

**Consolidated Financial Statements**

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

*Years ended March 31, 2019 and 2018  
with Independent Auditor's Report*

Central Nippon Expressway Company Limited and  
its Consolidated Subsidiaries

Consolidated Financial Statements

*Years ended March 31, 2019 and 2018*

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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, 2019 and 2018, 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, 2019 and 2018, 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).

June 24, 2019  
Nagoya, Japan

*Ernst & Young Shin Nihon LLC*

Central Nippon Expressway Company Limited and  
its Consolidated Subsidiaries

Consolidated Balance Sheets

March 31, 2019 and 2018

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1(a))</i>
	<b>2019</b>	<b>2018</b>	<b>2019</b>
<b>Assets</b>			
<b>Current assets:</b>			
Cash and deposits ( <i>Notes 11, 19 and 20</i> )	¥ 105,685	¥ 143,033	\$ 952,203
Accounts receivable due from expressway business operations ( <i>Notes 20 and 23</i> )	87,548	76,310	788,792
Other accounts receivable ( <i>Note 20</i> )	4,817	7,083	43,400
Marketable securities ( <i>Notes 5 and 20</i> )	–	50	–
Inventories ( <i>Note 6</i> )	789,363	972,903	7,112,019
Other current assets	53,733	41,951	484,125
Allowance for doubtful accounts	(11)	(9)	(99)
Total current assets ( <i>Note 2</i> )	<b>1,041,135</b>	1,241,321	<b>9,380,440</b>
<b>Property and equipment (<i>Notes 7, 9, 17 and 22</i>):</b>			
Buildings	69,076	66,581	622,362
Structures	63,010	61,462	567,709
Machinery and equipment	106,610	105,828	960,537
Vehicles	34,488	30,616	310,731
Tools, furniture and fixtures	16,641	15,586	149,932
Land	121,042	120,832	1,090,567
Leased assets	4,359	4,617	39,274
Construction in progress	3,201	3,802	28,840
Less accumulated depreciation	(152,984)	(145,919)	(1,378,358)
Total property and equipment	<b>265,443</b>	263,405	<b>2,391,594</b>
<b>Investments and other assets:</b>			
Investments in unconsolidated subsidiaries and affiliates ( <i>Notes 8, 11, 20 and 22</i> )	5,006	5,342	45,103
Investments in securities ( <i>Notes 5, 11 and 20</i> )	559	531	5,036
Intangible fixed assets ( <i>Note 22</i> )	14,019	10,034	126,309
Deferred income taxes ( <i>Notes 2 and 12</i> )	5,294	5,228	47,698
Asset for retirement benefits ( <i>Note 13</i> )	602	408	5,424
Others ( <i>Note 11</i> )	4,467	4,982	40,247
Allowance for doubtful accounts	(207)	(543)	(1,865)
Total investments and other assets ( <i>Note 2</i> )	<b>29,740</b>	25,982	<b>267,952</b>
<b>Deferred assets:</b>			
Bond issuance expenses for road construction	880	1,665	7,928
<b>Total assets (<i>Notes 2, 11 and 22</i>)</b>	<b>¥ 1,337,198</b>	¥ 1,532,373	<b>\$ 12,047,914</b>

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1(a))</i>
	<b>2019</b>	<b>2018</b>	<b>2019</b>
<b>Liabilities</b>			
<b>Current liabilities:</b>			
Accounts payable due to expressway business operations ( <i>Notes 20 and 23</i> )	¥ 185,623	¥ 118,325	\$ 1,672,430
Current portion of long-term debt ( <i>Notes 10, 11, 19, 20 and 23</i> )	454	932	4,090
Current portion of lease obligations ( <i>Note 10</i> )	527	568	4,748
Other accounts payable ( <i>Note 20</i> )	61,815	30,441	556,942
Income and other taxes payable ( <i>Notes 12 and 20</i> )	5,274	942	47,518
Accrued employees' bonuses	3,855	3,482	34,733
Other current liabilities	29,343	24,168	264,375
Total current liabilities ( <i>Notes 2 and 22</i> )	<b>286,891</b>	178,858	<b>2,584,836</b>
<b>Long-term liabilities:</b>			
Long-term debt ( <i>Notes 10, 11, 19, 20 and 23</i> )	704,190	1,020,371	6,344,626
Lease obligations ( <i>Note 10</i> )	2,315	2,082	20,858
Deferred income taxes ( <i>Notes 2 and 12</i> )	1	6	9
Liabilities for retirement benefits ( <i>Note 13</i> )	61,848	63,250	557,239
Accrued retirement benefits for directors, audit and supervisory board members and corporate officers	216	233	1,946
Allowance for ETC mileage program	8,119	8,194	73,151
Others	28,878	28,274	260,185
Total long-term liabilities ( <i>Notes 2 and 22</i> )	<b>805,567</b>	1,122,410	<b>7,258,014</b>
Contingent liabilities ( <i>Notes 14 and 23</i> )			
<b>Net assets:</b>			
<b>Shareholder's equity (<i>Note 15</i>):</b>			
Common stock	65,000	65,000	585,638
Authorized : 520,000,000 shares			
Issued : 130,000,000 shares at March 31, 2019 and 2018			
Capital surplus	72,680	72,178	654,834
Retained earnings	118,644	108,415	1,068,961
Total shareholder's equity	<b>256,324</b>	245,593	<b>2,309,433</b>
<b>Accumulated other comprehensive income (loss):</b>			
Net unrealized holding gain on securities ( <i>Note 5</i> )	18	42	162
Translation adjustments	-	2	-
Retirement benefits liability adjustments ( <i>Note 13</i> )	(12,418)	(16,106)	(111,884)
Total accumulated other comprehensive loss	<b>(12,400)</b>	(16,062)	<b>(111,722)</b>
<b>Non-controlling interests (<i>Note 18</i>)</b>	<b>816</b>	1,574	<b>7,353</b>
Total net assets ( <i>Note 18</i> )	<b>244,740</b>	231,105	<b>2,205,064</b>
<b>Total liabilities and net assets (<i>Note 2</i>)</b>	<b>¥ 1,337,198</b>	¥ 1,532,373	<b>\$ 12,047,914</b>

See notes to consolidated financial statements.

Central Nippon Expressway Company Limited and  
its Consolidated Subsidiaries

Consolidated Statements of Income

Years ended March 31, 2019 and 2018

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1(a))</i>
	<b>2019</b>	<b>2018</b>	<b>2019</b>
<b>Operating revenues (Notes 22 and 23)</b>	<b>¥ 1,455,242</b>	¥ 972,076	<b>\$ 13,111,470</b>
<b>Operating expenses:</b>			
Road assets leasing expenses (Note 23)	<b>501,000</b>	492,698	<b>4,513,920</b>
Cost of sales and administrative expenses for expressway business operations (Note 16)	<b>857,689</b>	390,933	<b>7,727,624</b>
Selling, general and administrative expenses (Note 16)	<b>81,610</b>	81,263	<b>735,292</b>
Total operating expenses	<b>1,440,299</b>	964,894	<b>12,976,836</b>
<b>Operating income (Note 22)</b>	<b>14,943</b>	7,182	<b>134,634</b>
<b>Other income (expenses):</b>			
Interest income	<b>5</b>	6	<b>45</b>
Land and property rental fees	<b>221</b>	245	<b>1,991</b>
Amortization of negative goodwill (Note 22)	<b>342</b>	342	<b>3,081</b>
Equity in earnings of affiliates	<b>329</b>	263	<b>2,964</b>
Penalty income	<b>416</b>	6	<b>3,748</b>
Interest on refund of taxes	<b>5</b>	208	<b>45</b>
Interest expenses	<b>(38)</b>	(31)	<b>(342)</b>
Gain on sales of fixed assets	<b>11</b>	93	<b>99</b>
Loss on sales of fixed assets	<b>(23)</b>	(178)	<b>(207)</b>
Loss on disposal of fixed assets	<b>(461)</b>	(388)	<b>(4,154)</b>
Loss on impairment of fixed assets (Notes 7 and 22)	<b>(243)</b>	(278)	<b>(2,189)</b>
Gain on return of substitutional portion of employees' pension fund (Notes 3 and 13)	-	22,395	-
Gain on sales of investments in securities (Note 5)	-	20	-
Loss on sales of investments in securities (Note 5)	<b>(426)</b>	(540)	<b>(3,838)</b>
Others	<b>266</b>	366	<b>2,397</b>
Profit before income taxes	<b>15,347</b>	29,711	<b>138,274</b>
<b>Income taxes (Note 12):</b>			
Current	<b>5,259</b>	2,248	<b>47,383</b>
Deferred	<b>(86)</b>	7,534	<b>(775)</b>
	<b>5,173</b>	9,782	<b>46,608</b>
Profit	<b>10,174</b>	19,929	<b>91,666</b>
Profit attributable to:			
Non-controlling interests	<b>72</b>	116	<b>649</b>
Owner of parent (Note 18)	<b>¥ 10,102</b>	¥ 19,813	<b>\$ 91,017</b>

See notes to consolidated financial statements.

Central Nippon Expressway Company Limited and  
its Consolidated Subsidiaries

Consolidated Statements of Comprehensive Income

Years ended March 31, 2019 and 2018

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1(a))</i>
	<b>2019</b>	<b>2018</b>	<b>2019</b>
Profit	<b>¥ 10,174</b>	¥ 19,929	<b>\$ 91,666</b>
Other comprehensive income (loss) ( <i>Note 24</i> ):			
Net unrealized holding loss on securities	(16)	(8)	(144)
Retirement benefits liability adjustments	<b>3,524</b>	4,380	<b>31,751</b>
Share of other comprehensive income of affiliates accounted for by the equity method	<b>154</b>	32	<b>1,387</b>
Total other comprehensive income	<b>3,662</b>	4,404	<b>32,994</b>
Comprehensive income	<b>¥ 13,836</b>	¥ 24,333	<b>\$ 124,660</b>
Total comprehensive income attributable to:			
Owner of parent	<b>¥ 13,764</b>	¥ 24,217	<b>\$ 124,011</b>
Non-controlling interests	<b>72</b>	116	<b>649</b>

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

Years ended March 31, 2019 and 2018

	<i>Millions of yen</i>				
	Number of shares in issue	Common stock	Capital surplus	Retained earnings	Total shareholder's equity
Balance at April 1, 2017	130,000,000	¥ 65,000	¥ 72,245	¥ 88,602	¥ 225,847
Profit attributable to owner of parent for the year	-	-	-	19,813	19,813
Change in ownership interests due to transactions with non- controlling interests	-	-	(67)	-	(67)
Other changes	-	-	-	-	-
Balance at April 1, 2018	<b>130,000,000</b>	<b>65,000</b>	<b>72,178</b>	<b>108,415</b>	<b>245,593</b>
Profit attributable to owner of parent for the year	-	-	-	<b>10,102</b>	<b>10,102</b>
Change in ownership interests due to transactions with non- controlling interests	-	-	<b>502</b>	-	<b>502</b>
Change of scope of equity method	-	-	-	<b>127</b>	<b>127</b>
Other changes	-	-	-	-	-
Balance at March 31, 2019	<b>130,000,000</b>	<b>¥ 65,000</b>	<b>¥ 72,680</b>	<b>¥ 118,644</b>	<b>¥ 256,324</b>

