years ended March 31, 2016 and 2015.

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2016	2015	2016
Net unrealized holding gain on securities:			
Amount arising during the year	¥ 7	¥ 48	\$ 62
Reclassification adjustments for loss included in profit	0	—	0
Amount before tax effect	7	48	62
Tax effect	(2)	(15)	(18)
Net unrealized holding gain on securities	5	33	44
Retirement benefits liability adjustments			
Amount arising during the year	(22,770)	3,668	(202,077)
Reclassification adjustments for loss included in profit	1,049	1,394	9,310
Amount before tax effect	(21,721)	5,062	(192,767)
Tax effect	748	80	6,638
Retirement benefits liability adjustments	(20,973)	5,142	(186,129)
Share of other comprehensive loss of affiliates accounted for by the equity method:			
Amount arising during the year	(392)	(6)	(3,478)
Total other comprehensive (loss) income	¥ (21,360)	¥5,169	\$ (189,563)

Central Nippon Expressway Company Limited and its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

24. Subsequent Events

(1) Issuance of Corporate Bonds

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

	<u>Total amount issued</u>	<u>Interest rate</u>	<u>Issue price</u>	<u>Issuance date</u>	<u>Redemption date</u>
U.S. Bond of Central Nippon Expressway Company Limited No.6 (fixed rate)	¥38,280 million (\$339,723 thousand)	2.293% per annum	100% of face value	April 25, 2016	April 23, 2021
U.S. Bond of Central Nippon Expressway Company Limited No.6 (variable rate)	¥27,342 million (\$242,652 thousand)	Variable rate	100% of face value	April 25, 2016	April 23, 2021
Australian Bond of Central Nippon Expressway Company Limited No.1 (fixed rate)	¥7,872 million (\$69,862 thousand)	3.374% per annum	100% of face value	May 31, 2016	May 28, 2026
U.S. Bond of Central Nippon Expressway Company Limited No.7 (fixed rate)	¥54,880 million (\$487,043 thousand)	2.362% per annum	100% of face value	May 31, 2016	May 28, 2021
U.S. Bond of Central Nippon Expressway Company Limited No.7 (variable rate)	¥16,464 million (\$146,113 thousand)	Variable rate	100% of face value	May 31, 2016	May 28, 2021
Bond of Central Nippon Expressway Company Limited No.64	¥9,800 million (\$86,972 thousand)	0.060% per annum	100% of face value	May 31, 2016	May 31, 2021

The following special provisions were attached to the bonds.

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

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

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

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

24. Subsequent Events (continued)

(2) Return of Substitutional Portion of Employees' Pension Fund

On April 1, 2016, the Company obtained approval from the Minister of Health, Labour and Welfare of Japan with respect to its application for an exemption from the obligation for benefits related to future employee services under the substitutional portion of the Welfare Pension Fund Plan ("WFPF"). The Company will recognize the corresponding gain or loss at the date of termination of the substitutional portion of the benefit obligation for employee services provided in prior years. The Company will also derecognize the substitutional portion of the benefit obligation for employee services provided in prior years and recognize the corresponding gain or loss at the date of approval of the return of the substitutional portion of pension plan assets.

(3) Amendments to Significant Agreements

On May 19, 2016, a meeting of the Board of Directors of the Company resolved partial amendments of "Agreements Related to Chuo Expressway Fuji-Yoshida Line" with JEHDRA, which was originally concluded on March 31, 2006 pursuant to Article 6.1 of the Expressway Company Law and Article 13.1 of the Agency Law. Accordingly, effective June 6, 2016, the corresponding amendments were concluded with JEHDRA and the Company filed an application for approval from the Minister of Land, Infrastructure, Transport and Tourism ("LIT") of Japan. As a result, the application was approved by the Minister of LIT effective June 8, 2016.

These amendments included the addition of a traffic lane on the Tokai-Hokuriku Expressway (Gokayama to Oyabe-Tonami), the addition of new operations of "Smart IC" in 5 locations and a re-examination of the operation scope and traffic volume, toll revenues of the Tokyo-Gaikan Expressway. As a result, the following terms were amended: "cap of liabilities assumed related to expenses for construction of repair works," "leasing fees on road assets" and "projected toll revenue."

The cap of liabilities to be assumed related to expenses for new construction, construction of repair works is to be increased by ¥74,465 million (\$660,854 thousand) inclusive of consumption tax.

