

Consolidated Financial Statements

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

*Years ended March 31, 2020 and 2019
with Independent Auditor's Report*

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Consolidated Financial Statements

Years ended March 31, 2020 and 2019

Contents

Independent Auditor's Report	1
Consolidated Balance Sheets	4
Consolidated Statements of Income	6
Consolidated Statements of Comprehensive Income	7
Consolidated Statements of Changes in Net Assets	8
Consolidated Statements of Cash Flows.....	10
Notes to Consolidated Financial Statements.....	11

Independent Auditor's Report

The Board of Directors

Central Nippon Expressway Company Limited

Opinion

We have audited the accompanying consolidated financial statements of Central Nippon Expressway Company Limited and its subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2019 and 2020, and the consolidated statement of income, comprehensive income, changes in net assets, and cash flows for the years then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2019 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors 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 such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Corporate Auditor and the Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Conflicts of Interest

We have no interest in the Group which should be disclosed in accordance with the Certified Public Accountants Act.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1(a) to the consolidated financial statements.

Ernst & Young ShinNihon LLC

Nagoya, Japan

June 23, 2020

/s/ Hiroyuki Ikeda

Hiroyuki Ikeda

Designated Engagement Partner

Certified Public Accountant

/s/ Hirotaka Mizutani

Hirotaka Mizutani

Designated Engagement Partner

Certified Public Accountant

/s/ Naritetsu Miyako

Naritetsu Miyako

Designated Engagement Partner

Certified Public Accountant

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Consolidated Balance Sheets

March 31, 2020 and 2019

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1(a))</i>
	2020	2019	2020
Assets			
Current assets:			
Cash and deposits (<i>Notes 11, 19 and 20</i>)	¥ 135,909	¥ 105,685	\$ 1,248,819
Accounts receivable due from expressway business operations (<i>Notes 20 and 23</i>)	85,131	87,548	782,238
Other accounts receivable (<i>Note 20</i>)	32,125	4,817	295,185
Marketable securities (<i>Notes 5 and 20</i>)	200	–	1,838
Inventories (<i>Note 6</i>)	1,005,352	789,363	9,237,820
Other current assets	65,845	53,733	605,027
Allowance for doubtful accounts	(13)	(11)	(119)
Total current assets	<u>1,324,549</u>	<u>1,041,135</u>	<u>12,170,808</u>
 Property and equipment (<i>Notes 7, 9, 17 and 22</i>):			
Buildings	71,068	69,076	653,018
Structures	64,845	63,010	595,838
Machinery and equipment	112,266	106,610	1,031,572
Vehicles	41,130	34,488	377,929
Tools, furniture and fixtures	17,550	16,641	161,261
Land	120,442	121,042	1,106,699
Leased assets	5,883	4,359	54,057
Construction in progress	4,552	3,201	41,827
Less accumulated depreciation	(166,184)	(152,984)	(1,527,007)
Total property and equipment	<u>271,552</u>	<u>265,443</u>	<u>2,495,194</u>
 Investments and other assets:			
Investments in unconsolidated subsidiaries and affiliates (<i>Notes 8, 20 and 22</i>)	5,951	5,006	54,682
Investments in securities (<i>Notes 5, 11 and 20</i>)	389	559	3,574
Intangible fixed assets (<i>Note 22</i>)	18,621	14,019	171,102
Deferred income taxes (<i>Note 12</i>)	6,000	5,294	55,132
Asset for retirement benefits (<i>Note 13</i>)	545	602	5,008
Others (<i>Note 11</i>)	5,010	4,467	46,035
Allowance for doubtful accounts	(84)	(207)	(772)
Total investments and other assets	<u>36,432</u>	<u>29,740</u>	<u>334,761</u>
 Deferred assets:			
Bond issuance expenses for road construction	1,240	880	11,394
Total assets (<i>Notes 11 and 22</i>)	<u><u>¥ 1,633,773</u></u>	<u><u>¥ 1,337,198</u></u>	<u><u>\$ 15,012,157</u></u>

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1(a))</i>
	2020	2019	2020
Liabilities			
Current liabilities:			
Accounts payable due to expressway business operations (Notes 20 and 23)	¥ 166,177	¥ 185,623	\$ 1,526,941
Short-term debt, including current portion of long-term debt (Notes 10, 11, 19, 20 and 23)	92,615	454	851,006
Current portion of lease obligations (Note 10)	852	527	7,829
Other accounts payable (Note 20)	42,451	61,815	390,067
Income and other taxes payable (Notes 12 and 20)	2,942	5,274	27,033
Accrued employees' bonuses	3,880	3,855	35,652
Other current liabilities	33,571	29,343	308,472
Total current liabilities (Note 22)	<u>342,488</u>	<u>286,891</u>	<u>3,147,000</u>
Long-term liabilities:			
Long-term debt (Notes 10, 11, 19, 20 and 23)	931,275	704,190	8,557,153
Lease obligations (Note 10)	3,730	2,315	34,274
Deferred income taxes (Note 12)	—	1	—
Liabilities for retirement benefits (Note 13)	63,680	61,848	585,133
Accrued retirement benefits for directors, audit and supervisory board members and corporate officers	236	216	2,169
Allowance for ETC mileage program	8,026	8,119	73,748
Others	28,844	28,878	265,037
Total long-term liabilities (Note 22)	<u>1,035,791</u>	<u>805,567</u>	<u>9,517,514</u>
Contingent liabilities (Notes 14 and 23)			
Net assets:			
Shareholder's equity (Note 15):			
Common stock	65,000	65,000	597,262
Authorized : 520,000,000 shares			
Issued : 130,000,000 shares at March 31, 2020 and 2019			
Capital surplus	73,012	72,680	670,881
Retained earnings	129,812	118,644	1,192,796
Total shareholder's equity	<u>267,824</u>	<u>256,324</u>	<u>2,460,939</u>
Accumulated other comprehensive income (loss):			
Net unrealized holding gain on securities (Note 5)	30	18	276
Translation adjustments	4	—	37
Retirement benefits liability adjustments (Note 13)	(12,364)	(12,418)	(113,609)
Total accumulated other comprehensive loss	<u>(12,330)</u>	<u>(12,400)</u>	<u>(113,296)</u>
Non-controlling interests (Note 18)	<u>—</u>	<u>816</u>	<u>—</u>
Total net assets (Note 18)	<u>255,494</u>	<u>244,740</u>	<u>2,347,643</u>
Total liabilities and net assets	<u>¥ 1,633,773</u>	<u>¥ 1,337,198</u>	<u>\$ 15,012,157</u>

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Consolidated Statements of Income

