OFFERING CIRCULAR

Central Nippon Expressway Company Limited

U.S.$500,000,000 2.17 per cent. Bonds due 2019

Issue Price 100 per cent.

The U.S.$500,000,000 2.17 per cent. Bonds due 2019 (the "Bonds") will be issued by Central Nippon Expressway Company Limited (the "Issuer"). The Bonds will mature on 5 August 2019 and may be redeemed earlier at the option of the Issuer only in the event that certain Japanese taxes are imposed on payments in respect of the Bonds, as set out in Condition 5 of the terms and conditions of the Bonds (the "Conditions", and each condition set out in the Conditions being a "Condition").

Interest on the Bonds will accrue at the rate of 2.17 per cent. per annum from and including 5 August 2014 and will be payable annually in arrear on 5 August in each year commencing on 5 August 2015.

Approval in-principle has been received for the listing of the Bonds on the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions or reports contained in this Offering Circular. Admission of the Bonds to the official list of the SGX-ST is not to be taken as an indication of the merits of the Issuer or the Bonds.

It is expected that the Bonds will be assigned a credit rating of Aa3 by Moody's Japan K.K. ("Moody's") and a long-term issue rating of AA+ by Rating and Investment Information, Inc. ("R&I"). A credit/security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

The Bonds will initially be represented by a temporary global bond, without interest coupons (the "Temporary Global Bond"), which is expected to be issued on or about 5 August 2014. The Temporary Global Bond will be exchangeable on or after a date which is expected to be on or about 15 September 2014 upon certification of non-U.S. beneficial ownership for interests in a permanent global bond without interest coupons (the "Permanent Global Bond"). The Temporary Global Bond and the Permanent Global Bond are expected to be deposited when issued with a common depositary on behalf of Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, *société anonyme* ("Clearstream, Luxembourg"). The Permanent Global Bond will be exchangeable (in whole, but not in part) for definitive Bonds in bearer form, with interest coupons attached, in the denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof, up to and including U.S.$399,000, in the limited circumstances set out therein. See "Summary of Provisions relating to the Bonds while in Global Form". No definitive Bond will be issued with a denomination of above U.S.$399,000.

The Bonds have not been, and will not be, registered under the United States Securities Act of 1933 (the "Securities Act") and are subject to United States tax law requirements. The Bonds are being offered outside the United States by the Joint Lead Managers (as defined in "Subscription and Sale") in accordance with Regulation S under the Securities Act, and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Prospective investors should have regard to the factors described under the section headed "Investment Considerations" starting on page 13. This Offering Circular does not describe all of the risks of an investment in the Bonds.

Joint Lead Managers and Joint Bookrunners

Citigroup **Mitsubishi UFJ Securities**

The date of this Offering Circular is 30 July 2014.

The Issuer accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge and belief of the Issuer (the Issuer having taken all reasonable care to ensure that such is the case), the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Issuer, having made all reasonable enquiries, confirms that this Offering Circular contains all information with respect to the Issuer, the Group (as defined below) and the Bonds which is material in the context of the issue and offering of the Bonds, the statements contained herein relating to the Issuer and the Group are in every material particular true and accurate and not misleading, the opinions and intentions expressed in this Offering Circular with regard to the Issuer and the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, there are no other facts in relation to the Issuer, the Group or the Bonds the omission of which would, in the context of the issue and offering of the Bonds, make any statement in this Offering Circular misleading in any material respect and all reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements.

In this Offering Circular, unless otherwise specified or the context otherwise required, references to the "Group" are to the Issuer and its consolidated subsidiaries and affiliates accounted for by the equity method taken as a whole.

No person is authorised to give any information or to make any representation not contained in this Offering Circular and any information or representation not contained in this Offering Circular must not be relied upon as having been authorised by the Issuer or the Joint Lead Managers. Neither the delivery of this Offering Circular nor any sale made in connection herewith at any time implies that the information contained herein is correct as of any time subsequent to the date hereof, nor does it imply that there has been no change in the affairs or the financial position of the Group since the date hereof.

This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Joint Lead Managers to subscribe for, or purchase, any of the Bonds. The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer and the Joint Lead Managers to inform themselves about and to observe any such restrictions. For a description of certain further restrictions on offers and sales of Bonds and distribution of this Offering Circular, see "Subscription and Sale".

To the fullest extent permitted by law, the Joint Lead Managers accept no responsibility whatsoever for the contents of this Offering Circular or for any other statement, made or purported to be made by a Joint Lead Manager or on its behalf in connection with the Issuer, the Group or the issue and offering of the Bonds. Each Joint Lead Manager accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement.

No action is being taken to permit a public offering of the Bonds or the distribution of this Offering Circular (in preliminary or final form) in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds and the circulation of documents relating thereto, in jurisdictions including the United States, Japan, Singapore, the European Economic Area (including the United Kingdom) and to persons connected therewith. See "Subscription and Sale".

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "Financial Instruments and Exchange Act") and are subject to the Act on Special Measures Concerning Taxation of Japan (Act No. 26 of 1957, as amended, the "Act on Special Measures Concerning Taxation"). Each Joint Lead Manager has represented and agreed that, (I) it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Bonds in Japan or to or for the benefit of, any person resident in Japan for Japanese securities law purposes (including any corporation or entity organised under the laws of Japan), or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of any person resident in Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and any other applicable laws, regulations and ministerial guidelines of Japan; and, (II) it (i) has not, directly or indirectly, offered or sold any Bonds to, or for the benefit of, any person other than a Gross Recipient (as defined below), and (ii) will not, directly or indirectly, offer or sell any Bonds, (x) as part of its initial distribution at any time, to, or for the benefit of, any person other than a Gross Recipient, and (y) otherwise until 40 days after the date of issue, to, or for the benefit of, any individual resident of Japan or Japanese corporation for Japanese tax purposes (except for a Designated Financial Institution (as defined in "Subscription and Sale") and an Article 3-3 Japanese Resident (as defined in "Subscription and Sale")).

A "Gross Recipient" for this purpose is (i) a beneficial owner that is, for Japanese tax purposes, neither (x) an individual resident of Japan or a Japanese corporation, nor (y) an individual non-resident of Japan or a non-Japanese corporation that in either case is a Specially-Related Party (as defined in "Taxation"), (ii) a Designated Financial Institution or (iii) an Article 3-3 Japanese Resident.

BY SUBSCRIBING FOR THE BONDS, AN INVESTOR WILL BE DEEMED TO HAVE REPRESENTED THAT IT IS A GROSS RECIPIENT.