In addition, the cap of liabilities to be assumed related to expenses for construction of repair works from the year ended March 31, 2016 to 2060 is to be increased by ¥22,873 million (\$202,991 thousand) inclusive of consumption tax, projected toll revenue per the agreements from the year ended March 31, 2016 to 2060 is to be increased by ¥36,665 million (\$325,390 thousand) inclusive of consumption tax and road assets leasing fees until the year ending March 31, 2060 is to be increased by ¥27,000 million (\$239,617 thousands) inclusive of consumption tax.

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

24. Subsequent Events (continued)

(3) Amendments to Significant Agreements (continued)

The leasing fees on road assets may be increased or decreased in proportion to the amount of projected toll revenue, if the actual toll revenues fall short of, or are in excess of, up to certain level, compared with projected toll revenue per the agreements.

As a result of an amendment of the agreement by the Company and JEHDRA, as described in Note 15 “Leases,” future minimum lease payments subsequent to March 31, 2016 under non-cancellable operating leases related to road assets were adjusted as follows:

<u>Years ending March 31,</u>	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
2017	¥ 452,166	\$ 4,012,833
2018 and thereafter	17,556,116	155,805,076
	<u>¥ 18,008,282</u>	<u>\$ 159,817,909</u>

Central Nippon Expressway Company Limited and its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

25. Significant Subsidiaries and Affiliates

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

Name	Ownership interest	Country of incorporation	Subsidiaries / affiliates
Central Nippon Exis Co., Ltd.	100.0%	Japan	Consolidated subsidiary
Central Nippon Extoll Yokohama Co., Ltd.	100.0	Japan	Consolidated subsidiary
Central Nippon Extoll Nagoya Co., Ltd.	100.0	Japan	Consolidated subsidiary
Central Nippon Highway Patrol Tokyo Co., Ltd.	100.0	Japan	Consolidated subsidiary
Central Nippon Highway Patrol Nagoya Co., Ltd.	100.0	Japan	Consolidated subsidiary
Central Nippon Highway Engineering Tokyo Co., Ltd.	100.0	Japan	Consolidated subsidiary
Central Nippon Highway Engineering Nagoya Co., Ltd.	100.0	Japan	Consolidated subsidiary
Central Nippon Highway Maintenance Tomei Co., Ltd.	88.7	Japan	Consolidated subsidiary
Central Nippon Highway Maintenance Chuoh Co., Ltd.	100.0	Japan	Consolidated subsidiary
Central Nippon Highway Maintenance Nagoya Co., Ltd.	100.0	Japan	Consolidated subsidiary
Central Nippon Highway Maintenance Hokuriku Co., Ltd.	100.0	Japan	Consolidated subsidiary
NEXCO Central Nippon Services Co., Ltd.	100.0	Japan	Consolidated subsidiary
Central-NEXCO Technical Marketing Co., Ltd.	100.0	Japan	Consolidated subsidiary
NEXCO Central Nippon Investment LLC.	100.0	Japan	Consolidated subsidiary
Central Nippon Highway Retail Yokohama Co., Ltd.	100.0	Japan	Consolidated subsidiary
Central Nippon Highway Retail Nagoya Co., Ltd..	72.2	Japan	Consolidated subsidiary
Central Nippon Highway Advance Co., Ltd.	100.0	Japan	Consolidated subsidiary
Central Nippon Road Maintenance Shizuoka Co., Ltd.	100.0	Japan	Consolidated subsidiary
Central Nippon Road Maintenance Tokyo Co., Ltd.	89.9	Japan	Consolidated subsidiary
Central Nippon Road Maintenance Tokai Co., Ltd.	85.7	Japan	Consolidated subsidiary
Central-NEXCO Auto Service Co., Ltd.	100.0	Japan	Consolidated subsidiary
Central Nippon Road Maintenance Kanazawa Co., Ltd.	80.6	Japan	Consolidated subsidiary
Central Nippon Road Maintenance Chubu Co., Ltd.	91.2	Japan	Consolidated subsidiary
Hakone Turnpike Limited	100.0	Japan	Consolidated subsidiary
NEXCO Central Nippon Development Co., Ltd.	100.0	Japan	Consolidated subsidiary

Central Nippon Expressway Company Limited and 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
KOSOKU HOZEN Co., Ltd.	33.4	Japan	Equity-method affiliate
Deros Japan Co., Ltd.	30.3	Japan	Equity-method affiliate

On July 1, 2015, H.R. Yokohama Co., Ltd. and Grancer Seiwa Service Co., Ltd. changed their names to Central Nippon Highway Retail Yokohama Co., Ltd. and Central Highway Retail Nagoya Co., Ltd., respectively.

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