Years ended March 31, 2020 and 2019

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1(a))</i>
	2020	2019	2020
Operating revenues (Notes 22 and 23)	¥ 1,031,408	¥ 1,455,242	\$ 9,477,240
Operating expenses:			
Road assets leasing expenses (Note 23)	491,524	501,000	4,516,438
Cost of sales and administrative expenses for expressway business operations (Note 16)	445,494	857,689	4,093,485
Selling, general and administrative expenses (Note 16)	80,045	81,610	735,506
Total operating expenses	1,017,063	1,440,299	9,345,429
Operating income (Note 22)	14,345	14,943	131,811
Other income (expenses):			
Interest income	5	5	46
Land and property rental fees	197	221	1,810
Amortization of negative goodwill (Note 22)	342	342	3,143
Equity in earnings of affiliates	582	329	5,348
Gain on donation of fixed assets	569	38	5,228
Penalty income	22	416	202
Interest expenses	(43)	(38)	(395)
Loss on sales of goods	(16)	(3)	(147)
Gain on sales of fixed assets	92	11	845
Loss on sales of fixed assets	(30)	(23)	(276)
Loss on disposal of fixed assets	(308)	(461)	(2,830)
Loss on impairment of fixed assets (Notes 7 and 22)	(171)	(243)	(1,571)
Gain on sales of investments in securities (Note 5)	20	–	184
Loss on sales of investments in securities (Note 5)	–	(426)	–
Others	316	236	2,904
Profit before income taxes	15,922	15,347	146,302
Income taxes (Note 12):			
Current	4,966	5,259	45,631
Deferred	(272)	(86)	(2,499)
	4,694	5,173	43,132
Profit	11,228	10,174	103,170
Profit attributable to:			
Non-controlling interests	60	72	551
Owner of parent (Note 18)	¥ 11,168	¥ 10,102	\$ 102,619

See notes to consolidated financial statements.

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Consolidated Statements of Comprehensive Income

Years ended March 31, 2020 and 2019

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1(a))</i>
	2020	2019	2020
Profit	¥ 11,228	¥ 10,174	\$ 103,170
Other comprehensive income (loss) (Note 24):			
Net unrealized holding gain (loss) on securities	27	(16)	248
Translation adjustments	4	—	37
Retirement benefits liability adjustments	(382)	3,524	(3,510)
Share of other comprehensive income of affiliates accounted for by the equity method	421	154	3,868
Total other comprehensive income	70	3,662	643
Comprehensive income	¥ 11,298	¥ 13,836	\$ 103,813
Total comprehensive income attributable to:			
Owner of parent	¥ 11,238	¥ 13,764	\$ 103,262
Non-controlling interests	60	72	551

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Consolidated Statements of Changes in Net Assets

Years ended March 31, 2020 and 2019

<i>Millions of yen</i>					
	Number of shares in issue	Common stock	Capital surplus	Retained earnings	Total shareholder's equity
Balance at April 1, 2018	130,000,000	¥ 65,000	¥ 72,178	¥ 108,415	¥ 245,593
Profit attributable to owner of parent for the year	—	—	—	10,102	10,102
Change in ownership interests due to transactions with non-controlling interests	—	—	502	—	502
Change of scope of equity method	—	—	—	127	127
Other changes	—	—	—	—	—
Balance at April 1, 2019	130,000,000	65,000	72,680	118,644	256,324
Profit attributable to owner of parent for the year	—	—	—	11,168	11,168
Change in ownership interests due to transactions with non-controlling interests	—	—	332	—	332
Other changes	—	—	—	—	—
Balance at March 31, 2020	130,000,000	¥ 65,000	¥ 73,012	¥ 129,812	¥ 267,824

<i>Millions of yen</i>						
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	¥ 42	¥ 2	¥ (16,106)	¥ (16,062)	¥ 1,574	¥ 231,105
Profit attributable to owner of parent for the year	—	—	—	—	—	10,102
Change in ownership interests due to transactions with non-controlling interests	—	—	—	—	—	502
Change of scope of equity method	—	—	—	—	—	127
Other changes	(24)	(2)	3,688	3,662	(758)	2,904
Balance at April 1, 2019	18	—	(12,418)	(12,400)	816	244,740
Profit attributable to owner of parent for the year	—	—	—	—	—	11,168
Change in ownership interests due to transactions with non-controlling interests	—	—	—	—	—	332
Other changes	12	4	54	70	(816)	(746)
Balance at March 31, 2020	¥ 30	¥ 4	¥ (12,364)	¥ (12,330)	¥ —	¥ 255,494

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Consolidated Statements of Changes in Net Assets (continued)

Years ended March 31, 2020 and 2019

	Thousands of U.S. dollars (Note 1(a))			
	Common stock	Capital surplus	Retained earnings	Total shareholder's equity
Balance at April 1, 2019	\$ 597,262	\$ 667,831	\$ 1,090,177	\$ 2,355,270
Profit attributable to owner of parent for the year	—	—	102,619	102,619
Change in ownership interests due to transactions with non-controlling interests	—	3,050	—	3,050
Other changes	—	—	—	—
Balance at March 31, 2020	\$ 597,262	\$ 670,881	\$ 1,192,796	\$ 2,460,939

	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, 2019	\$ 166	\$ —	\$ (114,105)	\$ (113,939)	\$ 7,497	\$ 2,248,828
Profit attributable to owner of parent for the year	—	—	—	—	—	102,619
Change in ownership interests due to transactions with non-controlling interests	—	—	—	—	—	3,050
Other changes	110	37	496	643	(7,497)	(6,854)
Balance at March 31, 2020	\$ 276	\$ 37	\$ (113,609)	\$ (113,296)	\$ —	\$ 2,347,643

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Consolidated Statements of Cash Flows

Years ended March 31, 2020 and 2019

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1(a))</i>
	<u>2020</u>	<u>2019</u>	<u>2020</u>
Cash flows from operating activities:			
Profit before income taxes	¥ 15,922	¥ 15,347	\$ 146,302
Depreciation and amortization	22,795	21,651	209,455
Loss on impairment of fixed assets (Note 7)	171	243	1,571
(Gain) loss on sales of investments in securities	(20)	426	(184)
Equity in earnings of affiliates	(582)	(329)	(5,348)
Increase in asset and liabilities for retirement benefits	1,057	1,951	9,712
Increase in accrued employees' bonuses	25	373	230
Decrease in allowance for ETC mileage program	(93)	(75)	(855)
Decrease in allowance for doubtful accounts	(120)	(334)	(1,103)
Interest and dividend income	(18)	(17)	(165)
Interest expense	492	641	4,521
(Gain) loss on sales of fixed assets	(62)	12	(569)
Loss on disposal of fixed assets	785	1,068	7,213
Decrease (increase) in accounts receivable due from expressway business operations	606	(10,447)	5,568
(Increase) decrease in inventories	(215,375)	183,934	(1,979,004)
(Decrease) increase in accounts payable due to expressway business operations	(15,539)	73,456	(142,782)
(Decrease) increase in other accounts payable	(58,124)	15,489	(534,081)
Others	1,527	5,640	14,032
Subtotal	<u>(246,553)</u>	<u>309,029</u>	<u>(2,265,487)</u>
Interest and dividends received	75	41	689
Interest paid	(577)	(716)	(5,302)
Income taxes paid	(6,938)	(1,000)	(63,751)
Net cash (used in) provided by operating activities	<u>(253,993)</u>	<u>307,354</u>	<u>(2,333,851)</u>
Cash flows from investing activities:			
Increase in time deposits	(0)	(0)	(0)
Decrease in time deposits	60	—	551
Proceeds from sales and redemption of marketable securities	—	50	—
Payments for purchase of investments in securities	—	(40)	—
Proceeds from sales and redemption of investments in securities	31	304	285
Payments for purchase of fixed assets	(32,590)	(26,937)	(299,458)
Proceeds from sale of fixed assets	196	33	1,801
Others	(359)	(6)	(3,299)
Net cash used in investing activities	<u>(32,662)</u>	<u>(26,596)</u>	<u>(300,120)</u>
Cash flows from financing activities:			
Proceeds from long-term loans	32,148	43,059	295,396
Repayments of long-term loans (Note 19)	(2,265)	(68,145)	(20,812)
Proceeds from issuance of bonds for road construction	568,617	365,066	5,224,819
Redemption of bonds for road construction (Note 19)	(280,240)	(657,182)	(2,575,025)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(139)	(328)	(1,277)
Others	(1,186)	(648)	(10,898)
Net cash provided by (used in) financing activities	<u>316,935</u>	<u>(318,178)</u>	<u>2,912,203</u>
Effect of exchange rate changes on cash and cash equivalents	<u>4</u>	<u>(1)</u>	<u>37</u>
Net increase (decrease) in cash and cash equivalents	<u>30,284</u>	<u>(37,421)</u>	<u>278,269</u>
Cash and cash equivalents at beginning of the year	<u>105,500</u>	<u>142,849</u>	<u>969,402</u>
Increase in cash and cash equivalents resulting from merger with an unconsolidated subsidiary	<u>—</u>	<u>72</u>	<u>—</u>
Cash and cash equivalents at end of the year (Note 19)	<u>¥ 135,784</u>	<u>¥ 105,500</u>	<u>\$ 1,247,671</u>