In addition, interest payments on the Bonds will generally be subject to Japanese withholding tax unless it is established that such Bonds are held by or for the account of a beneficial owner that falls within either clause (i) or (ii) of the definition of "Gross Recipient" set out above.

The Bonds do not constitute "taxable linked securities" as prescribed by Article 6, Paragraph 4 of the Act on Special Measures Concerning Taxation (being securities for which the amount of interest is to be calculated by reference to certain indexes (as prescribed by Article 3-2-2, Paragraph 8 of the Cabinet Order No. 43 of 1957 of Japan, as amended, relating to the Act on Special Measures Concerning Taxation (the "Cabinet Order")) relating to the issuer of such securities or a Specially-Related Party).

The Bonds have not been and will not be registered under the Securities Act. Subject to certain exceptions, the Bonds may not be offered, sold or delivered within the United States or to U.S. persons. See "Subscription and Sale".

There are restrictions on the offer and sale of the Bonds in the United Kingdom. All applicable provisions of the Financial Services and Markets Act 2000 (the "FSMA") with respect to anything done by any person in relation to the Bonds in, from or otherwise involving the United Kingdom must be complied with. See "Subscription and Sale".

Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained in this Offering Circular and any applicable supplement to this Offering Circular;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such investment will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understand thoroughly the Conditions and be familiar with the behaviour of any relevant indices and financial markets; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

In connection with this issue, Citigroup Global Markets Limited (the "Stabilising Manager") (or person(s) acting on behalf of the Stabilising Manager) may over-allot Bonds or effect transactions with a view to supporting the market price of the Bonds at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or person(s) acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Bonds is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Bonds and 60 days after the date of the allotment of the Bonds. Any stabilisation action or over-allotment must be conducted by the Stabilising Manager (or person(s) acting on behalf of the Stabilising Manager) in accordance with all applicable laws and rules.

References herein to “U.S.$” and “U.S. dollars” are to the currency of the United States of America, and those to “¥” and “yen” are to Japanese yen. On 22 July 2014, the mean spot rate for the U.S. dollar against yen quoted by a leading commercial bank in Tokyo was U.S.$1 to ¥101.48.

References herein to “fiscal years” are to fiscal year(s) of the Issuer commencing on 1 April of the year indicated and ending on 31 March of the following year. References herein to years not specified as fiscal years are to calendar years.

In this Offering Circular, where information is presented in millions and billions, amounts of less than one million or one billion have been rounded up or down (in certain cases, to the nearest one-tenth of a million or billion), as the case may be.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Bonds are legal investments for it, (2) the Bonds can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Bonds under any applicable risk-based capital or similar rules.

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SUMMARY INFORMATION

The following summary does not purport to be complete and is qualified in its entirety by, and is subject to, the more detailed information and financial statements and the notes thereto contained elsewhere in this Offering Circular. For a discussion of certain factors that should be considered by prospective investors in connection with an investment in the Bonds, see "Investment Considerations".

Central Nippon Expressway Company Limited

The Issuer was established on 1 October 2005 as a corporation incorporated under the Expressway Companies Act (as defined in "Glossary") and the Implementation Act (as defined in "Glossary") as part of the privatisation of the Four Highway-Related Public Corporations (as defined in "Glossary"). The Issuer is involved in the construction, renovation, maintenance, repair, disaster recovery and management of expressways in the 12 Prefectures (as defined in "Glossary"), located principally in the Tokai area in Japan.

As of 31 March 2014, the Issuer had 24 subsidiaries (of which 23 were consolidated), and 13 affiliates (of which 12 were accounted for by the equity method). For the fiscal year ended 31 March 2014, the Group's operating revenues, operating income and net income amounted to ¥635,444 million, ¥2,040 million and ¥1,231 million, respectively. As of 31 March 2014, the Group had total assets of ¥1,391,883 million.

The Issuer's registered head office is located at 18-19, Nishiki 2-chome, Naka-ku, Nagoya, Aichi 460-0003, Japan.

The Offering

Issuer	Central Nippon Expressway Company Limited.
Securities Offered	U.S.$500,000,000 2.17 per cent. Bonds due 2019.
Issue Price	100 per cent.
Closing Date	5 August 2014.
Use of Proceeds	During the current fiscal year from 1 April 2014 to 31 March 2015, the net proceeds of the issue of the Bonds, amounting to approximately U.S.$498 million, will be appropriated to the funds for construction, renovation, repair or disaster recovery works of expressways as construction funds of road assets which shall belong to JEHDRA (as defined in "Glossary") upon completion of construction in accordance with Article 51, Paragraph 2 to Paragraph 4 of the Special Measures Act (as defined in "Glossary").
Delivery	It is expected that the Temporary Global Bond representing the Bonds will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg on or about the Closing Date.
Listing	Approval in-principle has been received for the listing of the Bonds on the SGX-ST. The Bonds will be traded on the SGX-ST in a minimum board lot size of U.S.$200,000 for so long as the Bonds are listed on the SGX-ST.
Rating	It is expected that the Bonds will be assigned a credit rating of Aa3 by Moody's and a long-term issue rating of AA+ by R&I. A credit/ security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.
Fiscal Agent, Principal Paying Agent and Replacement Agent	The Bank of Tokyo-Mitsubishi UFJ, Ltd., London Branch.

The Bonds

Form and Denomination	The Bonds will be issued in bearer form in the denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof, up to and including U.S.$399,000, with Coupons (as defined in the Conditions) attached on issue.
Maturity Date	5 August 2019.
Interest	2.17 per cent. per annum, payable annually in arrear on 5 August in each year, commencing on 5 August 2015.
Status	The Bonds and Coupons constitute (subject to Condition 3) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Bonds and Coupons shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 3, at all times rank at least equally with all its other present and future unsecured bonds and notes which rank senior to the Issuer's unsecured general obligations not represented by bonds or notes (but not in priority to certain statutory preferred obligations).