*Millions of yen*

	Accumulated other comprehensive income (loss)					
	Net unrealized holding gain on securities	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income (loss)	Non- controlling interests	Total net assets
Balance at April 1, 2017	¥ 54	¥ -	¥ (20,521)	¥ (20,467)	¥ 1,392	¥ 206,772
Profit attributable to owner of parent for the year	-	-	-	-	-	19,813
Change in ownership interests due to transactions with non- controlling interests	-	-	-	-	-	(67)
Other changes	(12)	2	4,415	4,405	182	4,587
Balance at April 1, 2018	<b>42</b>	<b>2</b>	<b>(16,106)</b>	<b>(16,062)</b>	<b>1,574</b>	<b>231,105</b>
Profit attributable to owner of parent for the year	-	-	-	-	-	<b>10,102</b>
Change in ownership interests due to transactions with non- controlling interests	-	-	-	-	-	<b>502</b>
Change of scope of equity method	-	-	-	-	-	<b>127</b>
Other changes	(24)	(2)	3,688	3,662	(758)	2,904
Balance at March 31, 2019	<b>¥ 18</b>	<b>¥ -</b>	<b>¥ (12,418)</b>	<b>¥ (12,400)</b>	<b>¥ 816</b>	<b>¥ 244,740</b>



Central Nippon Expressway Company Limited and  
its Consolidated Subsidiaries

Consolidated Statements of Changes in Net Assets (continued)

Years ended March 31, 2019 and 2018

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

	Common stock	Capital surplus	Retained earnings	Total shareholder's equity
Balance at April 1, 2018	\$ 585,638	\$ 650,311	\$ 976,800	\$ 2,212,749
Profit attributable to owner of parent for the year	-	-	91,017	91,017
Change in ownership interests due to transactions with non- controlling interests	-	4,523	-	4,523
Change of scope of equity method	-	-	1,144	1,144
Other changes	-	-	-	-
Balance at March 31, 2019	<u>\$ 585,638</u>	<u>\$ 654,834</u>	<u>\$ 1,068,961</u>	<u>\$ 2,309,433</u>

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

	Accumulated other comprehensive income (loss)					
	Net unrealized holding gain on securities	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income (loss)	Non- controlling interests	Total net assets
Balance at April 1, 2018	\$ 378	\$ 18	\$ (145,112)	\$ (144,716)	\$ 14,182	\$ 2,082,215
Profit attributable to owner of parent for the year	-	-	-	-	-	91,017
Change in ownership interests due to transactions with non- controlling interests	-	-	-	-	-	4,523
Change of scope of equity method	-	-	-	-	-	1,144
Other changes	(216)	(18)	33,228	32,994	(6,829)	26,165
Balance at March 31, 2019	<u>\$ 162</u>	<u>\$ -</u>	<u>\$ (111,884)</u>	<u>\$ (111,722)</u>	<u>\$ 7,353</u>	<u>\$ 2,205,064</u>

Central Nippon Expressway Company Limited and  
its Consolidated Subsidiaries

Consolidated Statements of Cash Flows

Years ended March 31, 2019 and 2018

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1(a))</i>
	<u>2019</u>	<u>2018</u>	<u>2019</u>
<b>Cash flows from operating activities:</b>			
Profit before income taxes	¥ 15,347	¥ 29,711	\$ 138,274
Depreciation and amortization	21,651	20,837	195,072
Loss on impairment of fixed assets	243	278	2,189
Loss on sales of investments in securities	426	520	3,838
Equity in earnings of affiliates	(329)	(263)	(2,964)
Increase (decrease) in asset and liabilities for retirement benefits	1,951	(21,190)	17,578
Increase in accrued employees' bonuses	373	213	3,361
Decrease in allowance for ETC mileage program	(75)	(183)	(676)
(Decrease) increase in allowance for doubtful accounts	(334)	36	(3,009)
Interest and dividend income	(17)	(16)	(153)
Interest expense	641	1,113	5,775
Loss on sales of fixed assets	12	85	108
Loss on disposal of fixed assets	1,068	1,635	9,622
(Increase) decrease in accounts receivable due from expressway business operations	(10,447)	28,447	(94,126)
Decrease (increase) in inventories	183,934	(128,906)	1,657,212
Increase in accounts payable due to expressway business operations	73,456	11,930	661,825
Increase in other accounts payable	15,489	15,921	139,553
Others	5,640	2,951	50,817
<b>Subtotal</b>	<b>309,029</b>	<b>(36,881)</b>	<b>2,784,296</b>
Interest and dividends received	41	143	369
Interest paid	(716)	(1,088)	(6,451)
Income taxes paid	(1,000)	(4,222)	(9,010)
<b>Net cash provided by (used in) operating activities</b>	<b>307,354</b>	<b>(42,048)</b>	<b>2,769,204</b>
<b>Cash flows from investing activities:</b>			
Increase in time deposits	(0)	(0)	(0)
Decrease in time deposits	-	11	-
Proceeds from sales and redemption of marketable securities	50	-	450
Payments for purchase of investments in securities	(40)	(694)	(360)
Proceeds from sales and redemption of investments in securities	304	225	2,739
Payments for purchase of fixed assets	(26,937)	(23,225)	(242,698)
Proceeds from sale of fixed assets	33	446	297
Others	(6)	(102)	(53)
<b>Net cash used in investing activities</b>	<b>(26,596)</b>	<b>(23,339)</b>	<b>(239,625)</b>
<b>Cash flows from financing activities:</b>			
Proceeds from long-term loans	43,059	16,976	387,954
Repayments of long-term loans (Note 19)	(68,145)	(35,424)	(613,974)
Proceeds from issuance of bonds for road construction	365,066	342,708	3,289,179
Redemption of bonds for road construction (Note 19)	(657,182)	(223,551)	(5,921,092)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(328)	-	(2,955)
Others	(648)	(729)	(5,839)
<b>Net cash (used in) provided by financing activities</b>	<b>(318,178)</b>	<b>99,980</b>	<b>(2,866,727)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(1)</b>	<b>(1)</b>	<b>(9)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(37,421)</b>	<b>34,592</b>	<b>(337,157)</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>142,849</b>	<b>108,257</b>	<b>1,287,044</b>
<b>Increase in cash and cash equivalents resulting from merger with an unconsolidated subsidiary</b>	<b>72</b>	<b>-</b>	<b>649</b>
<b>Cash and cash equivalents at end of the year (Note 19)</b>	<b>¥ 105,500</b>	<b>¥ 142,849</b>	<b>\$ 950,536</b>

*See notes to consolidated financial statements.*

Central Nippon Expressway Company Limited and  
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements

March 31, 2019 and 2018

**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.

Certain reclassifications of previously reported amounts have been made to conform the consolidated financial statements for the year ended March 31, 2018 to the 2019 presentation. Such reclassifications had no effect on consolidated profit or net assets.

The translation of Japanese yen amounts into U.S. dollars is included solely for the convenience of the reader and has been made at ¥110.99 = U.S. \$1.00, the approximate rate of exchange in effect on March 31, 2019. 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, 2019 and 2018. The Company has applied the equity method to its investments in 9 and 12 significant affiliates for the purpose of the consolidated financial statements for the years ended March 31, 2019 and 2018, respectively.

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

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

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

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

Negative goodwill is credited to income when incurred. Negative goodwill recognized on or before March 31, 2010 is being amortized using the straight-line method over a period of 20 years.

**(c) Foreign currency translation**

All monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date, and differences arising from the translation are credited or charged to income.

Assets and liabilities of the overseas affiliate accounted for by the equity method are translated into yen at the rates of exchange in effect at the balance sheet date of the affiliate, and revenues and expenses are translated at the average rates of exchange for the fiscal year. Differences arising from the translation are reflected in "Translation adjustments" as a component of Accumulated other comprehensive income (loss).

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

**1. Summary of Significant Accounting Policies (continued)**

**(d) Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand, cash in banks which can be withdrawn at any time and short-term investments with a maturity of three months or less when purchased which can easily be converted to cash and are subject to little risk of change in value.

**(e) Investments in securities**

Securities, other than those of unconsolidated subsidiaries and affiliates, are classified into three categories: trading securities, held-to-maturity debt securities and other securities.

Trading securities, consisting of debt and marketable equity securities are stated at fair value. Gain or loss, both realized and unrealized, is credited or charged to income. Held-to-maturity debt securities are stated at amortized cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, reported as a separate component of accumulated other comprehensive income (loss). Cost of securities sold is determined by the moving average method. Non-marketable securities classified as other securities are carried at cost determined by the moving average method.

Under the Companies Act of Japan (the “Act”), unrealized holding gain on other securities, net of the related taxes, is not available for distribution as dividends.

**(f) Inventories**

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

Acquisition costs of work in process for road construction includes costs for road construction, costs for acquiring land, related incidental costs, labor costs for road construction and removal costs and other related costs.

Interest expense incurred for work in process for road construction up to the date of completion is capitalized as a part of the work in process for road construction.

Merchandise, finished goods and work in process are principally stated at lower of cost, determined by the individual cost method, or net selling value.

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

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

**1. Summary of Significant Accounting Policies (continued)**

**(g) Allowance for doubtful accounts**

Allowance for doubtful accounts is provided based on the actual historical percentage of bad debts and an estimate of uncollectible amounts determined by an assessment of individual receivables.

**(h) Property and equipment (except for leased assets)**

Depreciation of property and equipment of the Company and its consolidated subsidiaries is calculated principally by the straight-line method based on the estimated useful lives and the residual value determined by the Company. Significant renewals and additions are capitalized at cost. Maintenance and repairs are charged to income as incurred. The estimated useful lives of the assets are as follows:

Buildings:	3 to 50 years
Structures:	3 to 60 years
Machinery and equipment:	5 to 17 years

The Company succeeded certain property and equipment from the Japan Highway Public Corporation (“JHPC”) when the Company was established on October 1, 2005. The estimated useful lives of property and equipment transferred to the Company from the JHPC are determined based on the respective estimated useful lives of used assets.

**(i) Intangible fixed assets (except for leased assets)**

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

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

**(j) Leased assets**

Leased assets under finance lease transactions which transfer ownership to the lessee are capitalized and depreciated or amortized by the method applied to assets owned by the Company.

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

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

**1. Summary of Significant Accounting Policies (continued)**

**(k) Bond issuance expenses for road construction**

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

**(l) Derivatives and hedging activities**

The Company has entered into currency swap contracts and interest-rate swap contracts to hedge its exposure to exchange rate fluctuation risk and interest rate fluctuation risk corresponding to corporate bonds denominated in foreign currencies based on internal regulations.

Gains or losses on derivatives positions designated as hedges are deferred until the gains or losses on the respective underlying hedged items are recognized.

Currency swap contracts that meet certain conditions are accounted for by the allocation method, which requires that the recognized foreign currency transaction be translated at the corresponding currency swap contract rate. Interest-rate swap contracts that meet certain conditions are accounted for by the special treatment. Under the treatment, the net amount to be paid or received under the contracts is added to or deducted from the interest on the hedged items, by treating them as a single item.