See notes to consolidated financial statements.

Central Nippon Expressway Company Limited and its Consolidated Subsidiaries

Notes to Consolidated Financial Statements

March 31, 2020 and 2019

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, 2019 to the 2020 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 ¥108.83 = U.S. \$1.00, the approximate rate of exchange in effect on March 31, 2020. 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.

(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 27 and 25 significant consolidated subsidiaries for the years ended March 31, 2020 and 2019, respectively. The Company has applied the equity method to its investments in 9 significant affiliates for the purpose of the consolidated financial statements for the years ended March 31, 2020 and 2019.

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

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

For affiliated companies whose year-end is different than that of the Company, the affiliated companies' financial statements have been included in consolidation on the basis of their corresponding full years or provisional financial statements are prepared as of and for the year ended March 31, which is the same as that of the Company.

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 subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date of the subsidiaries, 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
its Consolidated Subsidiaries

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
its Consolidated Subsidiaries

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:	4 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
its Consolidated Subsidiaries

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
its Consolidated Subsidiaries

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
its Consolidated Subsidiaries

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 (\$45,943 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
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Accounting Changes

Implementation Guidance on Tax Effect Accounting

The Group adopted “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28 revised on February 16, 2018) effective from April 1, 2018.

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

3. Supplemental Information

Due to the spread of COVID-19, the Group anticipates that there will be a negative impact on operating results mainly resulting from a decrease in sales for the year ending March 31, 2021.

However, it is currently difficult to reasonably estimate when the COVID-19 pandemic will end.

The Group made accounting estimates regarding the realizability of deferred tax assets based on the assumption that the effects of COVID-19 will not last over one year.

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

4. Accounting Standards Issued but Not Yet Effective

Accounting Standard and Implementation Guidance on Revenue Recognition

On March 31, 2020, the ASBJ revised “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
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

5. Securities

Held-to-maturity debt securities with fair value at March 31, 2020 and 2019 are as follows:

	<i>Millions of yen</i>					
	Held-to-maturity debt securities					
	2020			2019		
	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	¥ 304	¥ 4	¥ 300	¥ 307	¥ 7
Total	¥ 300	¥ 304	¥ 4	¥ 300	¥ 307	¥ 7
	<i>Thousands of U.S. dollars</i>					
	Held-to-maturity debt securities					
	2020					
	Carrying value	Fair value	Unrealized gain			
Securities with fair value exceeding carrying value:						
National and local government bonds	\$ 2,757	\$ 2,793	\$ 36			
Total	\$ 2,757	\$ 2,793	\$ 36			

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, 2020 and 2019 are as follows:

<i>Millions of yen</i>						
Other securities						
2020			2019			
Acquisition cost	Carrying value	Unrealized gain (loss)	Acquisition cost	Carrying value	Unrealized gain (loss)	
Securities with carrying value exceeding acquisition cost:						
Stocks	¥ 78	¥ 186	¥ 108	¥ 78	¥ 139	¥ 61
Securities with carrying value not exceeding acquisition cost:						
Stocks	38	23	(15)	38	26	(12)
Total	¥ 116	¥ 209	¥ 93	¥ 116	¥ 165	¥ 49

<i>Thousands of U.S. dollars</i>			
Other securities			
2020			
Acquisition cost	Carrying value	Unrealized gain (loss)	
Securities with carrying value exceeding acquisition cost:			
Stocks	\$ 717	\$ 1,709	\$ 992
Securities with carrying value not exceeding acquisition cost:			
Stocks	349	211	(138)
Total	\$ 1,066	\$ 1,920	\$ 854

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
its Consolidated Subsidiaries

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 ¥80 million (\$735 thousand) and ¥94 million at March 31, 2020 and 2019, 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, 2020 and 2019, respectively, are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2020	2019	2020
Sales proceeds:			
Stocks	¥ 31	¥ –	\$ 285
	¥ 31	¥ –	\$ 285
Aggregate gain (loss):			
Stocks	¥ 20	¥ –	\$ 184
	¥ 20	¥ –	\$ 184

The Group recognized loss on impairment of non-marketable securities classified as other securities in the amounts of ¥0 million (\$0 thousand) and ¥86 million for the year ended March 31, 2020 and 2019, respectively. 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, 2020 and 2019 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2020	2019	2020
Work in process for road construction	¥ 1,001,184	¥ 786,013	\$ 9,199,522
Merchandise and finished goods	841	499	7,728
Work in process	1,158	949	10,640
Raw materials and supplies	2,169	1,902	19,930
	¥ 1,005,352	¥ 789,363	\$ 9,237,820

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

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, 2020 and 2019, respectively.

Years ended March 31	Location	Usage	Category
2020	Nagoya-city, Aichi, and others	Common assets related to the entire business	Buildings, structures and others
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

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, 2020 and 2019.

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 ¥171 million (\$1,571 thousand) and ¥243 million for the years ended March 31, 2020 and 2019, respectively.

The details of loss on impairment are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2020	2019	2020
Buildings	¥ 164	¥ 226	\$ 1,507
Structures	6	4	55
Tools, furniture and fixtures	1	10	9
Others	—	3	—
	¥ 171	¥ 243	\$ 1,571

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 ¥4,967 million (\$45,640 thousand) and ¥4,080 million at March 31, 2020 and 2019, respectively.