	Under the Expressway Companies Act, all holders of bonds issued by the Issuer (including the Bonds) have a right (statutory lien; *sakidori-tokken*) to receive payments in priority to other classes of creditors over the assets of the Issuer, subject to the exception of the general statutory lien (*ippan no sakidori-tokken*) provided in the Civil Code (as defined in the Conditions).
Negative Pledge	So long as any Bond or Coupon remains outstanding (as defined in the Fiscal Agency Agreement), the Issuer will not create, or have outstanding, any mortgage, charge, lien, pledge or other security interest (but excluding the statutory lien as described in Condition 2 or any statutory modification of that lien), upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure (a) any payment due in respect of any Specified Indebtedness (as defined in the Conditions) issued by it, or (b) any payment under any guarantee or indemnity in respect of any Specified Indebtedness, without at the same time or prior thereto according to the Bonds and the Coupons the same security as is created or subsisting to secure any payment in respect of any such Specified Indebtedness, guarantee or indemnity or such other security as shall be approved by an Extraordinary Resolution (as defined in the Fiscal Agency Agreement) of the Bondholders (as defined in the Conditions).
Cross Default	The Bonds are subject to a cross default in respect of indebtedness in the form of bonds or notes being accelerated and in respect of indebtedness for borrowed money or any guarantee and/or indemnity thereof of the Issuer in respect of amounts of at least ¥1,000,000,000 (or its equivalent in any other currency or currencies). See Condition 8(d).
Guarantee	The Bonds are not guaranteed by the government of Japan (the "Japanese Government") or any other person and do not, in any meaning, constitute a debt of the Japanese Government.
Relationship with Japan Expressway Holding and Debt Repayment Agency	From and including the Assumption Date (as defined in Condition 16), JEHDRA will become jointly and severally liable in respect of the Issuer's obligations under the Bonds and the Coupons pursuant to Article 15, Paragraph 1 of the JEHDRA Act (as defined in "Glossary"). On and after the Assumption Date, the obligations under the Bonds and the Coupons will be fulfilled primarily by JEHDRA which has, on or prior to the Assumption Date, provided its prior consent for the assumption of its obligations under the Bonds. Further, on and after the Assumption Date, certain specific provisions, such as negative pledge and additional events of default (including cross default) relating to JEHDRA, will apply. See Condition 16.
Redemption at Maturity	Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 5 August 2019.
Early Redemption — Redemption for Taxation Reasons	The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice, if (i) the Issuer has or will become obliged to pay additional amounts as provided in Condition 7 as a result of any change in, or amendment to, the laws or regulations of Japan or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes

	effective on or after 30 July 2014, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it. See Condition 5(b).
Taxes	All payments by the Issuer in respect of the Bonds will be made without any deduction for withholding taxes of Japan, except to the extent described in Condition 7.
Governing Law	English law.
Jurisdiction	English courts.
Clearance and Settlement	Interests in the Bonds and interest coupons will be delivered through the facilities of Euroclear and Clearstream, Luxembourg.
ISIN	XS1090178259.
Common Code	109017825.

GLOSSARY

Set out below are definitions of some of the terms used in this Offering Circular.

Phrase	Meaning
12 Prefectures	The prefectures in which the Group operates its expressways, namely: Tokyo, Kanagawa, Toyama, Ishikawa, Fukui, Yamanashi, Nagano, Gifu, Shizuoka, Aichi, Mie and Shiga prefectures.
Amendment Act	Act Amending Part of the Road Act, etc. of Japan (Act No. 53 of 2014). This Act was enacted in June 2014 and amends certain provisions of, among others, the Road Act, the Special Measures Act and the JEHDRA Act, with the aim of ensuring appropriate management of expressways through the use of a wide variety of funding sources.
Board of Audit Act	The Board of Audit Act of Japan (Act No. 73 of 1947, as amended).
Companies Act	Companies Act of Japan (Act No. 86 of 2005, as amended).
Development Act	The Act regarding the Development of Highway Related Acts in Connection with the Privatisation of the Japan Highway Public Corporation of Japan (Act No. 101 of 2004, as amended). The Development Act was enacted in June 2004, and sets out provisions that partly amend the highway-related laws in place at the time of the privatisation of Four Highway-Related Public Corporations.
East Nippon Expressway Company	East Nippon Expressway Company Limited.
ETC	Electronic Toll Collection. The ETC System is a system for automatic payment of expressway tolls utilising wireless technology. The ETC System was introduced on expressways in Japan in March 2001.
Expressway Companies	The six expressway operating companies, which were incorporated under the Four Acts regarding the Privatisation of Four Highway-Related Public Corporations, namely: the Issuer, East Nippon Expressway Company, Metropolitan Expressway Company, West Nippon Expressway Company, Hanshin Expressway Company and Honshu-Shikoku Bridge Expressway Company.
Expressway Companies Act	Act on Expressway Companies of Japan (Act No. 99 of 2004, as amended). The Expressway Companies Act, which was enacted in June 2004, sets out provisions pertaining to matters including the purpose, scope of business and ownership of the Expressway Companies.
Four Acts regarding the Privatisation of Four Highway-Related Public Corporations	The Expressway Companies Act, the JEHDRA Act, the Development Act and the Implementation Act, all of which constitute the acts of the establishment of the Expressway Companies and JEHDRA.
Four Highway-Related Public Corporations	The four corporations that were privatised and reorganised into the Expressway Companies and JEHDRA following the Japanese Government's privatisation policy set out in the "Reorganisation and Rationalisation Plan for Special Public Corporations" decided at a Cabinet meeting held on 19 December 2001, namely: the Japan Highway Public Corporation, the Metropolitan Expressway Public Corporation, the Hanshin Expressway Public Corporation and the Honshu-Shikoku Bridge Authority.
General Rules Act	Act on General Rules for Administrative Agencies of Japan (Act No. 103 of 1999, as amended).