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

**(m) 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.

**(n) 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  
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Notes to Consolidated Financial Statements (continued)

**1. Summary of Significant Accounting Policies (continued)**

**(o) 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.

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

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

**(q) Allowance for ETC mileage program**

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



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

**1. Summary of Significant Accounting Policies (continued)**

**(r) Recognition of revenues and costs**

Operating revenues from the transfer of expressway assets constructed by the Company and related operating expenses are recognized by the completed-contract method in accordance with “the Regulation on Accounting in the Expressway Industry, etc.”

In principle, pursuant to Article 51 of the Act on Special Measures concerning Road Construction and Improvement of Japan (the “Special Measures Act”), expressway assets constructed by the Company shall belong to the Japan Expressway Holding and Debt Repayment Agency (“JEHDRA”) after the completion of construction. At the same time, pursuant to Article 15 of the Japan Expressway Holding and Debt Repayment Agency Act of Law (the “JEHDRA Act”), the debts borne by the Company for construction shall be assumed by JEHDRA. As such, operating revenues and related operating expenses are recognized once construction of the expressway assets is completed and JEHDRA assumes ownership.

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 (\$45,049 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).

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

**2. Accounting Changes**

**Partial Amendments to Accounting Standard for Tax Effect Accounting**

The Group has adopted “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) effective from April 1, 2018.

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

As a result, in the accompanying comparative “Consolidated Balance Sheet” at March 31, 2018, the Group reclassified “Deferred income taxes” amounting to ¥2,488 million in “Current assets” as “Deferred income taxes” in “Investments and other assets,” and “Other current liabilities” amounting to ¥0 million in “Current liabilities” as “Deferred income taxes” in “Long-term liabilities.” In addition, the Group offset “Deferred income taxes” amounting to ¥534 million included in “Investments and other assets” with the “Deferred income taxes” included in “Long-term liabilities,” and therefore “Total assets” decreased by ¥534 million.

**3. Supplemental Information**

**Return of Substitutional Portion of Employees’ Pension Fund**

On May 1, 2017, the Company obtained approval from the Minister of Health, Labour and Welfare of Japan with respect to its application for the return of the benefit obligations related to past employee services under the substitutional portion of the Welfare Pension Fund Plan (“WFPF”). Based upon the approval, the Company applied paragraph 46 of the “Revised Implementation Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No.25, March 26, 2015), and as a result, Gain on return of substitutional portion of employees’ pension fund was recorded in the amount of ¥22,395 million for the year ended March 31, 2018.

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

**4. Accounting Standards Issued but Not Yet Effective**

**Accounting Standard and Implementation Guidance on Revenue Recognition**

On March 30, 2018, the ASBJ issued “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29) and “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30).

(1) Overview

The International Accounting Standards Board (hereinafter referred to as the “IASB”) and the Financial Accounting Standards Board (hereinafter referred to as the “FASB”) in the United States co-developed comprehensive accounting standards for revenue recognition and issued “Revenue from Contracts with Customers” (issued as IFRS 15 by the IASB and Topic 606 by the FASB) in May 2014. The ASBJ developed comprehensive accounting standards on revenue recognition and issued them in conjunction with the implementation guidance based on the fact that IFRS 15 will be applied from fiscal years starting on or after January 1, 2018 and Topic 606 will be applied from fiscal years starting after December 15, 2017.

The basic policy adopted by the ASBJ in developing accounting standards for revenue recognition was to incorporate the basic principles of IFRS 15 to ensure comparability between financial statements. Alternative accounting treatments were also incorporated based on accounting practices common in Japan where such treatments would have a limited impact on comparability with IFRS.

(2) Scheduled date of adoption

The Company expects to adopt the accounting standard and implementation guidance from the beginning of the fiscal year ending March 31, 2022.

(3) Impact of the adoption of accounting standard and implementation guidance

The Company is currently evaluating the effect of the adoption of this accounting standard and implementation guidance on its consolidated financial statements.

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

**5. Securities**

Held-to-maturity debt securities with fair value at March 31, 2019 and 2018 are as follows:

		<i>Millions of yen</i>					
		Held-to-maturity debt securities					
		<b>2019</b>			<b>2018</b>		
		Carrying value	Fair value	Unrealized gain	Carrying value	Fair value	Unrealized gain
Securities with fair value exceeding carrying value:							
	National and local government bonds	¥ 300	¥ 307	¥ 7	¥ 301	¥ 311	¥ 10
	Corporate bonds	-	-	-	50	50	0
	Total	<u>¥ 300</u>	<u>¥ 307</u>	<u>¥ 7</u>	<u>¥ 351</u>	<u>¥ 361</u>	<u>¥ 10</u>

		<i>Thousands of U.S. dollars</i>		
		Held-to-maturity debt securities		
		<b>2019</b>		
		Carrying value	Fair value	Unrealized gain
Securities with fair value exceeding carrying value:				
	National and local government bonds	\$ 2,703	\$ 2,766	\$ 63
	Corporate bonds	-	-	-
	Total	<u>\$ 2,703</u>	<u>\$ 2,766</u>	<u>\$ 63</u>

Central Nippon Expressway Company Limited and  
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**5. Securities (continued)**

Other securities with available market value at March 31, 2019 and 2018 are as follows:

	<i>Millions of yen</i>					
	Other securities					
	<b>2019</b>			<b>2018</b>		
	Acquisition cost	Carrying value	Unrealized gain (loss)	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities with carrying value exceeding acquisition cost:						
Stocks	¥ 78	¥ 139	¥ 61	¥ 78	¥ 158	¥ 80
Securities with carrying value not exceeding acquisition cost:						
Stocks	38	26	(12)	38	32	(6)
Total	<u>¥ 116</u>	<u>¥ 165</u>	<u>¥ 49</u>	<u>¥ 116</u>	<u>¥ 190</u>	<u>¥ 74</u>

	<i>Thousands of U.S. dollars</i>		
	Other securities		
	<b>2019</b>		
	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities with carrying value exceeding acquisition cost:			
Stocks	\$ 703	\$ 1,253	\$ 550
Securities with carrying value not exceeding acquisition cost:			
Stocks	342	234	(108)
Total	<u>\$ 1,045</u>	<u>\$ 1,487</u>	<u>\$ 442</u>

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.

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

**5. Securities (continued)**

Because no quoted market price is available and it is extremely difficult to estimate the corresponding future cash flow, unlisted stocks of ¥94 million (\$846 thousand) and ¥40 million at March 31, 2019 and 2018, respectively, are not included in the above table.

Sales of securities classified as other securities and the aggregate gain (loss) for the years ended March 31, 2019 and 2018, respectively, are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2019</b>	<b>2018</b>	<b>2019</b>
<b>Sales proceeds:</b>			
Stocks	¥ –	¥ 11	\$ –
	¥ –	¥ 11	\$ –
<b>Aggregate gain (loss):</b>			
Stocks	¥ –	¥ 10	\$ –
	¥ –	¥ 10	\$ –

The Group recognized loss on impairment of non-marketable securities classified as other securities in the amounts of ¥86 million (\$775 thousand) for the year ended March 31, 2019. For securities for which fair values are deemed extremely difficult to assess, when the value of those securities has written down by more than 50% from their carrying value, the loss on impairment of those securities are recognized, except for cases where the recoverability of the value of those securities in the future is supported by reasonable grounds.

**6. Inventories**

Inventories at March 31, 2019 and 2018 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2019</b>	<b>2018</b>	<b>2019</b>
Work in process for road construction	¥ <b>786,013</b>	¥ 969,884	<b>\$ 7,081,836</b>
Merchandise and finished goods	<b>499</b>	535	<b>4,496</b>
Work in process	<b>949</b>	656	<b>8,550</b>
Raw materials and supplies	<b>1,902</b>	1,828	<b>17,137</b>
	<b>¥ 789,363</b>	¥ 972,903	<b>\$ 7,112,019</b>

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

**7. Loss on Impairment of Fixed Assets**

The Group recognized loss on impairment of the following groups of assets for the years ended March 31, 2019 and 2018, respectively.

Years ended March 31	Location	Usage	Category
2019	Tsu-city, Mie, and others	Common assets related to the entire business	Buildings, structures and others
2019	Ota-city, Tokyo, and others	Fixed assets related to rest area business	Buildings, structures, tools, furniture, fixtures and others
2019	Toki-city, Gifu	Fixed assets related to other related business	Buildings, tools, furniture, fixtures and others
2018	Machida-city, Tokyo, and others	Common assets related to the entire business	Buildings, structures and others
2018	Minato-city, Tokyo	Intangible fixed assets related to rest area business	Software

In principle, the Group classifies asset groups based on business segment. Assets not directly linked to a specific business, such as the head-office building, are common assets related to the entire business.

The carrying value of the asset group to be disposed, which consists of common assets related to the entire business, and the carrying value of the asset group for which it is considered that investments can no longer be recovered due to a profitability decline, consisting of fixed assets related to rest area business, were written down to their memorandum value for the years ended March 31, 2019 and 2018.

In addition, the carrying value of the asset group for which it is considered that investments can no longer be recovered due to a profitability decline, consisting of fixed assets related to rest area business and other related business, were written down to their recoverable value for the year ended March 31, 2019.

Central Nippon Expressway Company Limited and  
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**7. Loss on Impairment of Fixed Assets (continued)**

As a result, loss on impairment of fixed assets amounted to ¥243 million (\$2,189 thousand) and ¥278 million for the years ended March 31, 2019 and 2018, respectively.

The details of loss on impairment are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2019</b>	<b>2018</b>	<b>2019</b>
Buildings	¥ 226	¥ 246	\$ 2,036
Structures	4	6	36
Tools, furniture and fixtures	10	2	90
Software	–	24	–
Others	3	0	27
	<b>¥ 243</b>	<b>¥ 278</b>	<b>\$ 2,189</b>

The recoverable value of the asset group related to rest area business is measured by net selling value which is calculated based on estimated selling amounts. In addition, the recoverable value of the asset group related to other related business is measured by value in use which is the sum of anticipated future cash flows discounted at rate of 3%.

**8. Investments in Unconsolidated Subsidiaries and Affiliates**

Investments in unconsolidated subsidiaries and affiliates included stock of jointly controlled companies of ¥4,080 million (\$36,760 thousand) and ¥3,696 million at March 31, 2019 and 2018, respectively.



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

**9. 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, 2019 and 2018 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, 2018	Net change	March 31, 2019	March 31, 2019
Rental properties	<b>¥ 5,407</b>	<b>¥ (234)</b>	<b>¥ 5,173</b>	<b>¥ 4,586</b>

	<i>Millions of yen</i>			
	<i>Carrying value</i>			<i>Fair value</i>
	April 1, 2017	Net change	March 31, 2018	March 31, 2018
Rental properties	¥ 5,344	¥ 63	¥ 5,407	¥ 4,776

	<i>Thousands of U.S. dollars</i>			
	<i>Carrying value</i>			<i>Fair value</i>
	April 1, 2018	Net change	March 31, 2019	March 31, 2019
Rental properties	<b>\$ 48,716</b>	<b>\$ (2,108)</b>	<b>\$ 46,608</b>	<b>\$ 41,319</b>

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, 2019 and 2018 mainly represents the increase of the construction in progress and depreciation expenses.