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

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, 2020 and 2019 and corresponding fair value of rental properties are as follows:

<i>Millions of yen</i>				
<i>Carrying value</i>			<i>Fair value</i>	
	<u>April 1, 2019</u>	<u>Net change</u>	<u>March 31, 2020</u>	<u>March 31, 2020</u>
Rental properties	¥ 5,173	¥ 99	¥ 5,272	¥ 4,759

<i>Millions of yen</i>				
<i>Carrying value</i>			<i>Fair value</i>	
	<u>April 1, 2018</u>	<u>Net change</u>	<u>March 31, 2019</u>	<u>March 31, 2019</u>
Rental properties	¥ 5,407	¥ (234)	¥ 5,173	¥ 4,586

<i>Thousands of U.S. dollars</i>				
<i>Carrying value</i>			<i>Fair value</i>	
	<u>April 1, 2019</u>	<u>Net change</u>	<u>March 31, 2020</u>	<u>March 31, 2020</u>
Rental properties	\$ 47,533	\$ 910	\$ 48,443	\$ 43,729

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, 2020 and 2019 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, 2020 and 2019 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, 2019	Net change	March 31, 2020	March 31, 2020
Real estate including certain portions used as investment property	¥ 133,461	¥ (599)	¥ 132,862	¥ 103,863

<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>Thousands of U.S. dollars</i>				
	<i>Carrying value</i>			<i>Fair value</i>
	April 1, 2019	Net change	March 31, 2020	March 31, 2020
Real estate including certain portions used as investment property	\$ 1,226,325	\$ (5,504)	\$ 1,220,821	\$ 954,360

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, 2020 and 2019 mainly represents the increase of the investment in the Hamanako Service Area (a common service area for both inbound and outbound) and the Suzuka Parking Area, 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
its Consolidated Subsidiaries

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, 2020 and 2019 are as follows:

<i>Millions of yen</i>			
2020			
	Operating revenues	Operating expenses	Net
Rental properties	¥ 518	¥ 217	¥ 301
Real estate including certain portions used as investment property	24,605	14,346	10,259
<i>Millions of yen</i>			
2019			
	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>Thousands of U.S. dollars</i>			
2020			
	Operating revenues	Operating expenses	Net
Rental properties	\$ 4,760	\$ 1,994	\$ 2,766
Real estate including certain portions used as investment property	226,087	131,820	94,267

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 ¥4,367 million (\$40,127 thousand) and ¥4,430 million for the years ended March 31, 2020 and 2019, 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, 2020 and 2019 consisted of the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2020	2019	2020
Bonds for road construction	¥ 934,532	¥ 645,168	\$ 8,587,081
Long-term loans for road construction at interest rates ranging from 0.180% to 0.309% due from 2020 to 2028	88,827	58,844	816,200
Other long-term loans at interest rates ranging from 0.500% to 0.670% due from 2020 to 2033	531	632	4,878
	1,023,890	704,644	9,408,159
Less current portion	(92,615)	(454)	(851,006)
	¥ 931,275	¥ 704,190	\$ 8,557,153

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, 2020 and 2019 are summarized as follows:

	Issue date	Maturity date	Interest rate (%)	Note	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
					2020	2019	2020
No.69 Bond of Central Nippon Expressway Company Limited	May 31, 2017	March 18, 2022	0.07	*	¥ —	¥ 99,000	\$ —
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	2.29	*,**	—	56,068	—
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		47,817	47,817	439,373
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	2.32	**	42,191	42,191	387,678
No.70 Bond of Central Nippon Expressway Company Limited	November 15, 2017	September 20, 2022	0.09	*	—	20,000	—
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		14,200	14,200	130,479
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		10,933	10,933	100,460
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	2.15	**	38,265	38,265	351,603

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

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

Bonds for road construction as of March 31, 2020 and 2019 are summarized as follows:
(continued)

	Issue date	Maturity date	Interest rate (%)	Note	Millions of yen		Thousands of U.S. dollars
					2020	2019	2020
No.71 Bond of Central Nippon Expressway Company Limited	February 23, 2018	December 20, 2022	0.09		¥ 15,000	¥ 15,000	\$ 137,830
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	16,522	151,815
No.72 Bond of Central Nippon Expressway Company Limited	May 30, 2018	May 30, 2022	0.05		50,000	50,000	459,432
No.73 Bond of Central Nippon Expressway Company Limited	July 31, 2018	July 29, 2022	0.04		30,000	30,000	275,659
No.74 Bond of Central Nippon Expressway Company Limited	September 27, 2018	September 20, 2022	0.05		70,000	70,000	643,205
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	—
No.76 Bond of Central Nippon Expressway Company Limited	March 12, 2019	April 12, 2021	0.00	*	—	80,001	—
No.77 Bond of Central Nippon Expressway Company Limited	March 28, 2019	March 19, 2024	0.07		30,000	30,000	275,659
Central Nippon Expressway Company Limited Issue of Series 14							
EUR200,000,000 0.3375 per cent. Notes due 2024	April 25, 2019	April 25, 2024	0.34		25,237	—	231,894
No.78 Bond of Central Nippon Expressway Company Limited	May 29, 2019	May 29, 2024	0.06		80,000	—	735,092
Central Nippon Expressway Company Limited Issue of Series 15							
CNH200,000,000 3.36 per cent. Notes due 2024	August 5, 2019	August 5, 2024	3.36		3,144	—	28,889
Central Nippon Expressway Company Limited Issue of Series 16							
U.S.\$100,000,000 2.585 per cent. Notes due 2020	August 13, 2019	August 5, 2020	2.59		10,863	—	99,816
Central Nippon Expressway Company Limited Issue of Series 19							
EUR300,000,000 0.001 per cent. Notes due 2020	August 13, 2019	August 7, 2020	0.00		35,583	—	326,960
Central Nippon Expressway Company Limited Issue of Series 18							
NZD50,000,000 Floating Rate Notes due 2024	August 15, 2019	August 15, 2024	2.12	**	3,578	—	32,877
Central Nippon Expressway Company Limited Issue of Series 17							
U.S.\$50,000,000 2.530 per cent. Notes due 2024	August 15, 2019	August 15, 2024	2.53		5,457	—	50,142
No.79 Bond of Central Nippon Expressway Company Limited	August 19, 2019	August 19, 2024	0.04		88,000	—	808,601
Central Nippon Expressway Company Limited Issue of Series 20							
AUD350,000,000 1.873 per cent. Notes due 2024	September 26, 2019	September 26, 2024	1.87		25,834	—	237,379

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

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

Bonds for road construction as of March 31, 2020 and 2019 are summarized as follows:
(continued)

	Issue date	Maturity date	Interest rate (%)	Note	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
					2020	2019	2020
Central Nippon Expressway Company Limited Issue of Series 21 EUR300,000,000 0.001 per cent. Notes due 2020	October 29, 2019	October 23, 2020	0.00		¥ 35,853	¥ —	\$ 329,440
Central Nippon Expressway Company Limited Issue of Series 22 U.S.\$100,000,000 Floating Rate Notes due 2024	October 30, 2019	October 30, 2024	2.38	**	10,870	—	99,881
No.80 Bond of Central Nippon Expressway Company Limited	October 30, 2019	October 30, 2024	0.03		55,000	—	505,375
No.81 Bond of Central Nippon Expressway Company Limited	January 28, 2020	January 28, 2025	0.03		100,000	—	918,864
No.82 Bond of Central Nippon Expressway Company Limited	March 18, 2020	March 17, 2023	0.01		80,000	—	735,092
Central Nippon Expressway Company Limited Issue of Series 23 U.S.\$90,000,000 1.200 per cent. Notes due 2021							
Central Nippon Expressway Company Limited Issue of Series 24 U.S.\$7,000,000 1.200 per cent. Notes due 2021	March 24, 2020	March 19, 2021	1.20		10,185	—	93,586
				Total	<u>¥ 934,532</u>	<u>¥ 645,168</u>	<u>\$ 8,587,081</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, 2020.