Phrase	Meaning
Hanshin Expressway Company	Hanshin Expressway Company Limited.
Highway Administrators	Persons who administer the national expressways as defined in the National Highway Act, and the general national roads, prefectural roads and municipal roads as defined in the Road Act, and are, in respect of national expressways the Minister of LIT, in respect of general national roads the Minister of LIT or the governors of the relevant prefectures, in respect of prefectural roads the governors of the relevant prefectures and in respect of municipal roads the mayors of the relevant municipalities.
Honshu-Shikoku Bridge Expressway Company	Honshu-Shikoku Bridge Expressway Company Limited.
Implementation Act	The Act regarding the Implementation of Acts Related to the Privatisation of the Japan Highway Public Corporation of Japan (Act No. 102 of 2004). The Implementation Act was enacted in June 2004, and sets out the provisions pertaining to the implementation of the Expressway Companies Act, the JEHDRA Act and the Development Act as well as the coordination of the relevant acts to such implementation.
Issuer-JEHDRA Agreement(s)	The agreement(s) entered into on 31 March 2006 between the Issuer and JEHDRA relating to the operation of expressways. See "Business — The Issuer-JEHDRA Agreements".
JEHDRA	Japan Expressway Holding and Debt Repayment Agency.
JEHDRA Act	Japan Expressway Holding and Debt Repayment Agency Act of Japan (Act No. 100 of 2004, as amended). The JEHDRA Act was enacted in June 2004, and sets out provisions pertaining to matters including the purpose of establishment, scope of business and capital of JEHDRA.
Metropolitan Expressway Company	Metropolitan Expressway Company Limited.
Minister of LIT	The Minister of Land, Infrastructure, Transport and Tourism of Japan. The Minister of LIT is responsible for, among other things, promoting national land planning policies, infrastructure policies, social capital maintenance and transport policies. The Minister of LIT is the governing authority of the Issuer and the operations of the Issuer are subject to the supervision of the Minister of LIT.
National Highway Act	National Highway Act of Japan (Act No. 79 of 1957, as amended). The National Highway Act sets out provisions pertaining to the designation of routes, improvement plans, administration, construction, maintenance and the like in relation to national expressways, the whole in order to promote national expressways and contribute to the development of automobile traffic.
National Highway Network	The national expressways and certain other roads designated by JEHDRA with the authorisation of the Minister of LIT, which are managed respectively by the Issuer, East Nippon Expressway Company, West Nippon Expressway Company and Honshu-Shikoku Bridge Expressway Company.
Privatisation Acts	The Expressway Companies Act, the JEHDRA Act and the Development Act.
Road Act	Road Act of Japan (Act No. 180 of 1952, as amended).

Phrase	Meaning
Smart-Interchange	A type of interchange whose use is restricted to vehicles which have installed the ETC payment system, which enables the connection with expressways, service areas, parking areas and bus stops. As the users are limited to vehicles with ETC payment systems installed, these interchanges only require simple tollgates and are staff-less, making them cheaper to introduce than traditional staffed interchanges.
Special Measures Act	Act on Special Measures Concerning Road Construction and Improvement of Japan (Act No. 7 of 1956, as amended).
Specific Renewal Work	Work regarding renewal of bridges, tunnels or any other facilities or structures constituting expressways as specified by the Ordinance of the Ministry of Land, Infrastructure, Transport and Tourism that have a great possibility of affecting the constitution of the expressways whether through damage, corrosion or other deterioration or work that is deemed to have an effect equivalent thereto.
West Nippon Expressway Company	West Nippon Expressway Company Limited.

INVESTMENT CONSIDERATIONS

Any investment in the Bonds is subject to a number of risks. Prior to investing in the Bonds, prospective investors should carefully consider the risks associated with any investment in the Bonds, the business of the Issuer and the industry in which it operates together with all other information contained in this Offering Circular, including, in particular the considerations described below.

The following is not an exhaustive list or explanation of all risks which investors may face when making an investment in the Bonds and should be used as guidance only. Additional risks and uncertainties relating to the Issuer that are not currently known to the Issuer or that it currently deems immaterial, may individually or cumulatively also have a material adverse effect on the business, prospects, results of operations and/or financial position of the Issuer and the Group and, if any such risk should occur, the price of the Bonds may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Bonds is suitable for them in light of the information in this Offering Circular and their personal circumstances.

Factors which may Affect the Issuer's Ability to Fulfil its Obligations under the Bonds

Changes in Japanese Laws and Regulations due to Changes in Governmental Policies

The Group is subject to the Companies Act and various other Japanese laws and regulations relating to the operation of expressways, including the Expressway Companies Act, the Special Measures Act, the JEHDRA Act, the Development Act and the Implementation Act, as well as other laws relating to the regulation of roads, including the Road Act and the National Highway Act. If any of these laws are amended, or if any relevant new laws are promulgated, then this may materially adversely affect the Group's results of operations and financial condition. Further, according to Article 2 of the supplementary provision of the Implementation Act, the Japanese Government will review the implementation of the Expressway Companies Act, the JEHDRA Act and the Development Act, and may take necessary measures as a result of such review, within 10 years after the date of the implementation of the Implementation Act (being 1 October 2005). If any of the laws applicable to the Group are amended, or if any relevant new laws are promulgated, as necessary measures, then this may materially adversely affect the Group's results of operations and financial condition.

Lease Fees

The lease fees charged by JEHDRA and the payment terms in relation thereto in respect of the expressway assets leased by JEHDRA to the Issuer are set in respect of each fiscal year pursuant to the Issuer-JEHDRA Agreements. Such lease fees, together with the Issuer's expenses in relation to the management of the relevant expressways, are intended to be approximately equivalent to the toll revenues which the Issuer expects to receive on such expressway assets. The payment of such lease fees are therefore funded by the excess of the Issuer's toll revenues over the Issuer's management expenses in respect of such expressways. As such, if the Issuer's toll revenues were to decline, or if the Issuer's management expenses were to increase, the Group may be unable to pay the lease fees to JEHDRA. This may, through factors such as default interest arising, materially adversely affect the Group's results of operations and financial condition. There are measures in place pursuant to the Issuer-JEHDRA Agreements for delay in payments of lease fees in circumstances such as a major disaster or for adapting the rates charged in respect of lease fees in respect of amounts owed by the Issuer based on percentage divergences between actual revenues and planned revenues (see "Business — Leasing of Expressway Assets — Lease Fees" and "Business — The Issuer-JEHDRA Agreements"). Further, if the lease fees, payment terms and other matters covered in the Issuer-JEHDRA Agreements are amended, this may also affect the Issuer.

Maximum Amount of Liabilities Assumed by JEHDRA

Subject to any amendment of the Issuer-JEHDRA Agreements in line with the Amendment Act, the maximum amount of liabilities to be assumed by JEHDRA in respect of costs relating to construction, renovation or repair works (in respect of repair works, except for the Specific Renewal Work, only such works the costs of which JEHDRA will assume), costs relating to the Specific Renewal Work or expected costs relating to disaster recovery works are set by the Issuer-JEHDRA Agreements, and the maximum amount of liabilities to be assumed by JEHDRA is fixed in its operational plans. If the Issuer's costs in relation thereto were to increase due to factors such as increases in prices (including land prices) and personnel costs, increases in construction costs due to changes in construction methods or delays or extensions in construction periods, increases in funding costs due to increases in interest rates, larger than anticipated natural disasters or accidents, or rapid changes in social or economic situations, the costs incurred by the Issuer may exceed the maximum amount of liabilities to be assumed by JEHDRA. In such event, the Issuer would need to request an amendment to the Issuer-JEHDRA Agreements, but if the change in the maximum amount of liabilities to be assumed by JEHDRA were not to take place as planned by the Issuer, this may materially adversely affect the Group's results of operations and financial condition.