The fair value in the above table is principally computed based on “Real Estate Appraisal Standards” in Japan.

Central Nippon Expressway Company Limited and  
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**9. Rental Properties (continued)**

The carrying value in the consolidated balance sheets as of March 31, 2019 and 2018 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>
	April 1, 2018	Net change	March 31, 2019	March 31, 2019
Real estate including certain portions used as investment property	¥ 133,292	¥ 169	¥ 133,461	¥ 107,925

	<i>Millions of yen</i>			
	<i>Carrying value</i>			<i>Fair value</i>
	April 1, 2017	Net change	March 31, 2018	March 31, 2018
Real estate including certain portions used as investment property	¥ 134,054	¥ (762)	¥ 133,292	¥ 108,239

	<i>Thousands of U.S. dollars</i>			
	<i>Carrying value</i>			<i>Fair value</i>
	April 1, 2018	Net change	March 31, 2019	March 31, 2019
Real estate including certain portions used as investment property	\$ 1,200,937	\$ 1,523	\$ 1,202,460	\$ 972,385

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

Net change in real estate including certain portions used as investment property for the years ended March 31, 2019 and 2018 mainly represents the increase of the investment in the Suzuka Parking Area and the Dangozaka Service Area (inbound), respectively, and depreciation expenses.

The fair value in the above table is principally computed based on “Real Estate Appraisal Standards” in Japan.

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

**9. Rental Properties (continued)**

Operating revenues, operating expenses and net for those properties for the years ended March 31, 2019 and 2018 are as follows:

		<i>Millions of yen</i>		
		<b>2019</b>		
		Operating revenues	Operating expenses	Net
Rental properties		¥ 512	¥ 225	¥ 287
Real estate including certain portions used as investment property		25,211	13,082	12,129
		<i>Millions of yen</i>		
		<b>2018</b>		
		Operating revenues	Operating expenses	Net
Rental properties		¥ 510	¥ 214	¥ 296
Real estate including certain portions used as investment property		24,331	12,531	11,800
		<i>Thousands of U.S. dollars</i>		
		<b>2019</b>		
		Operating revenues	Operating expenses	Net
Rental properties		\$ 4,613	\$ 2,027	\$ 2,586
Real estate including certain portions used as investment property		227,147	117,866	109,281

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 ¥4,430 million (\$39,914 thousand) and ¥4,491 million for the years ended March 31, 2019 and 2018, 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)

**10. Long-Term Debt and Lease Obligations**

Long-term debt at March 31, 2019 and 2018 consisted of the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2019</b>	<b>2018</b>	<b>2019</b>
Bonds for road construction	<b>¥ 645,168</b>	¥ 936,740	<b>\$ 5,812,848</b>
Long-term loans for road construction at interest rates ranging from 0.200% to 0.309% due from 2019 to 2022	<b>58,844</b>	83,830	<b>530,174</b>
Other long-term loans at interest rates ranging from 0.500% to 0.670% due from 2019 to 2033	<b>632</b>	733	<b>5,694</b>
	<b>704,644</b>	1,021,303	<b>6,348,716</b>
Less current portion	<b>(454)</b>	(932)	<b>(4,090)</b>
	<b>¥ 704,190</b>	¥ 1,020,371	<b>\$ 6,344,626</b>

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, 2019 and 2018 are summarized as follows:

	Issue date	Maturity date	Interest rate (%)	Note	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
					<b>2019</b>	<b>2018</b>	<b>2019</b>
Central Nippon Expressway Company Limited U.S.\$285,000,000 2.381 per cent. Bonds due 2020	September 17, 2015	September 17, 2020	2.38	*	¥ —	¥ 34,414	\$ —
No.62 Bond of Central Nippon Expressway Company Limited	November 13, 2015	September 18, 2020	0.23	*	—	50,000	—
No.63 Bond of Central Nippon Expressway Company Limited	November 13, 2015	November 13, 2025	0.58	*	—	20,000	—
Central Nippon Expressway Company Limited U.S.\$250,000,000 2.241 per cent. Bonds due 2021	February 16, 2016	February 16, 2021	2.24	*	—	29,848	—
Central Nippon Expressway Company Limited U.S.\$150,000,000 Floating Rate Bonds due 2021	February 16, 2016	February 16, 2021	3.65	*, **	—	17,908	—
Central Nippon Expressway Company Limited U.S.\$350,000,000 2.293 per cent. Bonds due 2021	April 25, 2016	April 23, 2021	2.29	*	—	38,280	—
Central Nippon Expressway Company Limited U.S.\$250,000,000 Floating Rate Bonds due 2021	April 25, 2016	April 23, 2021	3.84	*, **	—	27,342	—
Central Nippon Expressway Company Limited U.S.\$500,000,000 2.362 per cent. Bonds due 2021	May 31, 2016	May 28, 2021	2.36	*	—	54,880	—
Central Nippon Expressway Company Limited U.S.\$150,000,000 Floating Rate Bonds due 2021	May 31, 2016	May 28, 2021	3.63	*, **	—	16,464	—
Central Nippon Expressway Company Limited AUD100,000,000 3.374 per cent. Bonds due 2026	May 31, 2016	May 28, 2026	3.37	*	—	7,872	—

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

**10. Long-Term Debt and Lease Obligations (continued)**

Bonds for road construction as of March 31, 2019 and 2018 are summarized as follows:  
(continued)

	Issue date	Maturity date	Interest rate (%)	Note	Millions of yen		Thousands of U.S. dollars
					2019	2018	2019
No.64 Bond of Central Nippon Expressway Company Limited	May 31, 2016	May 31, 2021	0.06	*	¥ —	¥ 9,800	\$ —
No.65 Bond of Central Nippon Expressway Company Limited	July 14, 2016	July 14, 2021	0.03	*	—	60,000	—
Central Nippon Expressway Company Limited Issue of Series 1							
U.S.\$400,000,000 2.091 per cent. Notes due 2021	September 14, 2016	September 14, 2021	2.09	*	—	41,480	—
Central Nippon Expressway Company Limited Issue of Series 2							
U.S.\$200,000,000 Floating Rate Notes due 2021	September 14, 2016	September 14, 2021	3.44	*, **	—	20,740	—
No.66 Bond of Central Nippon Expressway Company Limited	September 28, 2016	September 28, 2021	0.03	*	—	34,000	—
No.67 Bond of Central Nippon Expressway Company Limited	November 30, 2016	September 17, 2021	0.03	*	—	50,000	—
Central Nippon Expressway Company Limited Issue of Series 3							
U.S.\$250,000,000 2.849 per cent. Notes due 2022	March 3, 2017	March 3, 2022	2.85	*	—	28,290	—
Central Nippon Expressway Company Limited Issue of Series 4							
U.S.\$300,000,000 Floating Rate Notes due 2022	March 3, 2017	March 3, 2022	3.43	*, **	—	33,948	—
No.68 Bond of Central Nippon Expressway Company Limited	March 3, 2017	December 20, 2021	0.07	*	—	18,000	—
No.69 Bond of Central Nippon Expressway Company Limited	May 31, 2017	March 18, 2022	0.07		<b>99,000</b>	99,000	<b>891,972</b>
Central Nippon Expressway Company Limited Issue of Series 5							
U.S.\$500,000,000 Floating Rate Notes due 2020	August 4, 2017	August 4, 2020	3.28	**	<b>56,068</b>	56,068	<b>505,163</b>
Central Nippon Expressway Company Limited Issue of Series 6							
U.S.\$425,000,000 2.567 per cent. Notes due 2021	November 2, 2017	November 2, 2021	2.57		<b>47,817</b>	47,817	<b>430,823</b>
Central Nippon Expressway Company Limited Issue of Series 7							
U.S.\$375,000,000 Floating Rate Notes due 2021	November 2, 2017	November 2, 2021	3.30	**	<b>42,191</b>	42,191	<b>380,133</b>
No.70 Bond of Central Nippon Expressway Company Limited	November 15, 2017	September 20, 2022	0.09		<b>20,000</b>	20,000	<b>180,196</b>
Central Nippon Expressway Company Limited Issue of Series 8							
HK\$1,000,000,000 2.463 per cent. Notes due 2022	February 9, 2018	February 9, 2022	2.46		<b>14,200</b>	14,200	<b>127,940</b>
Central Nippon Expressway Company Limited Issue of Series 9							
U.S.\$100,000,000 3.055 per cent. Notes due 2022	February 15, 2018	February 15, 2022	3.06		<b>10,933</b>	10,933	<b>98,504</b>
Central Nippon Expressway Company Limited Issue of Series 10							
U.S.\$350,000,000 Floating Rate Notes due 2022	February 15, 2018	February 15, 2022	3.14	**	<b>38,265</b>	38,265	<b>344,761</b>

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

**10. Long-Term Debt and Lease Obligations (continued)**

Bonds for road construction as of March 31, 2019 and 2018 are summarized as follows:  
(continued)

	Issue date	Maturity date	Interest rate (%)	Note	Millions of yen		Thousands of U.S. dollars
					2019	2018	2019
No.71 Bond of Central Nippon Expressway Company Limited	February 23, 2018	December 20, 2022	0.09		¥ 15,000	¥ 15,000	\$ 135,147
Central Nippon Expressway Company Limited Issue of Series 11 AUD200,000,000 2.91 per cent. Notes due 2021	May 11, 2018	May 11, 2021	2.91		16,522	—	148,860
No.72 Bond of Central Nippon Expressway Company Limited	May 30, 2018	May 30, 2022	0.05		50,000	—	450,491
No.73 Bond of Central Nippon Expressway Company Limited	July 31, 2018	July 29, 2022	0.04		30,000	—	270,295
No.74 Bond of Central Nippon Expressway Company Limited	September 27, 2018	September 20, 2022	0.05		70,000	—	630,687
Central Nippon Expressway Company Limited Issue of Series 12 AUD300,000,000 2.701 per cent. Notes due 2020	November 9, 2018	November 9, 2020	2.70	*	—	—	—
No.75 Bond of Central Nippon Expressway Company Limited	November 30, 2018	November 30, 2020	0.00	*	—	—	—
Central Nippon Expressway Company Limited Issue of Series 13 EUR200,000,000 0.007 per cent. Notes due 2021	March 12, 2019	March 12, 2021	0.01		25,171	—	226,786
No.76 Bond of Central Nippon Expressway Company Limited	March 12, 2019	April 12, 2021	0.00		80,001	—	720,795
No.77 Bond of Central Nippon Expressway Company Limited	March 28, 2019	March 19, 2024	0.07		30,000	—	270,295
				Total	<u>¥ 645,168</u>	<u>¥ 936,740</u>	<u>\$ 5,812,848</u>

\* 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, 2019.