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

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, 2020 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
2021	¥ 92,484	¥ 31	¥ 100
2022	169,929	33,438	100
2023	245,000	25,103	100
2024	30,000	30,000	100
2025 and thereafter	397,119	255	131
	<u>¥ 934,532</u>	<u>¥ 88,827</u>	<u>¥ 531</u>

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
2021	\$ 849,802	\$ 285	\$ 919
2022	1,561,417	307,250	919
2023	2,251,217	230,663	919
2024	275,659	275,659	919
2025 and thereafter	3,648,986	2,343	1,202
	<u>\$ 8,587,081</u>	<u>\$ 816,200</u>	<u>\$ 4,878</u>

The aggregate annual maturities of lease obligations subsequent to March 31, 2020 are summarized as follows:

Years ending March 31,	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	Lease obligations	
2021	¥ 852	\$ 7,829
2022	765	7,029
2023	567	5,210
2024	452	4,153
2025 and thereafter	1,946	17,882
	<u>¥ 4,582</u>	<u>\$ 42,103</u>

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

11. Pledged Assets

At March 31, 2020 and 2019, 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>
	2020	2019	2020
Bonds for road construction			
Carrying value	¥ 934,532	¥ 645,168	\$ 8,587,081
Face value	934,532	645,168	8,587,081

In addition, at March 31, 2020 and 2019, the total assets of the Company were also pledged as collateral for bonds in the amounts of ¥1,361,307 million (\$12,508,564 thousand) and ¥1,295,733 million at March 31, 2020 and 2019, respectively, assumed by JEHDRA pursuant to Article 15 of the JEHDRA Act.

At March 31, 2020 and 2019, 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>
	2020	2019	2020
Cash and deposits	¥ 3	¥ 3	\$ 28
Investments in securities	51	53	469
Others in Investments and other assets	33	33	303

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

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 a statutory tax rate of approximately 30.4% for the years ended March 31, 2020 and 2019.

A reconciliation of the statutory tax rate and the effective tax rate for the year ended March 31, 2020 is omitted as the difference was less than 5% of statutory tax rate.

The effective tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 2019, differs from the above statutory tax rate for the following reasons:

	2019
Statutory tax rate	30.4%
Adjustments:	
Valuation allowance	3.3
Amortization of negative goodwill	(0.7)
Equity in earnings of affiliates	(0.7)
Consolidated adjustments of gain (loss) on sales of equity method affiliates investments	1.0
Inhabitants' per capita taxes	0.8
Other	(0.4)
Effective tax rate	33.7%

The significant components of the Group's deferred tax assets and liabilities at March 31, 2020 and 2019 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2020	2019	2020
Deferred tax assets:			
Allowance for doubtful accounts	¥ 30	¥ 67	\$ 276
Accrued employees' bonuses	1,274	1,270	11,706
Allowance for ETC mileage program	2,457	2,485	22,576
Liabilities for retirement benefits	20,058	19,458	184,306
Other	4,963	5,175	45,604
Gross deferred tax assets	28,782	28,455	264,468
Less valuation allowance	(22,068)	(22,485)	(202,775)
Total deferred tax assets	6,714	5,970	61,693
Deferred tax liabilities:			
Other	(714)	(677)	(6,561)
Total deferred tax liabilities	(714)	(677)	(6,561)
Net deferred tax assets	¥ 6,000	¥ 5,293	\$ 55,132

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

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 (“WPFP”) covering substantially all employees who are entitled to lump-sum or annuity payments, the amounts of which are determined by reference to basic rates of pay, length of service, and the conditions under which termination occurs.

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

The Company and certain consolidated subsidiaries participate in a multi-employer welfare pension plan 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 WPFP 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.

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

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, 2020 and 2019 are as follows (excluding defined benefit plans based on the simplified method):

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2020	2019	2020
Beginning balance of retirement benefit obligation	¥ 89,211	¥ 100,804	\$ 819,728
Service cost	3,857	3,884	35,441
Interest cost	404	455	3,712
Actuarial gain or loss	628	585	5,770
Benefit paid	(3,008)	(3,167)	(27,639)
Decrease due to return of substitutional portion of the WFPF	—	(13,350)	—
Ending balance of retirement benefit obligation	<u>¥ 91,092</u>	<u>¥ 89,211</u>	<u>\$ 837,012</u>

The changes in plan assets at fair value for the years ended March 31, 2020 and 2019 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>
	2020	2019	2020
Beginning balance of plan assets at fair value	¥ 29,312	¥ 39,256	\$ 269,337
Expected return on plan assets	1,215	1,184	11,164
Actuarial gain or loss	(2,132)	1,827	(19,590)
Contributions by the employers	2,640	2,055	24,258
Benefit paid	(1,854)	(1,756)	(17,036)
Decrease due to return of substitutional portion of the WFPF	—	(13,478)	—
Other	232	224	2,133
Ending balance of plan assets at fair value	<u>¥ 29,413</u>	<u>¥ 29,312</u>	<u>\$ 270,266</u>

The changes in liabilities for retirement benefit under the simplified method for the years ended March 31, 2020 and 2019 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2020	2019	2020
Beginning balance of liabilities for retirement benefit	¥ 1,347	¥ 1,294	\$ 12,377
Service cost	383	278	3,519
Benefit paid	(179)	(138)	(1,644)
Payment for the plan	(95)	(89)	(873)
Other	—	2	—
Ending balance of liabilities for retirement benefit	<u>¥ 1,456</u>	<u>¥ 1,347</u>	<u>\$ 13,379</u>

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

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, 2020 and 2019 for the Company's and the consolidated subsidiaries' defined benefit plans:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2020	2019	2020
Funded retirement benefit obligation	¥ 59,257	¥ 58,013	\$ 544,491
Plan assets at fair value	(30,273)	(30,171)	(278,167)
	28,984	27,842	266,324
Unfunded retirement benefit obligation	34,151	33,404	313,801
Net amounts of liabilities and assets recognized in consolidated balance sheets	63,135	61,246	580,125
Liabilities for retirement benefits	63,680	61,848	585,133
Asset for retirement benefits	(545)	(602)	(5,008)
Net amounts of liabilities recognized in consolidated balance sheets	¥ 63,135	¥ 61,246	\$ 580,125