Delay in Assumption of the Issuer's Liabilities by JEHDRA

JEHDRA is obliged to assume the Issuer's liabilities in respect of costs incurred by the Issuer with regard to the construction, renovation, repair or disaster recovery works in respect of expressways (subject to the maximum set out in JEHDRA's operational plans) at the time that the relevant expressway assets are transferred from the Issuer to JEHDRA. However, the transfer of expressway assets may be delayed by various factors, including natural disasters, neighbourhood objections, difficulties in purchasing the requisite land, and delays in construction due to injunctions and other legal proceedings to halt construction. In such case, the Issuer may experience a delay in respect of the assumption by JEHDRA of the relevant liabilities, and may be required to set expressway asset transfer plans under Article 51 of the Special Measures Act (for the setting of expressway asset transfer plans, see "Business — Regulations"). If the expressway asset transfer plans do not proceed as expected by the Issuer, the Group's results of operations and financial condition may be materially adversely affected.

Joint Obligors of the Issuer

The Issuer, JEHDRA, East Nippon Expressway Company and West Nippon Expressway Company have each assumed parts of the former Japan Highway Public Corporation in line with the privatisation thereof. At the time of such assumption, pursuant to Article 16 of the Implementation Act, the Issuer, JEHDRA, East Nippon Expressway Company and West Nippon Expressway Company became jointly and severally liable for certain liabilities. Further, upon such time when JEHDRA assumes certain of the Issuer's liabilities, such as the Bonds and the Coupons, JEHDRA's liabilities thereunder will be joint and several with the Issuer's liabilities. In respect of such joint and several liabilities, if the counterparty to such joint and several liabilities were to suffer a deterioration of its financial condition, the Issuer may be required to make all the payments in respect of such liabilities of which it is jointly liable with such counterparty, which may materially adversely affect the Group's results of operations and financial condition.

Funding Risk

The Group obtains the funds it needs for payment of costs in relation to construction, renovation, repair or disaster recovery works in respect of expressways through external borrowing or issues of bonds and notes. As such, if the Issuer is unable to obtain appropriate funding due to factors such as a deterioration of the market environment, or if the Issuer is only able to obtain funds on terms less favourable than anticipated due to factors such as interest rate movements and financial market conditions, this may materially adversely affect the Group's results of operations and financial condition.

Economic and Social Conditions

If the Japanese economy in general, or if the economies of the regions in which the Group provides its services, were to deteriorate due to factors such as worsening economic conditions or increases in prices of petrol or other products, or if there is a marked change in social conditions such as a rapid ageing of society, the usage of the Group's services and facilities (including expressways, service areas, parking areas and other facilities of the Group) may decline. Such decline in usage may in turn lead to a decline in the Group's revenues, which may materially adversely affect the Group's results of operations and financial condition.

Seasonality

The Group's results of operations and financial condition may be affected by seasonal factors. For example, while the Group tends to record higher toll revenues in the first half of the fiscal year due to holidays such as the Japanese "golden week" falling within such period, the Group also tends to record lower expenses in such period, compared to the second half of the fiscal year when there tends to be more works necessary to deal with snow and ice or to perform concentrated construction.

Competition with Other Transportation Systems

The Group's Expressway Business competes with other transportation systems such as railways and airlines, and its Rest Area Business competes with commercial facilities in similar locations. If the Group's competitiveness declines due to factors such as technological innovations or renovation of facilities by competitors, the Group's customers may decrease. The competitive landscape of the Group therefore may materially adversely affect the Group's results of operations and financial condition.

IT Systems

IT systems play an important part in the operation of the Group's business, including the operation of the ETC System and other expressway management systems, which affect toll collections, as well as the operation of accounting and other internal management systems. While the Group has put in place security measures with regard to such IT systems, if its IT systems are adversely affected due to events such as human error, natural disaster, power outage, computer viruses or hacking, the Group's toll revenues may decline or certain of the Group's operations and services may be temporarily halted. Any such event may materially adversely affect the Group's results of operations and financial condition.

Natural Disasters, Uncontrollable Events and Accidents

Japan is an earthquake-prone country and has historically experienced numerous large earthquakes, including the Great Hanshin-Awaji Earthquake in 1995, the Niigata-ken Chuetsu Earthquake in 2004 and the Great East Japan Earthquake in 2011. Further, Japan has historically experienced other natural disasters, including tsunamis, typhoons, landslides, flooding, heavy snow and extreme weather conditions. In addition to such natural disasters, other events outside the control of the Group (such as power outage, deliberate acts of sabotage or terrorism, or the spreading of a computer virus or other cyber attacks) or accidents (whether due to human or equipment error) could damage, cause operational interruptions or otherwise adversely affect, any of the Group's expressways and other operations. Further, such events may also lead to a decline in the use of the Group's business facilities (including expressways, service areas, parking areas and other facilities), which may reduce the Group's revenues and materially adversely affect the Group's results of operations and financial condition. See "— Litigation Risk".

Unlawful Expressway Usage

Some drivers force their vehicles through tollgates without paying proper tolls. To prevent such toll violations, the Issuer has high-performance cameras installed alongside the main lanes, which detect and identify non-paying vehicles. There is also a horizontal gate bar at each tollgate exit that stops the vehicle until toll charges are paid properly. The Issuer may also resort to legal action where drivers refuse to pay tolls despite its requests or warnings. However, these measures may not be sufficient to completely eliminate unlawful expressway usage. Decline in revenues from the unlawful usage of expressways may materially adversely affect the Group's results of operations and financial condition.

Further, the Group has in the past experienced forged "highway cards" (pre-paid cards for paying tolls). While the Group has ceased usage of highway cards from 31 March 2006, because the repayment of genuine highway cards is not yet complete, the damages suffered by the Group due to the usage of forged highway cards has not yet been finalised. Although the Group has recorded a provision for losses suffered in respect of forged highway cards, if the amount of damages exceeds the amount contemplated by the Group, this may materially adversely affect the Group's results of operations and financial condition.

Litigation Risk

In the event of a major personal or other accident having been caused by the negligent management of expressways by the Group, the Group may become the subject of lawsuits or other legal proceedings. The Group also faces risks of disputes or litigation, whether with or without merit, in the course of its business. If the Group is subjected to a major lawsuit or other legal proceedings, this may materially adversely affect the Group's results of operations and financial condition.

The Group is currently the subject of a lawsuit for compensation of damages of approximately ¥940 million in respect of the major accident at the Sasago Tunnel on the Chuo Expressway in December 2012, where the tunnel ceiling collapsed, killing nine people and injuring two others.