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Notes to Consolidated Financial Statements (continued)

**10. Long-Term Debt and Lease Obligations (continued)**

The aggregate annual maturities of long-term debt subsequent to March 31, 2019 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
2020	¥ –	¥ 354	¥ 100
2021	111,239	75	100
2022	348,929	33,415	101
2023	185,000	25,000	101
2024 and thereafter	–	–	230
	¥ 645,168	¥ 58,844	¥ 632

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
2020	\$ –	\$ 3,189	\$ 901
2021	1,002,243	676	901
2022	3,143,788	301,063	910
2023	1,666,817	225,246	910
2024 and thereafter	–	–	2,072
	\$ 5,812,848	\$ 530,174	\$ 5,694

The aggregate annual maturities of lease obligations subsequent to March 31, 2019 are summarized as follows:

Years ending March 31,	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	Lease obligations	
2020	¥ 527	\$ 4,748
2021	393	3,541
2022	308	2,775
2023	202	1,820
2024 and thereafter	1,412	12,722
	¥ 2,842	\$ 25,606

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Notes to Consolidated Financial Statements (continued)

**11. Pledged Assets**

At March 31, 2019 and 2018, the total assets of the Company were pledged as collateral for the following bonds pursuant to Article 8 of the Act on Expressway Companies of Japan.

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2019</b>	<b>2018</b>	<b>2019</b>
Bonds for road construction			
Carrying value	¥ <b>645,168</b>	¥ 936,740	<b>\$ 5,812,848</b>
Face value	<b>645,168</b>	936,740	<b>5,812,848</b>

In addition, at March 31, 2019 and 2018, the total assets of the Company were also pledged as collateral for bonds in the amounts of ¥1,295,733 million (\$11,674,322 thousand) and ¥1,141,071 million at March 31, 2019 and 2018, respectively, assumed by JEHDRA pursuant to Article 15 of the JEHDRA Act.

At March 31, 2019 and 2018, the following assets, other than pledged assets outlined above under requirement of the Act on Expressway Companies of Japan and the JEHDRA Act, were pledged.

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2019</b>	<b>2018</b>	<b>2019</b>
Cash and deposits	¥ <b>3</b>	¥ 3	<b>\$ 27</b>
Investments in unconsolidated subsidiaries and affiliates	–	68	–
Investments in securities	<b>53</b>	–	<b>478</b>
Others in Investments and other assets	<b>33</b>	33	<b>297</b>



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Notes to Consolidated Financial Statements (continued)

**12. Income Taxes**

The Company and its domestic subsidiaries are subject to several taxes based on income which, in the aggregate, resulted in statutory tax rates of approximately 30.4% and 30.6% for the years ended March 31, 2019 and 2018, respectively.

The effective tax rate reflected in the accompanying consolidated statements of income for the years ended March 31, 2019 and 2018, respectively, differs from the above statutory tax rate for the following reasons:

	<u>2019</u>	<u>2018</u>
Statutory tax rate	<b>30.4%</b>	30.6%
Adjustments:		
Valuation allowance	<b>3.3</b>	0.8
Amortization of negative goodwill	<b>(0.7)</b>	(0.4)
Equity in earnings of affiliates	<b>(0.7)</b>	(0.3)
Consolidated adjustments of gain (loss) on sales of equity method affiliates investments	<b>1.0</b>	0.6
Inhabitants' per capita taxes	<b>0.8</b>	0.4
Other	<b>(0.4)</b>	1.2
Effective tax rate	<u><b>33.7%</b></u>	<u>32.9%</u>

The significant components of the Group's deferred tax assets and liabilities at March 31, 2019 and 2018 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<u>2019</u>	<u>2018</u>	<u>2019</u>
Deferred tax assets:			
Allowance for doubtful accounts	¥ <b>67</b>	¥ 170	\$ <b>604</b>
Accrued employees' bonuses	<b>1,270</b>	1,142	<b>11,442</b>
Allowance for ETC mileage program	<b>2,485</b>	2,508	<b>22,389</b>
Liabilities for retirement benefits	<b>19,458</b>	19,859	<b>175,313</b>
Other	<b>5,175</b>	5,236	<b>46,626</b>
Gross deferred tax assets	<u><b>28,455</b></u>	<u>28,915</u>	<u><b>256,374</b></u>
Less valuation allowance	<b>(22,485)</b>	(23,035)	<b>(202,585)</b>
Total deferred tax assets	<u><b>5,970</b></u>	<u>5,880</u>	<u><b>53,789</b></u>
Deferred tax liabilities:			
Other	<b>(677)</b>	(658)	<b>(6,100)</b>
Total deferred tax liabilities	<u><b>(677)</b></u>	<u>(658)</u>	<u><b>(6,100)</b></u>
Net deferred tax assets	<u><b>¥ 5,293</b></u>	<u>¥ 5,222</u>	<u><b>\$ 47,689</b></u>

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

**13. 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 (“WPPF”) 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 and corporate pension plans. The contributions to the fund are charged to expense when paid in cases where the proportional portion of plan assets attributable to certain consolidated subsidiaries rationally cannot be calculated. In cases where the proportional portion can be calculated, the liabilities for retirement benefits is provided based on the amount of the projected benefit obligation after deducting by the pension plan assets.

On June 29, 2018, the Company transferred to the Japanese government with respect to its application for the return of the benefit obligations related to past employee services under the substitutional portion of the WPPF due to settlement of minimum actuarial reserve. The resulting effects on the consolidated statement of income for the year ended March 31, 2019 were immaterial.

On May 1, 2017, the Company obtained approval from the Minister of Health, Labour and Welfare of Japan with respect to its application for the return of the benefit obligations related to past employee services under the substitutional portion of the WPPF.

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

**13. Retirement Benefits (continued)**

2. Defined benefit plans

The changes in retirement benefit obligation for the years ended March 31, 2019 and 2018 are as follows (excluding defined benefit plans based on the simplified method):

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2019</b>	<b>2018</b>	<b>2019</b>
Beginning balance of retirement benefit obligation	¥ 100,804	¥ 127,520	\$ 908,226
Service cost	3,884	3,532	34,994
Interest cost	455	391	4,099
Actuarial gain or loss	585	2,768	5,271
Prior service cost	–	(151)	–
Benefit paid	(3,167)	(3,697)	(28,534)
Decrease due to return of substitutional portion of the WFPF	(13,350)	(29,559)	(120,281)
Ending balance of retirement benefit obligation	¥ 89,211	¥ 100,804	\$ 803,775

The changes in plan assets at fair value for the years ended March 31, 2019 and 2018 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>
	<b>2019</b>	<b>2018</b>	<b>2019</b>
Beginning balance of plan assets at fair value	¥ 39,256	¥ 40,348	\$ 353,690
Expected return on plan assets	1,184	499	10,668
Actuarial gain or loss	1,827	(2,246)	16,461
Contributions by the employers	2,055	2,139	18,515
Benefit paid	(1,756)	(1,522)	(15,821)
Decrease due to return of substitutional portion of the WFPF	(13,478)	–	(121,434)
Other	224	38	2,017
Ending balance of plan assets at fair value	¥ 29,312	¥ 39,256	\$ 264,096

The changes in liabilities for retirement benefit under the simplified method for the years ended March 31, 2019 and 2018 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2019</b>	<b>2018</b>	<b>2019</b>
Beginning balance of liabilities for retirement benefit	¥ 1,294	¥ 1,221	\$ 11,659
Service cost	278	341	2,505
Benefit paid	(138)	(186)	(1,243)
Payment for the plan	(89)	(82)	(802)
Other	2	–	17
Ending balance of liabilities for retirement benefit	¥ 1,347	¥ 1,294	\$ 12,136

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

**13. 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, 2019 and 2018 for the Company's and the consolidated subsidiaries' defined benefit plans:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2019</b>	<b>2018</b>	<b>2019</b>
Funded retirement benefit obligation	¥ 58,013	¥ 70,280	\$ 522,687
Plan assets at fair value	(30,171)	(40,082)	(271,836)
	<b>27,842</b>	30,198	<b>250,851</b>
Unfunded retirement benefit obligation	<b>33,404</b>	32,644	<b>300,964</b>
Net amounts of liabilities and assets recognized in consolidated balance sheets	<b>61,246</b>	62,842	<b>551,815</b>
Liabilities for retirement benefits	<b>61,848</b>	63,250	<b>557,239</b>
Asset for retirement benefits	(602)	(408)	(5,424)
Net amounts of liabilities recognized in consolidated balance sheets	<b>¥ 61,246</b>	¥ 62,842	<b>\$ 551,815</b>

The components of retirement benefit expenses for the years ended March 31, 2019 and 2018 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2019</b>	<b>2018</b>	<b>2019</b>
Service cost	¥ 3,661	¥ 3,495	\$ 32,985
Interest cost	455	391	4,099
Expected return on plan assets	(1,184)	(499)	(10,668)
Amortization:			
Actuarial gain or loss	2,321	2,104	20,912
Prior service cost	(17)	(43)	(153)
Retirement benefit expenses under the simplified method	278	341	2,505
Other	13	(304)	117
Retirement benefit expenses	<b>¥ 5,527</b>	¥ 5,485	<b>\$ 49,797</b>

The components of retirement benefits liability adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2019 and 2018 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2019</b>	<b>2018</b>	<b>2019</b>
Prior service cost	¥ 17	¥ 2,743	\$ 153
Actuarial gain or loss	(3,564)	(7,105)	(32,111)
Total	<b>¥ (3,547)</b>	¥ (4,362)	<b>\$ (31,958)</b>

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

**13. Retirement Benefits (continued)**

2. Defined benefit plans (continued)

The components of retirement benefits liability adjustments included in accumulated other comprehensive loss (before tax effect) as of March 31, 2019 and 2018 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2019</b>	<b>2018</b>	<b>2019</b>
Unrecognized prior service cost	¥ (47)	¥ (63)	\$ (423)
Unrecognized actuarial gain or loss	<b>13,590</b>	17,153	<b>122,443</b>
Total	<b>¥ 13,543</b>	¥ 17,090	<b>\$ 122,020</b>

The fair value of plans assets, by major category, as a percentage of total assets as of March 31, 2019 and 2018 are as follows:

	<b>2019</b>	<b>2018</b>
Bonds	32.0%	21.5%
Stocks	30.9	20.4
Cash and deposits	0.7	0.4
General accounts at life insurance companies	20.9	9.5
Short-term financial assets	1.1	32.8
Other	14.4	15.4
Total	<b>100%</b>	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, 2019 and 2018 are as follows:

	<b>2019</b>	<b>2018</b>
Discount rates	(0.1)-1.0%	(0.1)-1.0%
Expected long-term rates of return on plan assets	1.0-5.3%	0.5-3.0%
Rates of salary increase	0.0-7.7%	0.0-4.3%

3. Defined contribution plans

The required contributions to defined contribution plans including the multi-employer welfare pension plans are ¥121 million (\$1,090 thousand) and ¥117 million for the years ended March 31, 2019 and 2018, 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 their immateriality.

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

**13. Retirement Benefits (continued)**

4. Return of substitutional portion of the WFPF

As described in Note 3 “Supplemental Information”, gain on return of substitutional portion of employees’ pension fund was recorded in the amount of ¥22,395 million for the year ended March 31, 2018.