The components of retirement benefit expenses for the years ended March 31, 2020 and 2019 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2020	2019	2020
Service cost	¥ 3,626	¥ 3,661	\$ 33,318
Interest cost	404	455	3,712
Expected return on plan assets	(1,215)	(1,184)	(11,164)
Amortization:			
Actuarial gain or loss	1,945	2,321	17,871
Prior service cost	(16)	(17)	(147)
Retirement benefit expenses under the simplified method	383	278	3,519
Other	(136)	13	(1,248)
Retirement benefit expenses	¥ 4,991	¥ 5,527	\$ 45,861

The components of retirement benefits liability adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2020 and 2019 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2020	2019	2020
Prior service cost	¥ 16	¥ 17	\$ 147
Actuarial gain or loss	815	(3,564)	7,489
Total	¥ 831	¥ (3,547)	\$ 7,636

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

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, 2020 and 2019 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2020	2019	2020
Unrecognized prior service cost	¥ (31)	¥ (47)	\$ (285)
Unrecognized actuarial gain or loss	14,405	13,590	132,362
Total	¥ 14,374	¥ 13,543	\$ 132,077

The fair value of plans assets, by major category, as a percentage of total assets as of March 31, 2020 and 2019 are as follows:

	2020	2019
Bonds	32.6%	32.0%
Stocks	28.5	30.9
Cash and deposits	0.8	0.7
General accounts at life insurance companies	21.4	20.9
Short-term financial assets	1.8	1.1
Other	14.9	14.4
Total	100%	100%

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

The assumptions used in accounting for the defined benefit plans for the years ended March 31, 2020 and 2019 are as follows:

	2020	2019
Discount rates	(0.1)-1.0%	(0.1)-1.0%
Expected long-term rates of return on plan assets	1.0-7.9%	1.0-5.3%
Rates of salary increase	0.0-7.5%	0.0-7.7%

3. Defined contribution plans

The required contributions to defined contribution plans including the multi-employer welfare pension plans are ¥128 million (\$1,176 thousand) and ¥121 million for the years ended March 31, 2020 and 2019, 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
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

14. Contingent Liabilities

At March 31, 2020 and 2019, the Company provides the following debt guarantees:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2020	2019	2020
JEHDRA	¥ 511,000	¥ 511,000	\$ 4,695,396
W-NEXCO	8	9	74
	¥ 511,008	¥ 511,009	\$ 4,695,470

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, 2020 and 2019, 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>
	2020	2019	2020
JEHDRA	¥ 1,395,307	¥ 1,363,733	\$ 12,820,978

As a result of these transfers listed above, bonds for road construction decreased by ¥280,240 million (face value) (\$2,575,025 thousand) for the year ended March 31, 2020.

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

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 ¥1,430 million (\$13,140 thousand) and ¥1,144 million for the years ended March 31, 2020 and 2019, respectively.

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

17. Leases

Future minimum lease payments subsequent to March 31, 2020 under non-cancellable operating leases related to road assets are summarized as follows:

<u>Years ending March 31,</u>	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
2021	¥ 453,278	\$ 4,165,010
2022 and thereafter	15,626,484	143,586,180
	<u>¥ 16,079,762</u>	<u>\$ 147,751,190</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, 2020 under non-cancellable operating leases other than road assets are summarized as follows:

<u>Years ending March 31,</u>	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
2021	¥ 1,502	\$ 13,801
2022 and thereafter	3,375	31,012
	<u>¥ 4,877</u>	<u>\$ 44,813</u>

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

18. Amounts per Share

Per share amounts as of and for the years ended March 31, 2020 and 2019 are as follows:

	<i>Yen</i>		<i>U.S. dollars</i>
	2020	2019	2020
Profit attributable to owner of parent:			
Basic	¥ 85.91	¥ 77.71	\$ 0.79
Net assets	1,965.34	1,876.34	18.06

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, 2020 and 2019.

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, 2020 and 2019 is summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2020	2019	2020
Profit attributable to owner of parent	¥ 11,168	¥ 10,102	\$ 102,619
Adjusted profit attributable to owner of parent	¥ 11,168	¥ 10,102	\$ 102,619
	<i>Thousands of shares</i>		
	2020	2019	
Weighted-average number of shares of common stock outstanding	130,000	130,000	

The financial data used in the computation of net assets per share as of March 31, 2020 and 2019 is summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2020	2019	2020
Total net assets	¥ 255,494	¥ 244,740	\$ 2,347,643
Deduction from total net assets:			
Non-controlling interests	—	816	—
Total net assets available to common shares	¥ 255,494	¥ 243,924	\$ 2,347,643
	<i>Thousands of shares</i>		
	2020	2019	
Number of shares of common stock used in the calculation of net assets per share	130,000	130,000	

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

19. Supplemental Information on Consolidated Statements of Cash Flows

Reconciliations of cash and deposits at March 31, 2020 and 2019 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,		
	2020	2019	2020
Cash and deposits	¥ 135,909	¥ 105,685	\$ 1,248,819
Deposits over three months	(125)	(185)	(1,148)
Cash and cash equivalents	¥ 135,784	¥ 105,500	\$ 1,247,671

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, 2020 and 2019, expressway assets constructed by the Company in the amounts of ¥264,038 million (\$2,426,151 thousand) and ¥682,569 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 ¥2,165 million (\$19,893 thousand) and ¥67,345 million for the years ended March 31, 2020 and 2019, and bonds for road construction of ¥280,240 million (\$2,575,025 thousand) and ¥657,182 million for the years ended March 31, 2020 and 2019, 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, 2020 and 2019.

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

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
its Consolidated Subsidiaries

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
its Consolidated Subsidiaries

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, 2020 and 2019 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>					
	2020			2019		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Assets:						
Cash and deposits	¥ 135,909	¥ 135,909	¥ –	¥105,685	¥105,685	¥ –
Accounts receivable due from expressway business operations	85,131	85,131	–	87,548	87,548	–
Other accounts receivable	32,125	32,125	–	4,817	4,817	–
Marketable securities and investments in securities:						
Held-to-maturity debt securities	300	304	4	300	307	7
Other securities	209	209	–	165	165	–
Total assets	<u>¥ 253,674</u>	<u>¥ 253,678</u>	<u>¥ 4</u>	<u>¥198,515</u>	<u>¥198,522</u>	<u>¥ 7</u>
Liabilities:						
Accounts payable due to expressway business operations	¥ 166,177	¥ 166,177	¥ –	¥185,623	¥185,623	¥ –
Other accounts payable	42,451	42,451	–	61,815	61,815	–
Income and other taxes payable	2,942	2,942	–	5,274	5,274	–
Bonds for road construction (*)	934,532	933,685	(847)	645,168	645,984	816
Long-term loans for road construction (*)	88,827	88,827	0	58,844	58,805	(39)
Other long-term loans (*)	531	531	–	632	632	–
Total liabilities	<u>¥1,235,460</u>	<u>¥1,234,613</u>	<u>¥(847)</u>	<u>¥957,356</u>	<u>¥958,133</u>	<u>¥ 777</u>

* Includes both current and non-current balances.