Further, an ex-employee of the Issuer and the Issuer are currently the subject of a lawsuit for the compensation of damages of approximately ¥560 million in connection with an alleged fraud committed by the ex-employee in relation to the purchase by the Issuer of a piece of land for the purposes of building an expressway.

Change in Tax Laws

If the tax laws relating to the Group, its business and its assets are amended, this may have the effect of increasing the Group's tax burden and thereby materially adversely affect the Group's results of operations and financial condition. In particular, while certain of the Group's assets such as toll collection booths are, for ten years following the commencement of privatisation in 2005, exempt from fixed asset taxes, if such special treatment expires, or is ended or amended, this may materially adversely affect the Group's results of operations and financial condition.

Management of Personal Information

The Group strictly manages personal information which it gains during the course of its business in accordance with the Personal Information Protection Act of Japan (Act No. 57 of 2003, as amended), with a view to ensure the protection of personal information gained by the Group. However, if (whether due to personal or equipment error or through deliberately fraudulent acts) there were to be any leakage of personal information, the Group may become subject to damages or claims as well as be subjected to lower trust from the society, and materially damage the Group's tangible and intangible assets. Any such leakage may therefore materially adversely affect the Group's results of operations and financial condition.

Differences in Generally Accepted Accounting Principles

The Group's consolidated financial statements are prepared and presented in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which differs in certain respects from International Financial Reporting Standards ("IFRS") and generally accepted accounting principles and financial reporting standards in other jurisdictions. The Group's consolidated financial statements may therefore differ from those prepared for companies outside Japan in those and other respects. This Offering Circular does not include a reconciliation of the Group's consolidated financial statements to IFRS or to any other generally accepted accounting principles or financial reporting standards. It is likely that such reconciliation would identify material quantitative differences between Japanese GAAP and IFRS or between Japanese GAAP and such other generally accepted accounting principles or financial reporting standards.

Factors which are Material for the Purpose of Assessing the Market Risks Associated with the Bonds

Risks Related to the Bonds

Set out below is a brief description of certain risks relating to the Bonds:

Modification and Waivers

The Conditions contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority.

EU Savings Directive

Under European Council Directive 2003/48/EC, as amended (the "European Council Directive 2003/48/EC"), on the taxation of savings income, each Member State of the European Union is required to provide to the tax authorities of another Member State details of payments of interest (or other similar income) paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries, including Switzerland, and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

The Council of the European Union formally adopted a Council Directive amending the European Council Directive 2003/48/EC on 24 March 2014 (the "Amending Directive"). The Amending Directive broadens the scope of the requirements described above. Member States have until 1 January 2016 to adopt the national legislation necessary to comply with the Amending Directive. The changes made under the Amending Directive include extending the scope of the European Council Directive 2003/48/EC to payments made to, or collected for, certain other entities and legal arrangements. They also broaden the definition of "interest payment" to cover income that is equivalent to interest. Investors who are in any doubt as to their position should consult their professional advisers.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent (as defined in the Conditions) nor any other person would be obliged to pay additional amounts with respect to any Bond as a result of the imposition of such withholding tax. If a withholding tax is imposed on payment made by a Paying Agent, the Issuer will be required, save as provided in Condition 7 of the Bonds, to maintain a Paying Agent, in a Member State that will not be obliged to withhold or deduct tax pursuant to the above Directive.

Change of Law

The Conditions are based on English law in effect as at the date of issue of the Bonds. No assurance can be given as to the impact of any possible judicial decision or change to English law, administrative practice or mandatory provisions of Japanese law after the date of issue of the Bonds.

Integral Multiples of less than U.S.$200,000

As the Bonds have denominations consisting of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof, up to and including U.S.$399,000, it is possible that the Bonds may be traded in amounts in excess of U.S.$200,000 that are not integral multiples of U.S.$200,000. In such a case, a Bondholder who, as a result of trading such amounts, holds a principal amount of Bonds of less than U.S.$200,000 will not receive a definitive Bond in respect of such holding (should definitive Bonds be printed) and would need to purchase a principal amount of Bonds such that it holds an amount equal to at least U.S.$200,000.

Risks Related to the Market Generally

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk and interest rate risk:

The Secondary Market Generally

Prior to the issue of the Bonds, there has been no trading market for the Bonds. Although approval in-principle has been received for the listing of the Bonds on the SGX-ST, there can be no assurance that an active trading market for the Bonds will develop. If a market does develop, it may not be sustained throughout the life of the Bonds or it may not be liquid. The Joint Lead Managers may from time to time make a market in the Bonds but are under no obligation to do so. The liquidity of the Bonds may also be affected by restrictions on offers and sales of the Bonds in some jurisdictions. Therefore, investors may not be able to sell their Bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have a severely adverse effect on the market value of the Bonds.

Delisting of the Bonds

The Issuer has agreed to use its best endeavours to maintain the listing of the Bonds on the SGX-ST. Changed circumstances, including changes in listing requirements, could result in suspension or removal of the listing of the Bonds on the SGX-ST, or cause the Issuer to conclude that continued listing of the Bonds on the SGX-ST is unduly burdensome. If the Issuer seeks delisting of the Bonds from the SGX-ST as a result of such changed circumstances, the Issuer shall use its best endeavours to seek an alternative admission to listing, trading and/or quotation for the Bonds by another listing authority, exchange and/or system, as the Issuer shall select. If an alternative admission is not available to the Issuer or is, in the opinion of the Issuer, unduly burdensome, an alternative listing may not be obtained. Notice of any delisting and/or alternative listing will be given as described in the Conditions, and a copy of such notice relating to delisting will be provided to the SGX-ST (so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require). Although there is no assurance as to the liquidity of the Bonds on the SGX-ST, delisting of the Bonds may have a material effect on the ability of a Bondholder to continue to hold the Bonds and/or to resell the Bonds held by it in the secondary market.

Credit Ratings

It is expected that the Bonds will be assigned a credit rating of Aa3 by Moody's and a long-term issue rating of AA+ by R&I. The ratings may not reflect the potential impact of all risks related to structure, market factors, additional factors discussed above, and other factors that may affect the value of the Bonds. A credit/security rating is not a recommendation to buy, sell or hold securities and may be suspended, changed or withdrawn at any time by the assigning rating agency.