**14. Contingent Liabilities**

At March 31, 2019 and 2018, the Company provides the following debt guarantees:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2019</b>	<b>2018</b>	<b>2019</b>
JEHDRA	¥ 511,000	¥ 511,000	\$ 4,604,018
W-NEXCO	9	10	81
	<b>¥ 511,009</b>	<b>¥ 511,010</b>	<b>\$ 4,604,099</b>

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, renovation, repairs, maintenance and disaster recovery.

At March 31, 2019 and 2018, the Company is jointly and severally liable with JEHDRA for the bonds and loans of JEHDRA transferred by the Company, which were originally financed by the Company, as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2019</b>	<b>2018</b>	<b>2019</b>
JEHDRA	¥ 1,363,733	¥ 1,178,121	\$ 12,286,990

As a result of these transfers listed above, bonds for road construction and long-term loans for road construction decreased by ¥657,182 million (face value) (\$5,921,092 thousand) and ¥67,345 million (\$606,766 thousand) for the year ended March 31, 2019.

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

**15. 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.

**16. Research and Development Cost**

Research and development cost included in cost of sales and administrative expenses for expressway business operations and selling, general and administrative expenses amounted to ¥1,144 million (\$10,307 thousand) and ¥1,178 million for the years ended March 31, 2019 and 2018, respectively.

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

**17. Leases**

Future minimum lease payments subsequent to March 31, 2019 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>
2020	¥ 459,008	\$ 4,135,580
2021 and thereafter	16,154,123	145,545,752
	<u>¥ 16,613,131</u>	<u>\$ 149,681,332</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, 2019 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>
2020	¥ 1,406	\$ 12,668
2021 and thereafter	4,168	37,553
	<u>¥ 5,574</u>	<u>\$ 50,221</u>



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

**18. Amounts per Share**

Per share amounts as of and for the years ended March 31, 2019 and 2018 are as follows:

	<i>Yen</i>		<i>U.S. dollars</i>
	<b>2019</b>	<b>2018</b>	<b>2019</b>
Profit attributable to owner of parent:			
Basic	¥ <b>77.71</b>	¥ 152.41	<b>\$ 0.70</b>
Net assets	<b>1,876.34</b>	1,765.62	<b>16.91</b>

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, 2019 and 2018.

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

The financial data used in the computation of basic profit attributable to owner of parent per share for the years ended March 31, 2019 and 2018 is summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2019</b>	<b>2018</b>	<b>2019</b>
Profit attributable to owner of parent	¥ <b>10,102</b>	¥ 19,813	<b>\$ 91,017</b>
Adjusted profit attributable to owner of parent	<b>¥ 10,102</b>	¥ 19,813	<b>\$ 91,017</b>
	<i>Thousands of shares</i>		
	<b>2019</b>	<b>2018</b>	
Weighted-average number of shares of common stock outstanding	<b>130,000</b>	130,000	

The financial data used in the computation of net assets per share as of March 31, 2019 and 2018 is summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2019</b>	<b>2018</b>	<b>2019</b>
Total net assets	¥ <b>244,740</b>	¥ 231,105	<b>\$ 2,205,064</b>
Deduction from total net assets:			
Non-controlling interests	<b>816</b>	1,574	<b>7,353</b>
Total net assets available to common shares	<b>¥ 243,924</b>	¥ 229,531	<b>\$ 2,197,711</b>
	<i>Thousands of shares</i>		
	<b>2019</b>	<b>2018</b>	
Number of shares of common stock used in the calculation of net assets per share	<b>130,000</b>	130,000	

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

**19. Supplemental Information on Consolidated Statements of Cash Flows**

Reconciliations of cash and deposits at March 31, 2019 and 2018 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,		
	<b>2019</b>	<b>2018</b>	<b>2019</b>
Cash and deposits	<b>¥ 105,685</b>	¥ 143,033	<b>\$ 952,203</b>
Deposits over three months	<b>(185)</b>	(184)	<b>(1,667)</b>
Cash and cash equivalents	<b>¥ 105,500</b>	¥ 142,849	<b>\$ 950,536</b>

As described in Note 1(r) “Recognition of revenues and costs,” in principle, expressway assets constructed by the Company shall be transferred to JEHDRA after the completion of construction. Concurrently, the debts financed by the Company for construction shall be assumed by JEHDRA.

For the years ended March 31, 2019 and 2018, expressway assets constructed by the Company in the amounts of ¥682,569 million (\$6,149,824 thousand) and ¥216,869 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 ¥67,345 million (\$606,766 thousand) and ¥35,324 million for the years ended March 31, 2019 and 2018, and bonds for road construction of ¥657,182 million (\$5,921,092 thousand) and ¥223,551 million for the years ended March 31, 2019 and 2018, respectively, were assumed by JEHDRA pursuant to Article 15.1 of the JEHDRA Act.

Non-cash transactions outlined above are recognized 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, 2019 and 2018.

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

**20. Financial Instruments and Related Disclosures**

**Status of financial instruments**

(1) Policy for financial instruments

The Group raises funds mainly through bank loans and the issuance of bonds. In principle, bank loans and bonds are repaid and redeemed within 10 years based on past funding.

(2) Types of financial instruments and related risk

Accounts receivable due from expressway business operations and other accounts receivable are exposed to credit risk in relation to customers. Marketable securities and investments in securities are held for the purpose of fund management and primarily consist of held-to-maturity debt securities. These are exposed to credit risk in relation to issuers, interest rate fluctuation risk and market risk.

Accounts payable due to expressway business operations and other accounts payable have payment due dates principally within one year. Other long term loans include liabilities succeeded from JHPC due to the privatization of the Company and for the purpose of financing capital investments by the Company.

Long-term loans for road construction and bonds for road construction are used to fund construction, reconstruction, maintenance and repair and disaster recovery. After the completion of construction, road assets are transferred to JEHDRA pursuant to Article 51.2 or 51.4 of the Special Measures Act. Long-term debt with variable interest rates is exposed to interest rate fluctuation risk.

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

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

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

**20. Financial Instruments and Related Disclosures (continued)**

**Status of financial instruments (continued)**

(3) Risk management for financial instruments

(a) Monitoring of credit risk

For managing credit risks arising from accounts receivable due from expressway business operations and other accounts receivable, each related division of the Group monitors the collection, due dates and outstanding balances by customer. In addition, the Group periodically identifies the credit conditions of major customers.

Marketable securities and investments in securities primarily consist of held-to-maturity debt securities and are limited to securities with high credit ratings based on internal regulations, and are exposed to immaterial credit risks.

For long-term loans with variable interest rates included in long-term debt for road construction, the Group includes contractual provisions allowing the Company to demand early redemption of certain debt under specific conditions.

(b) Monitoring of market risk

Marketable securities and investments in securities primarily consist of held-to-maturity debt securities and are limited to instruments with defined interest rates and are restricted to domestic Japanese instruments based on internal regulations.

The corporate bonds denominated in foreign currencies, which are exposed to foreign currency exchange risk and interest fluctuation risk, are monitored by each corporate bond and are controlled by utilizing currency swap transactions and interest-rate swap transactions, respectively.

(c) Monitoring of liquidity risk

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

(d) Derivative transactions

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

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

**20. Financial Instruments and Related Disclosures (continued)**

**Status of financial instruments (continued)**

(4) Supplementary explanation about fair value of financial instruments

The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in a different fair value.

**Fair value of financial instruments**

The carrying value of financial instruments on the accompanying consolidated balance sheets as of March 31, 2019 and 2018 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>					
	<b>2019</b>			<b>2018</b>		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
<b>Assets:</b>						
Cash and deposits	¥ 105,685	¥ 105,685	¥ –	¥ 143,033	¥ 143,033	¥ –
Accounts receivable due from expressway business operations	87,548	87,548	–	76,310	76,310	–
Other accounts receivable	4,817	4,817	–	7,083	7,083	–
Marketable securities and investments in securities:						
Held-to-maturity debt securities	300	307	7	351	361	10
Other securities	165	165	–	190	190	–
Total assets	<u>¥ 198,515</u>	<u>¥ 198,522</u>	<u>¥ 7</u>	<u>¥ 226,967</u>	<u>¥ 226,977</u>	<u>¥ 10</u>
<b>Liabilities:</b>						
Accounts payable due to expressway business operations	¥ 185,623	¥ 185,623	¥ –	¥ 118,325	¥ 118,325	¥ –
Other accounts payable	61,815	61,815	–	30,441	30,441	–
Income and other taxes payable	5,274	5,274	–	942	942	–
Bonds for road construction	645,168	645,984	816	936,740	937,052	312
Long-term loans for road construction (*)	58,844	58,805	(39)	83,830	83,811	(19)
Other long-term loans (*)	632	632	–	733	733	–
Total liabilities	<u>¥ 957,356</u>	<u>¥ 958,133</u>	<u>¥ 777</u>	<u>¥ 1,171,011</u>	<u>¥ 1,171,304</u>	<u>¥ 293</u>

\* Including the current portion of long-term debt.

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

**20. Financial Instruments and Related Disclosures (continued)**

**Fair value of financial instruments (continued)**

	<i>Thousands of U.S. dollars</i>		
	<b>2019</b>		
	Carrying value	Fair value	Difference
<b>Assets:</b>			
Cash and deposits	\$ 952,203	\$ 952,203	\$ –
Accounts receivable due from expressway business operations	788,792	788,792	–
Other accounts receivable	43,400	43,400	–
Marketable securities and investments in securities:			
Held-to-maturity debt securities	2,703	2,766	63
Other securities	1,487	1,487	–
Total assets	<u>\$ 1,788,585</u>	<u>\$ 1,788,648</u>	<u>\$ 63</u>
<b>Liabilities:</b>			
Accounts payable due to expressway business operations	\$ 1,672,430	\$ 1,672,430	\$ –
Other accounts payable	556,942	556,942	–
Income and other taxes payable	47,518	47,518	–
Bonds for road construction	5,812,848	5,820,200	7,352
Long-term loans for road construction (*)	530,174	529,823	(351)
Other long-term loans (*)	5,694	5,694	–
Total liabilities	<u>\$ 8,625,606</u>	<u>\$ 8,632,607</u>	<u>\$ 7,001</u>

\* Including the current portion of long-term debt.

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

**20. Financial Instruments and Related Disclosures (continued)**

The fair value of cash and deposits, accounts receivable due from expressway business operations and other accounts receivable approximates the carrying value since these items are settled in a short period of time.

The fair value of held-to-maturity debt securities and other securities is determined based on quoted market prices. For further information on the fair value of marketable securities and investments in securities, please refer to Note 5 “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 21 “Derivative Financial Instruments and Hedging Activities” for information on derivative transactions.