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

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>			
2020			
	Carrying value	Fair value	Difference
Assets:			
Cash and deposits	\$ 1,248,819	\$ 1,248,819	\$ –
Accounts receivable due from expressway business operations	782,238	782,238	–
Other accounts receivable	295,185	295,185	–
Marketable securities and investments in securities:			
Held-to-maturity debt securities	2,757	2,793	36
Other securities	1,920	1,920	–
Total assets	<u>\$ 2,330,919</u>	<u>\$ 2,330,955</u>	<u>\$ 36</u>
Liabilities:			
Accounts payable due to expressway business operations	\$ 1,526,941	\$ 1,526,941	\$ –
Other accounts payable	390,067	390,067	–
Income and other taxes payable	27,033	27,033	–
Bonds for road construction (*)	8,587,081	8,579,298	(7,783)
Long-term loans for road construction (*)	816,200	816,200	0
Other long-term loans (*)	4,878	4,878	–
Total liabilities	<u>\$ 11,352,200</u>	<u>\$ 11,344,417</u>	<u>\$ (7,783)</u>

* Includes both current and non-current balances.

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

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, 2020 and 2019 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2020	2019	2020
Unlisted stocks:			
Investments in securities	¥6,031	¥5,100	\$55,417

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, 2020 are as follows:

	<i>Millions of yen</i>			
	2020			
	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	¥135,909	¥ –	¥ –	¥ –
Accounts receivable due from expressway business operations	85,131	–	–	–
Other accounts receivable	32,125	–	–	–
Investments in securities:				
Held-to-maturity debt securities	200	100	–	–
Total	¥253,365	¥100	¥ –	¥ –

	<i>Thousands of U.S. dollars</i>			
	2020			
	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	\$1,248,819	\$ –	\$ –	\$ –
Accounts receivable due from expressway business operations	782,238	–	–	–
Other accounts receivable	295,185	–	–	–
Investments in securities:				
Held-to-maturity debt securities	1,838	919	–	–
Total	\$2,328,080	\$919	\$ –	\$ –

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

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, 2020 and 2019 are as follows:

Hedge accounting method	Hedging instrument	Main hedged item	<i>Millions of yen</i>		
			2020		
			Contract amount	Contract amount over one year	Fair value
Allocation method for currency swaps	Currency swap	Bonds for road construction	¥ 241,627	¥ 149,143	*1
Integrated treatment of interest rate and currency swaps (special treatment, allocation method)	Currency swap including interest-rate swaps	Bonds for road construction	94,905	94,905	*2
Total			¥ 336,532	¥ 244,048	

Hedge accounting method	Hedging instrument	Main hedged item	<i>Millions of yen</i>		
			2019		
			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			¥ 251,168	¥ 251,168	

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>		
			2020		
			Contract amount	Contract amount over one year	Fair value
Allocation method for currency swaps	Currency swap	Bonds for road construction	\$ 2,220,224	\$ 1,370,422	*1
Integrated treatment of interest rate and currency swaps (special treatment, allocation method)	Currency swap including interest-rate swaps	Bonds for road construction	872,048	872,048	*2
Total			\$ 3,092,272	\$ 2,242,470	

*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
its Consolidated Subsidiaries

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, 2020 and 2019 is outlined as follows:

<i>Millions of yen</i>						
2020						
	Reportable segments			Total	Adjustments	Consolidated
	Expressway business	Rest area business	Other related business			
Sales to third parties	¥ 954,713	¥ 31,731	¥ 44,964	¥1,031,408	¥ —	¥1,031,408
Intersegment sales and transfers	24	20	3	47	(47)	—
Net sales	954,737	31,751	44,967	1,031,455	(47)	1,031,408
Segment income	¥ 10,054	¥ 3,855	¥ 424	¥ 14,333	¥ 12	¥ 14,345
Segment assets	¥1,246,723	¥176,756	¥ 23,987	¥1,447,466	¥186,307	¥1,633,773
Segment liabilities	1,023,358	—	525	1,023,883	354,396	1,378,279
Other items:						
Depreciation and amortization	19,189	3,265	341	22,795	—	22,795
Investments in affiliates	4,649	—	1,302	5,951	—	5,951
Increase in property and equipment and intangible fixed assets	24,190	2,743	246	27,179	7,523	34,702

<i>Millions of yen</i>						
2019						
	Reportable segments			Total	Adjustments	Consolidated
	Expressway business	Rest area business	Other related business			
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

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

22. Segment Information (continued)

<i>Thousands of U.S. dollars</i>						
2020						
	Reportable segments			Total	Adjustments	Consolidated
	Expressway business	Rest area business	Other related business			
Sales to third parties	\$ 8,772,517	\$ 291,565	\$ 413,158	\$ 9,477,240	\$ —	\$ 9,477,240
Intersegment sales and transfers	220	184	28	432	(432)	—
Net sales	8,772,737	291,749	413,186	9,477,672	(432)	9,477,240
Segment income	\$ 92,383	\$ 35,422	\$ 3,896	\$ 131,701	\$ 110	\$ 131,811
Segment assets	\$ 11,455,692	\$ 1,624,148	\$ 220,408	\$ 13,300,248	\$ 1,711,909	\$ 15,012,157
Segment liabilities	9,403,271	—	4,824	9,408,095	3,256,419	12,664,514
Other items:						
Depreciation and amortization	176,321	30,001	3,133	209,455	—	209,455
Investments in affiliates	42,718	—	11,964	54,682	—	54,682
Increase in property and equipment and intangible fixed assets	222,273	25,204	2,261	249,738	69,126	318,864

Adjustments in the above tables:

The adjustments of segment income in the amounts of ¥12 million (\$110 thousand) and ¥5 million for the years ended March 31, 2020 and 2019, respectively, are eliminations of intersegment transactions.

The adjustments of segment assets in the amounts of ¥186,307 million (\$1,711,909 thousand) and ¥143,087 million at March 31, 2020 and 2019, 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 ¥354,396 million (\$3,256,419 thousand) and ¥387,822 million at March 31, 2020 and 2019, 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 ¥7,523 million (\$69,126 thousand) and ¥5,133 million for the years ended March 31, 2020 and 2019, respectively, include corporate assets not allocated to reportable segments, principally consisting of system development by the Company.

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

22. Segment Information (continued)

Information on each product and service for the years ended March 31, 2020 and 2019 is analyzed as follows:

	<i>Millions of yen</i>			
	2020			
	Toll fee	Completion of road assets	Other	Total
Sales to third parties	¥ 689,755	¥ 264,038	¥ 77,615	¥ 1,031,408
	<i>Millions of yen</i>			
	2019			
	Toll fee	Completion of road assets	Other	Total
Sales to third parties	¥ 693,394	¥ 682,569	¥ 79,279	¥ 1,455,242
	<i>Thousands of U.S. dollars</i>			
	2020			
	Toll fee	Completion of road assets	Other	Total
Sales to third parties	\$ 6,337,912	\$ 2,426,151	\$ 713,177	\$ 9,477,240

As more than 90% of the consolidated net sales for the years ended March 31, 2020 and 2019 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, 2020 and 2019 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 ¥264,205 million (\$2,427,685 thousand) and ¥682,838 million by the expressway business segment for the years ended March 31, 2020 and 2019, respectively.