Exchange Rate Risks and Exchange Controls

The Issuer will pay principal and interest on the Bonds in U.S. dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than the U.S. dollar. These include the risk that exchange rates may significantly change (including changes due to devaluation of the U.S. dollar or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the U.S. dollar would decrease (1) the Investor's Currency-equivalent yield on the Bonds, (2) the Investor's Currency-equivalent value of the principal payable on the Bonds and (3) the Investor's Currency-equivalent market value of the Bonds.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest Rate Risks

Investment in the Bonds as fixed rate securities involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds.

TERMS AND CONDITIONS OF THE BONDS

The following terms and conditions of the Bonds, subject to completion and amendment, will be endorsed on the Bonds in definitive form:

The issue of the U.S.$500,000,000 2.17 per cent. Bonds due 2019 (the "Bonds", which expression includes any further bonds issued pursuant to Condition 12 and forming a single series therewith) of Central Nippon Expressway Company Limited (the "Issuer") was authorised by a resolution of the Board of Directors of the Issuer on 20 March 2014. The Bonds are the subject of a fiscal agency agreement dated 5 August 2014 (the "Fiscal Agency Agreement") entered into in relation to the Bonds between the Issuer and The Bank of Tokyo-Mitsubishi UFJ, Ltd., London Branch as fiscal agent, principal paying agent and replacement agent. The fiscal agent and the paying agents for the time being are referred to below respectively as the "Fiscal Agent" and the "Paying Agents" (which expression, unless the context otherwise requires, shall include the Fiscal Agent). The Fiscal Agency Agreement includes the form of the Bonds and the coupons relating to them (the "Coupons"). Copies of the Fiscal Agency Agreement are available for inspection during normal business hours at the specified offices of the Paying Agents. The holders of the Bonds (the "Bondholders") and the holders of the Coupons (whether or not attached to them) (the "Couponholders") are deemed to have notice of all the provisions of the Fiscal Agency Agreement applicable to them.

1. FORM, DENOMINATION AND TITLE

(a) *Form and denomination*: The Bonds are serially numbered and in bearer form in the denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof, up to and including U.S.$399,000, each with Coupons attached on issue.

(b) *Title*: Title to the Bonds and Coupons passes by delivery. The holder of any Bond or Coupon will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on it, or its theft or loss) and no person will be liable for so treating the holder.

2. STATUS

The Bonds and Coupons constitute (subject to the provisions of Condition 3) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Bonds and Coupons shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 3, at all times rank at least equally with all its other present and future unsecured bonds and notes which rank senior to the Issuer's unsecured general obligations not represented by bonds or notes (but not in priority to certain statutory preferred obligations). Under the Act on Expressway Companies of Japan (Act No. 99 of 2004, as amended, the "Expressway Companies Act"), all holders of bonds issued by the Issuer (including the Bonds) have a right (statutory lien; *sakidori-tokken*) to receive payments in priority to other classes of creditors over the assets of the Issuer, subject to the exception of the general statutory lien (*ippan no sakidori-tokken*) provided in the Civil Code of Japan (Act No. 89 of 1896, as amended, the "Civil Code").

3. NEGATIVE PLEDGE

So long as any Bond or Coupon remains outstanding (as defined in the Fiscal Agency Agreement), the Issuer will not create, or have outstanding, any mortgage, charge, lien, pledge or other security interest (but excluding the statutory lien as described in Condition 2 or any statutory modification of that lien), upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure (a) any payment due in respect of any Specified Indebtedness (as defined below) issued by it, or (b) any payment under any guarantee or indemnity in respect of any Specified Indebtedness, without at the same time or prior thereto according to the Bonds and the Coupons the same security as is created or subsisting to secure any payment in respect of any such Specified Indebtedness, guarantee or indemnity or such other security as shall be approved by an Extraordinary Resolution (as defined in the Fiscal Agency Agreement) of the Bondholders.

In these Conditions:

"Specified Indebtedness" means any indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities which:

(a) either:

  (i) are, or may at the option of the person entitled thereto be or become, denominated or payable in, or by reference to, a currency or currencies other than Japanese yen; or

  (ii) are denominated or payable in Japanese yen and more than 50 per cent. of the aggregate principal or face amount of which is initially distributed by or with the authorisation of the Issuer outside Japan; and

(b) are, or are capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market.

4. INTEREST

The Bonds bear interest from 5 August 2014 at the rate of 2.17 per cent. per annum (the "Rate of Interest"), payable annually in arrear on 5 August in each year (each an "Interest Payment Date"), and the amount of interest payable on each Interest Payment Date shall be U.S.$21.70 per Calculation Amount (as defined below). Each Bond will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused. In such event it shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant holder, and (b) the day seven days after the Fiscal Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

Interest in respect of any Bond shall be calculated per U.S.$1,000 in principal amount of the Bonds (the "Calculation Amount").

If interest is required to be paid in respect of a Bond on any date other than an Interest Payment Date, it shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest cent (half a cent being rounded upwards) and multiplying such rounded figure by a fraction equal to the denomination of such Bond divided by the Calculation Amount, where "Day Count Fraction" means, in respect of any period, the number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months).

5. REDEMPTION AND PURCHASE

(a) *Final redemption*: Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 5 August 2019. The Bonds may not be redeemed at the option of the Issuer other than in accordance with this Condition.

(b) *Redemption for taxation reasons*: The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders (which notice shall be irrevocable), at their principal amount, together with interest accrued to the date fixed for redemption, if:

  (i) the Issuer has or will become obliged to pay Additional Amounts (as defined in Condition 7) as provided or referred to in Condition 7 as a result of any change in, or amendment to, the laws or regulations of Japan or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 30 July 2014; and

  (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Amounts were a payment in respect of the Bonds then due. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Fiscal Agent a certificate signed by one director of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such Additional Amounts as a result of such change or amendment.

(c) *Notice of redemption*: All Bonds in respect of which any notice of redemption is given under this Condition shall be redeemed on the date specified in such notice in accordance with this Condition.

(d) *Purchase*: The Issuer may at any time purchase Bonds in the open market or otherwise at any price (provided that they are purchased together with all unmatured Coupons relating to them). The Bonds so purchased, while held by or on behalf of the Issuer or its subsidiaries, shall not entitle the holder to vote at any meetings of the Bondholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Bondholders or for the purposes of Condition 11(a).

(e) *Cancellation*: All Bonds so redeemed or purchased and any unmatured Coupons attached to or surrendered with them will be cancelled and may not be re-issued or resold.