Central Nippon Expressway Company Limited and  
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**20. Financial Instruments and Related Disclosures (continued)**

Financial instruments for which it is extremely difficult to determine the fair value as of March 31, 2019 and 2018 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2019</b>	<b>2018</b>	<b>2019</b>
Unlisted stocks:			
Investments in unconsolidated subsidiaries and affiliates	¥ 5,006	¥ 5,342	\$ 45,103
Other securities	94	40	846

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, 2019 are as follows:

	<i>Millions of yen</i>			
	<b>2019</b>			
	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	¥ 105,685	¥ –	¥ –	¥ –
Accounts receivable due from expressway business operations	87,548	–	–	–
Other accounts receivable	4,817	–	–	–
Investments in securities:				
Held-to-maturity debt securities	–	300	–	–
Total	¥ 198,050	¥ 300	¥ –	¥ –

	<i>Thousands of U.S. dollars</i>			
	<b>2019</b>			
	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	\$ 952,203	\$ –	\$ –	\$ –
Accounts receivable due from expressway business operations	788,792	–	–	–
Other accounts receivable	43,400	–	–	–
Investments in securities:				
Held-to-maturity debt securities	–	2,703	–	–
Total	\$ 1,784,395	\$ 2,703	\$ –	\$ –



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

**21. Derivative Financial Instruments and Hedging Activities**

The contract amount and the fair value of the derivative instruments outstanding which qualified for hedge accounting at March 31, 2019 and 2018 are as follows:

			<i>Millions of yen</i>		
			<b>2019</b>		
Hedge accounting method	Hedging instrument	Main hedged item	Contract amount	Contract amount over one year	Fair value
Allocation method for currency swaps	Currency swap	Bonds for road construction	¥ 114,643	¥ 114,643	*1
Integrated treatment of interest rate and currency swaps (special treatment, allocation method)	Currency swap including interest-rate swaps	Bonds for road construction	136,525	136,525	*2
Total			<u>¥ 251,168</u>	<u>¥ 251,168</u>	
			<i>Millions of yen</i>		
			<b>2018</b>		
Hedge accounting method	Hedging instrument	Main hedged item	Contract amount	Contract amount over one year	Fair value
Allocation method for currency swaps	Currency swap	Bonds for road construction	¥ 308,013	¥ 308,013	*1
Integrated treatment of interest rate and currency swaps (special treatment, allocation method)	Currency swap including interest-rate swaps	Bonds for road construction	252,928	252,928	*2
Total			<u>¥ 560,941</u>	<u>¥ 560,941</u>	

Central Nippon Expressway Company Limited and  
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**21. Derivative Financial Instruments and Hedging Activities (continued)**

Hedge accounting method	Hedging instrument	Main hedged item	<i>Thousands of U.S. dollars</i>		
			<b>2019</b>		Fair value
			Contract amount	Contract amount over one year	
Allocation method for currency swaps	Currency swap	Bonds for road construction	<b>\$ 1,032,913</b>	<b>\$ 1,032,913</b>	<b>*1</b>
Integrated treatment of interest rate and currency swaps (special treatment, allocation method)	Currency swap including interest-rate swaps	Bonds for road construction	<b>1,230,066</b>	<b>1,230,066</b>	<b>*2</b>
<b>Total</b>			<b><u>\$ 2,262,979</u></b>	<b><u>\$ 2,262,979</u></b>	

\*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)

**22. Segment Information**

(1) Outline of reporting segments

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

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

Details on the reportable segments are as follows:

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

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

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

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

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

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

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

Intersegment sales are determined in reference to market actual value.

Central Nippon Expressway Company Limited and  
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**22. 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, 2019 and 2018 is outlined as follows:

<i>Millions of yen</i>						
<b>2019</b>						
Reportable segments						
	Expressway business	Rest area business	Other related business	Total	Adjustments	Consolidated
Sales to third parties	¥ 1,376,991	¥ 32,589	¥ 45,662	¥ 1,455,242	¥ –	¥ 1,455,242
Intersegment sales and transfers	24	12	1	37	(37)	–
Net sales	1,377,015	32,601	45,663	1,455,279	(37)	1,455,242
Segment income	¥ 9,701	¥ 5,105	¥ 132	¥ 14,938	¥ 5	¥ 14,943
Segment assets	¥ 998,696	¥ 175,616	¥ 19,799	¥ 1,194,111	¥ 143,087	¥ 1,337,198
Segment liabilities	704,011	–	625	704,636	387,822	1,092,458
Other items:						
Depreciation and amortization	18,160	3,151	340	21,651	–	21,651
Investments in affiliates	3,690	–	1,316	5,006	–	5,006
Increase in property and equipment and intangible fixed assets	20,649	3,092	464	24,205	5,133	29,338
<i>Millions of yen</i>						
<b>2018</b>						
Reportable segments						
	Expressway business	Rest area business	Other related business	Total	Adjustments	Consolidated
Sales to third parties	¥ 896,455	¥ 31,535	¥ 44,086	¥ 972,076	¥ –	¥ 972,076
Intersegment sales and transfers	24	57	0	81	(81)	–
Net sales	896,479	31,592	44,086	972,157	(81)	972,076
Segment income	¥ 2,110	¥ 4,853	¥ 212	¥ 7,175	¥ 7	¥ 7,182
Segment assets	¥ 1,169,399	¥ 176,073	¥ 17,141	¥ 1,362,613	¥ 169,760	¥ 1,532,373
Segment liabilities	1,020,570	–	725	1,021,295	279,973	1,301,268
Other items:						
Depreciation and amortization	17,381	3,135	321	20,837	–	20,837
Investments in affiliates	3,876	–	1,372	5,248	–	5,248
Increase in property and equipment and intangible fixed assets	18,272	1,992	629	20,893	4,419	25,312

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

**22. Segment Information (continued)**

	<i>Thousands of U.S. dollars</i>					
	<b>2019</b>					
	Reportable segments					
	Expressway business	Rest area business	Other related business	Total	Adjustments	Consolidated
Sales to third parties	\$ 12,406,442	\$ 293,621	\$ 411,407	\$ 13,111,470	\$ —	\$ 13,111,470
Intersegment sales and transfers	216	108	9	333	(333)	—
Net sales	12,406,658	293,729	411,416	13,111,803	(333)	13,111,470
Segment income	\$ 87,404	\$ 45,995	\$ 1,190	\$ 134,589	\$ 45	\$ 134,634
Segment assets	\$ 8,998,072	\$ 1,582,269	\$ 178,385	\$ 10,758,726	\$ 1,289,188	\$ 12,047,914
Segment liabilities	6,343,013	—	5,631	6,348,644	3,494,206	9,842,850
Other items:						
Depreciation and amortization	163,618	28,390	3,064	195,072	—	195,072
Investments in affiliates	33,246	—	11,857	45,103	—	45,103
Increase in property and equipment and intangible fixed assets	186,044	27,858	4,181	218,083	46,247	264,330

As discussed in Note 2, reclassifications affecting segment assets and segment liabilities have been made, in accordance with the adoption of “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) effective from April 1, 2018. To facilitate comparison, the amounts of segment assets and segment liabilities as at March 31, 2018 have also been adjusted in the tables above to reflect the impact of the required reclassifications.

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

**22. Segment Information (continued)**

*Adjustments in the above tables:*

The adjustments of segment income in the amounts of ¥5 million (\$45 thousand) and ¥7 million for the years ended March 31, 2019 and 2018, respectively, are eliminations of intersegment transactions.

The adjustments of segment assets in the amounts of ¥143,087 million (\$1,289,188 thousand) and ¥169,760 million at March 31, 2019 and 2018, respectively, include corporate assets not allocated to reportable segments, mainly consisting of cash, deposits and assets related common departments in the Company.

The adjustments of segment liabilities in the amounts of ¥387,822 million (\$3,494,206 thousand) and ¥279,973 million at March 31, 2019 and 2018, 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 ¥5,133 million (\$46,247 thousand) and ¥4,419 million for the years ended March 31, 2019 and 2018, 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, 2019 and 2018 is analyzed as follows:

<i>Millions of yen</i>				
<b>2019</b>				
	Toll fee	Completion of road assets	Other	Total
Sales to third parties	¥ 693,394	¥ 682,569	¥ 79,279	¥ 1,455,242
 <i>Millions of yen</i>				
<b>2018</b>				
	Toll fee	Completion of road assets	Other	Total
Sales to third parties	¥ 678,673	¥ 216,869	¥ 76,534	¥ 972,076
 <i>Thousands of U.S. dollars</i>				
<b>2019</b>				
	Toll fee	Completion of road assets	Other	Total
Sales to third parties	\$ 6,247,356	\$ 6,149,824	\$ 714,290	\$ 13,111,470

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

**22. Segment Information (continued)**

As more than 90% of the consolidated net sales for the years ended March 31, 2019 and 2018 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 as of March 31, 2019 and 2018 are located in Japan, the disclosure of information on property and equipment by country or geographic region has been omitted.

Sales to JEHDRA amounted to ¥682,838 million (\$6,152,248 thousand) and ¥216,909 million by the expressway business segment for the years ended March 31, 2019 and 2018, respectively.

Information on loss on impairment of fixed assets by reportable segment for the years ended March 31, 2019 and 2018, respectively, is as follows:

<i>Millions of yen</i>						
<b>2019</b>						
	Expressway business	Rest area business	Other related business	Total	Adjustments(*)	Consolidated
Loss on impairment of fixed assets	¥ –	¥ 115	¥ 95	¥ 210	¥ 33	¥ 243
<i>Millions of yen</i>						
<b>2018</b>						
	Expressway business	Rest area business	Other related business	Total	Adjustments(*)	Consolidated
Loss on impairment of fixed assets	¥ –	¥ 24	¥ –	¥ 24	¥ 254	¥ 278
<i>Thousands of U.S. dollars</i>						
<b>2019</b>						
	Expressway business	Rest area business	Other related business	Total	Adjustments(*)	Consolidated
Loss on impairment of fixed assets	\$ –	\$ 1,036	\$ 856	\$ 1,892	\$ 297	\$ 2,189

(\*)The adjustments of loss on impairment of fixed assets amounting to ¥33 million (\$297 thousand) and ¥254 million for the years ended March 31, 2019 and 2018, respectively, are attributable to corporate assets not allocated to reportable segments.