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

22. Segment Information (continued)

Information on loss on impairment of fixed assets by reportable segment for the years ended March 31, 2020 and 2019, respectively, is as follows:

<i>Millions of yen</i>						
2020						
	Expressway business	Rest area business	Other related business	Total	Adjustments(*)	Consolidated
Loss on impairment of fixed assets	¥ –	¥ –	¥ –	¥ –	¥171	¥171
<i>Millions of yen</i>						
2019						
	Expressway business	Rest area business	Other related business	Total	Adjustments(*)	Consolidated
Loss on impairment of fixed assets	¥ –	¥ 115	¥ 95	¥ 210	¥ 33	¥ 243
<i>Thousands of U.S. dollars</i>						
2020						
	Expressway business	Rest area business	Other related business	Total	Adjustments(*)	Consolidated
Loss on impairment of fixed assets	\$ –	\$ –	\$ –	\$ –	\$1,571	\$1,571

(*)The adjustments of loss on impairment of fixed assets amounting to ¥171 million (\$1,571 thousand) and ¥33 million for the years ended March 31, 2020 and 2019, respectively, are attributable to corporate assets not allocated to reportable segments.

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

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, 2020 and 2019, respectively, is as follows:

<i>Millions of yen</i>						
2020						
	Expressway business	Rest area business	Other related business	Total	Adjustments	Consolidated
Amortization of goodwill	¥ 59	¥ –	¥ –	¥ 59	¥ –	¥ 59
Remaining balance	219	–	–	219	–	219
<i>Millions of yen</i>						
2019						
	Expressway business	Rest area business	Other related business	Total	Adjustments	Consolidated
Amortization of goodwill	¥ 36	¥ –	¥ –	¥ 36	¥ –	¥ 36
Remaining balance	121	–	–	121	–	121
<i>Thousands of U.S. dollars</i>						
2020						
	Expressway business	Rest area business	Other related business	Total	Adjustments	Consolidated
Amortization of goodwill	\$ 542	\$ –	\$ –	\$ 542	\$ –	\$ 542
Remaining balance	2,012	–	–	2,012	–	2,012

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

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, 2020 and 2019 is as follows:

<i>Millions of yen</i>						
2020						
	Expressway business	Rest area business	Other related business	Total	Adjustments	Consolidated
Amortization of negative goodwill	¥ –	¥ –	¥ –	¥ –	¥ 342	¥ 342
Remaining balance	–	–	–	–	2,817	2,817
<i>Millions of yen</i>						
2019						
	Expressway business	Rest area business	Other related business	Total	Adjustments	Consolidated
Amortization of negative goodwill	¥ –	¥ –	¥ –	¥ –	¥ 342	¥ 342
Remaining balance	–	–	–	–	3,159	3,159
<i>Thousands of U.S. dollars</i>						
2020						
	Expressway business	Rest area business	Other related business	Total	Adjustments	Consolidated
Amortization of negative goodwill	\$ –	\$ –	\$ –	\$ –	\$ 3,143	\$ 3,143
Remaining balance	–	–	–	–	25,884	25,884

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

23. Related Party Transactions

Principal transactions between the Company and JEHDRA for the years ended March 31, 2020 and 2019 are summarized as follows:

2020						
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)	¥ 491,524	\$ 4,516,438	Accounts payable due to expressway business operations	¥ 78,718	\$ 723,312
Transfer of road assets and loans and jointly and severally liable debts	Revenues from the transfer of road assets constructed by the Company (*1)	264,038	2,426,151	Accounts receivable due from expressway business operations	29,305	269,273
	Transfer of liabilities and guarantee of debts (*2)	280,240	2,575,025	—	—	—
Jointly and severally liable for debts	Guarantee of debts (*3)	511,000	4,695,396	—	—	—
	Guarantee of debts (*4)	1,115,068	10,245,962	—	—	—
2019						
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)	¥ 501,000	Accounts payable due to expressway business operations	¥ 87,825		
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	Accounts receivable due from expressway business operations	24,325		
	Transfer of liabilities and guarantee of debts (*2)	724,527	—	—		
Jointly and severally liable for debts	Guarantee of debts (*3)	511,000	—	—		
	Guarantee of debts (*4)	639,206	—	—		

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

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, 2019 and 2018 amounted to ¥5,629,259 million (\$51,725,250 thousand) and ¥5,637,665 million, respectively.

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

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

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

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

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

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

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

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, 2020 and 2019.

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2020	2019	2020
Net unrealized holding gain (loss) on securities:			
Amount arising during the year	¥ 42	¥ (25)	\$ 386
Reclassification adjustments for gain and loss included in profit	—	—	—
Amount before tax effect	42	(25)	386
Tax effect	(15)	9	(138)
Net unrealized holding gain (loss) on securities	27	(16)	248
Translation adjustments			
Amount arising during the year	4	—	37
Retirement benefits liability adjustments			
Amount arising during the year	(2,746)	1,271	(25,232)
Reclassification adjustments for gain and loss included in profit	1,915	2,276	17,596
Amount before tax effect	(831)	3,547	(7,636)
Tax effect	449	(23)	4,126
Retirement benefits liability adjustments	(382)	3,524	(3,510)
Share of other comprehensive income of affiliates accounted for by the equity method:			
Amount arising during the year	421	154	3,868
Total other comprehensive income	¥ 70	¥ 3,662	\$ 643

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

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>
No.83 Bond of Central Nippon Expressway Company Limited	¥100,000 million (\$918,864 thousand)	0.040% per annum	100% of face value	April 20, 2020	April 20, 2023

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.	100.0	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
NEXCO Highway Solutions of America Inc.	100.0	United States of America	Consolidated subsidiary
NEXCO-CENTRAL Philippines Inc.	100.0	Republic of the Philippines	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 Exis International Co., Ltd.	100.0	Taiwan	Consolidated subsidiary
Central Nippon Road Maintenance Tokyo Co., Ltd.	100.0	Japan	Consolidated subsidiary
Central Nippon Road Maintenance Tokai Co., Ltd.	100.0	Japan	Consolidated subsidiary
Central Nippon Road Maintenance Chubu Co., Ltd.	100.0	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
its Consolidated Subsidiaries

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

During the fiscal year ended March 31, 2020, NEXCO Highway Solutions of America Inc. and NEXCO-CENTRAL Philippines Inc. were established by the Company and have been newly consolidated.

During the fiscal year ended March 31, 2020, Central Nippon Exis International Co., Ltd. was established by Central Nippon Exis Co., Ltd., a consolidated subsidiary of the Company, as a wholly-owned subsidiary and has been newly consolidated.

During the fiscal year ended March 31, 2020, Central Nippon Road Maintenance Shizuoka Co., Ltd., a consolidated subsidiary of the Company, has been excluded from the scope of consolidation, due to the merger with Central Nippon Highway Maintenance Tomei Co., Ltd., a consolidated subsidiary of the Company, as the surviving company, which absorbed Central Nippon Road Maintenance Shizuoka Co., Ltd. as the merged company, on December 1, 2019.