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

**22. Segment Information (continued)**

Information on amortization of goodwill and the remaining balance by reportable segment as of and for the years ended March 31, 2019 and 2018, respectively, is as follows:

<i>Millions of yen</i>						
<b>2019</b>						
	Expressway business	Rest area business	Other related business	Total	Adjustments	Consolidated
Amortization of goodwill	¥ 36	¥ –	¥ –	¥ 36	¥ –	¥ 36
Remaining balance	121	–	–	121	–	121
<i>Millions of yen</i>						
<b>2018</b>						
	Expressway business	Rest area business	Other related business	Total	Adjustments	Consolidated
Amortization of goodwill	¥ 27	¥ –	¥ –	¥ 27	¥ –	¥ 27
Remaining balance	150	–	–	150	–	150
<i>Thousands of U.S. dollars</i>						
<b>2019</b>						
	Expressway business	Rest area business	Other related business	Total	Adjustments	Consolidated
Amortization of goodwill	\$ 324	\$ –	\$ –	\$ 324	\$ –	\$ 324
Remaining balance	1,090	–	–	1,090	–	1,090



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

**22. Segment Information (continued)**

Information on amortization of negative goodwill arising from business combinations before April 1, 2010 and the remaining balance by reportable segment as of and for the years ended March 31, 2019 and 2018 is as follows:

		<i>Millions of yen</i>					
		<b>2019</b>					
	Expressway business	Rest area business	Other related business	Total	Adjustments	Consolidated	
Amortization of negative goodwill	¥ –	¥ –	¥ –	¥ –	¥ 342	¥ 342	
Remaining balance	–	–	–	–	3,159	3,159	
		<i>Millions of yen</i>					
		<b>2018</b>					
	Expressway business	Rest area business	Other related business	Total	Adjustments	Consolidated	
Amortization of negative goodwill	¥ –	¥ –	¥ –	¥ –	¥ 342	¥ 342	
Remaining balance	–	–	–	–	3,501	3,501	
		<i>Thousands of U.S. dollars</i>					
		<b>2019</b>					
	Expressway business	Rest area business	Other related business	Total	Adjustments	Consolidated	
Amortization of negative goodwill	\$ –	\$ –	\$ –	\$ –	\$ 3,081	\$ 3,081	
Remaining balance	–	–	–	–	28,462	28,462	

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

**23. Related Party Transactions**

Principal transactions between the Company and JEHDRA for the years ended March 31, 2019 and 2018 are summarized as follows:

		<b>2019</b>				
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)	¥ 501,000	\$ 4,513,920	Accounts payable due to expressway business operations	¥ 87,825	\$ 791,288
Transfer of road assets and loans and jointly and severally liable debts	Revenues from the transfer of road assets constructed by the Company (*1)	682,569	6,149,824	Accounts receivable due from expressway business operations	24,325	219,164
	Transfer of liabilities and guarantee of debts (*2)	724,527	6,527,858	-	-	-
Jointly and severally liable for debts	Guarantee of debts (*3)	511,000	4,604,018	-	-	-
	Guarantee of debts (*4)	639,206	5,759,131	-	-	-
		<b>2018</b>				
Relationship with the related party	Nature of transaction	Transaction amount (Millions of yen)	Account name	Carrying amount (Millions of yen)		
Leasing of road assets	Road assets leasing expenses (*1)	¥ 492,698	Accounts payable due to expressway business operations	¥ 82,944		
Transfer of road assets and loans and jointly and severally liable debts	Revenues from the transfer of road assets constructed by the Company (*1)	216,869	Accounts receivable due from expressway business operations	14,022		
	Transfer of liabilities and guarantee of debts (*2)	258,875	-	-		
Jointly and severally liable for debts	Guarantee of debts (*3)	511,000	-	-		
	Guarantee of debts (*4)	919,246	-	-		

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

**23. 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, 2018 and 2017 amounted to ¥5,637,665 million (\$50,794,351 thousand) and ¥5,612,437 million, respectively.

JEHDRA, which is located in the city of Yokohama in Kanagawa Prefecture, is engaged in business activities involving holding road assets, leasing of road assets to the Company and repayment of debts it has assumed.

Applicable consumption taxes are not included in the transaction amounts but are included in carrying amounts in the above table.

(\*1) Agreements are concluded based on negotiations between the Company and JEHDRA.

(\*2) Pursuant to Article 15 of the JEHDRA Act, the Company is jointly and severally liable for the debt transferred to JEHDRA corresponding to costs for construction of expressways, reconstruction, repairs, maintenance and disaster recovery. Related guarantee fees are not received by the Company.

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

(\*4) Pursuant to Article 15 of the JEHDRA Act, the Company is jointly and severally liable for the debt transferred to JEHDRA in the amount corresponding to costs for construction for expressways, reconstruction, repairs, maintenance and disaster recovery. Related guarantee fees are not received by the Company.

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Notes to Consolidated Financial Statements (continued)

**24. Other Comprehensive Income**

The following table presents an analysis of components of other comprehensive income for the years ended March 31, 2019 and 2018.

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2019</b>	<b>2018</b>	<b>2019</b>
Net unrealized holding loss on securities:			
Amount arising during the year	¥ (25)	¥ (12)	\$ (225)
Reclassification adjustments for gain and loss included in profit	—	—	—
Amount before tax effect	(25)	(12)	(225)
Tax effect	9	4	81
Net unrealized holding loss on securities	(16)	(8)	(144)
Retirement benefits liability adjustments			
Amount arising during the year	1,271	2,310	11,451
Reclassification adjustments for gain and loss included in profit	2,276	2,052	20,507
Amount before tax effect	3,547	4,362	31,958
Tax effect	(23)	18	(207)
Retirement benefits liability adjustments	3,524	4,380	31,751
Share of other comprehensive income of affiliates accounted for by the equity method:			
Amount arising during the year	154	32	1,387
<b>Total other comprehensive income</b>	<b>¥ 3,662</b>	<b>¥ 4,404</b>	<b>\$ 32,994</b>

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Notes to Consolidated Financial Statements (continued)

**25. Subsequent Events**

**Issuance of Corporate Bonds**

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

The details are as follows:

	<u>Total amount issued</u>	<u>Interest rate</u>	<u>Issue price</u>	<u>Issuance date</u>	<u>Redemption date</u>
Central Nippon Expressway Company Limited Issue of Series 14 EUR200,000,000 0.3375 per cent. Notes due 2024	¥25,237 million (\$227,381 thousand)	0.3375% per annum	100% of face value	April 25, 2019	April 25, 2024
No.78 Bond of Central Nippon Expressway Company Limited	¥80,000 million (\$720,786 thousand)	0.060% per annum	100% of face value	May 29, 2019	May 29, 2024

The following special provisions were attached to the bonds.

- (i) JEHDRA is jointly and severally liable with the Company for the corresponding obligation, to the extent that the obligation related to these bonds is assumed by JEHDRA pursuant to the JEHDRA Act.
- (ii) When the obligation is assumed by JEHDRA, total assets of JEHDRA will be additionally pledged as collateral for bond holders.
- (iii) The order of lien by bond holders is equivalent to that of holders of the Japan Expressway Holding and Debt Repayment Agency Bond.

# Central Nippon Expressway Company Limited and its Consolidated Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### 26. Significant Subsidiaries and Affiliates

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

Name	Ownership interest	Country of incorporation	Subsidiaries / affiliates
Central Nippon Exis Co., Ltd.	100.0%	Japan	Consolidated subsidiary
Central Nippon Extoll Yokohama Co., Ltd.	100.0	Japan	Consolidated subsidiary
Central Nippon Extoll Nagoya Co., Ltd.	100.0	Japan	Consolidated subsidiary
Central Nippon Highway Patrol Tokyo Co., Ltd.	100.0	Japan	Consolidated subsidiary
Central Nippon Highway Patrol Nagoya Co., Ltd.	100.0	Japan	Consolidated subsidiary
Central Nippon Highway Engineering Tokyo Co., Ltd.	100.0	Japan	Consolidated subsidiary
Central Nippon Highway Engineering Nagoya Co., Ltd.	100.0	Japan	Consolidated subsidiary
Central Nippon Highway Maintenance Tomei Co., Ltd.	88.7	Japan	Consolidated subsidiary
Central Nippon Highway Maintenance Chuoh Co., Ltd.	100.0	Japan	Consolidated subsidiary
Central Nippon Highway Maintenance Nagoya Co., Ltd.	100.0	Japan	Consolidated subsidiary
Central Nippon Highway Maintenance Hokuriku Co., Ltd.	100.0	Japan	Consolidated subsidiary
NEXCO Central Nippon Services Co., Ltd.	100.0	Japan	Consolidated subsidiary
Central-NEXCO Technical Marketing Co., Ltd.	100.0	Japan	Consolidated subsidiary
NEXCO Central Nippon Investment LLC.	100.0	Japan	Consolidated subsidiary
Central Nippon Highway Retail Yokohama Co., Ltd.	100.0	Japan	Consolidated subsidiary
Central Nippon Highway Retail Nagoya Co., Ltd.	100.0	Japan	Consolidated subsidiary
Central Nippon Highway Advance Co., Ltd.	100.0	Japan	Consolidated subsidiary
Central Nippon Road Maintenance Shizuoka Co., Ltd.	100.0	Japan	Consolidated subsidiary
Central Nippon Road Maintenance Tokyo Co., Ltd.	95.0	Japan	Consolidated subsidiary
Central Nippon Road Maintenance Tokai Co., Ltd.	100.0	Japan	Consolidated subsidiary
Central Nippon Road Maintenance Chubu Co., Ltd.	91.2	Japan	Consolidated subsidiary
Central Nippon Road Maintenance Kanazawa Co., Ltd.	100.0	Japan	Consolidated subsidiary
Central-NEXCO Auto Service Co., Ltd.	100.0	Japan	Consolidated subsidiary
NEXCO Central Nippon Development Co., Ltd.	100.0	Japan	Consolidated subsidiary
Hakone Turnpike Limited	100.0	Japan	Consolidated subsidiary

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

**26. Significant Subsidiaries and Affiliates (continued)**

Name	Ownership interest	Country of incorporation	Subsidiaries / affiliates
Hokuriku Highway Terminal Co., Ltd.	27.7%	Japan	Equity-method affiliate
Nexco Systems Co., Ltd.	33.3	Japan	Equity-method affiliate
Nippon Expressway Research Institute Co., Ltd.	33.3	Japan	Equity-method affiliate
NEXCO Insurance Services Co., Ltd.	33.3	Japan	Equity-method affiliate
HIGHWAY TOLL SYSTEMS Co., Ltd.	30.1	Japan	Equity-method affiliate
Japan Expressway International Co., Ltd.	28.7	Japan	Equity-method affiliate
Central Nippon Farm Suzunari Co., Ltd.	39.0	Japan	Equity-method affiliate
Central Nippon Facilities Management Co., Ltd.	20.0	Japan	Equity-method affiliate
Deros Japan Co., Ltd.	30.3	Japan	Equity-method affiliate

Central Nippon Farm Suzunari Co., Ltd. has been included in affiliates accounted for by the equity method due to its establishment during the fiscal year ended March 31, 2019.

Tokyo Highway Co., Ltd., TC Maintenance Co., Ltd. and KOSOKU HOZEN Co., Ltd. have been excluded from affiliates accounted for by the equity method due to the sales of their shares by the Group during the fiscal year ended March 31, 2019.

FCC Infrastructure Investment Joint Stock Company has been excluded from affiliates accounted for by the equity method due to the reduction of its shares by the Group during the fiscal year ended March 31, 2019.

Where the fiscal year-ends of affiliated companies accounted for by the equity method are different from that of the Company, the Company used the affiliated companies' financial statements as of and for the year ended on their individual fiscal year-ends or provisional accounts prepared as of and for the year ended on the Company's fiscal year-end.

**Supplementary Information**

**Establishment of a subsidiary**

On March 28, 2019, the Board of Directors meeting of the Company resolved to establish a wholly owned subsidiary to develop business based in North America for the purpose of expanding profitability of the Company and contribution for strategy of overseas infrastructure expansion by the Japanese government, and now it is in process of establishing a wholly owned subsidiary in North America.