6. PAYMENTS

(a) *Method of Payment*: Save as provided in paragraph (b) below, payments of principal and interest will be made against presentation and surrender (or, in the case of a partial payment, endorsement) of Bonds or the appropriate Coupons (as the case may be) at the specified office of any Paying Agent outside the United States by U.S. dollar cheque drawn on, or by transfer to a U.S. dollar account maintained by the payee with, a bank in New York City. Payments of interest due in respect of any Bond other than on presentation and surrender of matured Coupons shall be made only against presentation and either surrender or endorsement (as appropriate) of the relevant Bond.

(b) *Payments in New York City*: Payments of principal or interest may be made at the specified office of a Paying Agent in New York City if (i) the Issuer has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Bonds in U.S. dollars when due, (ii) payment of the full amount of such interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions, and (iii) payment is permitted by applicable United States law.

(c) *Payments subject to laws*: All payments are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7. No commissions or expenses shall be charged to the Bondholders or Couponholders in respect of such payments.

(d) *Surrender of unmatured Coupons*: Each Bond should be presented for redemption together with all unmatured Coupons relating to it, failing which the amount of any such missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon which the sum of principal so paid bears to the total principal amount due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relevant missing Coupon not later than 10 years after the Relevant Date (as defined in Condition 7) for the relevant payment of principal.

(e) *Payments on business days*: If the due date for payment of any amount of principal or interest in respect of any Bond or Coupon is not a business day, then the holder of such Bond or Coupon shall not be entitled to payment of the amount due until the next following business day and shall not be entitled to any further interest or other payment in respect of any such delay. In this Condition 6, "business day" means any day on which banks are open and dealings in foreign currencies may be carried on in New York City, London and Tokyo and on which banks are open for presentation and payment of bearer debt securities and for dealings in foreign currencies in the place of presentation.

(f) *Paying Agents*: The initial Paying Agent and its initial specified office are listed below. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent and appoint additional or other Paying Agents, provided that it will maintain:

(i) a Fiscal Agent;

(ii) a Paying Agent having a specified office in at least one major European city;

(iii) a Paying Agent with a specified office in Singapore, so long as the Bonds are listed on the Singapore Exchange Securities Trading Limited and the rules of that exchange so require; and

(iv) a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000.

Notice of any change in the Paying Agents or their specified offices will promptly be given to the Bondholders in accordance with Condition 13.

7. TAXATION

(a) *Taxation*: All payments of principal and interest by or on behalf of the Issuer in respect of the Bonds and the Coupons shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Japan or any authority therein or thereof having power to tax ("Taxes"), unless such withholding or deduction is required by law. In that event the Issuer shall pay such additional amounts ("Additional Amounts") as will result in receipt by the Bondholders and the Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts shall be payable in respect of any Bond or Coupon presented for payment:

(i) *Japanese resident or corporation*: by or on behalf of a Bondholder or Couponholder who is for Japanese tax purposes treated as an individual resident of Japan or a Japanese corporation; or

(ii) *Specially-Related Party of the Issuer*: by or on behalf of a Bondholder or Couponholder who is an individual non-resident of Japan or a non-Japanese corporation and is liable for such Taxes in respect of such Bond or Coupon by reason of such holder being a Specially-Related Party of the Issuer (as defined below); or

(iii) *Failure to comply with requirements regarding exemption*: by or on behalf of a Bondholder or Couponholder that would otherwise be exempt from any such withholding or deduction but that fails to comply with any applicable requirement to provide Interest Recipient Information (as defined below) or to submit a Claim for Exemption (as defined below) to the Fiscal Agent or the Paying Agent, or whose Interest Recipient Information is not duly communicated through the relevant Participant (as defined below) and the relevant international clearing organisation to such Fiscal Agent or Paying Agent (as the case may be); or

(iv) *Other connection with Japan*: by or on behalf of a Bondholder or Couponholder who is otherwise subject to such taxes, duties, assessments or governmental charges by reason of it being connected with Japan otherwise than by reason only of the holding of any Bond or Coupon, the receipt of payment in respect of any Bond or Coupon or the enforcement of its rights under any Bond or Coupon; or

(v) *Presentation more than 30 days after the Relevant Date*: more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such Additional Amounts on presenting such Bond or Coupon for payment on the last day of such period of 30 days; or

(vi) *Payment to individuals*: where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(vii) *Payment by another Paying Agent*: by or on behalf of a Bondholder or a Couponholder who would have been able to avoid such withholding or deduction by presenting the relevant Bond or Coupon to another Paying Agent in a Member State of the European Union.

(b) *Definitions*: In these Conditions:

"Act on Special Measures Concerning Taxation" means the Act on Special Measures Concerning Taxation of Japan (Act No. 26 of 1957, as amended);

"Cabinet Order" means Cabinet Order No. 43 of 1957 of Japan, as amended, relating to the Act on Special Measures Concerning Taxation;

"Claim for Exemption" means a claim for exemption from Japanese withholding tax (*Hikazei Tekiyo Shinkokusho*);

"Interest Recipient Information" means certain information regarding the recipient of interest prescribed by the Act on Special Measures Concerning Taxation;

"Participant" means a participant of an international clearing organisation or a financial intermediary prescribed by the Act on Special Measures Concerning Taxation and the Cabinet Order;

"Relevant Date" means whichever is the later of (i) the date on which such payment first becomes due, and (ii) if the full amount payable has not been received in London by the Fiscal Agent on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the Bondholders; and

"Specially-Related Party of the Issuer" means an individual non-resident of Japan or a non-Japanese corporation that in either case is a party having a special relationship with the Issuer as described in Article 6, Paragraph 4 of the Act on Special Measures Concerning Taxation.

(c) *References*: Any reference in these Conditions to principal and/or interest shall be deemed to include any Additional Amounts which may be payable under this Condition 7.

8. EVENTS OF DEFAULT

If any of the following events occurs and is continuing:

(a) *Non-payment*: (i) the Issuer fails to pay any interest on any of the Bonds when due and such failure continues for a period of five business days in Tokyo, and (ii) from and including the Assumption Date (as defined in Condition 16), both the Issuer and JEHDRA (as defined below) fail to pay any interest on the obligations under the Bonds when due and such failure continues for a period of five business days in Tokyo; or

(b) *Breach of other obligations*: (i) the Issuer does not perform or comply with any one or more of its other obligations under the Bonds which default is incapable of remedy or is not remedied within 60 days after notice of such default shall have been given by any Bondholder to the Fiscal Agent at its specified office; and (ii) from and including the Assumption Date, neither the Issuer nor JEHDRA performs or complies with any one or more of its other obligations under the Bonds which default is incapable of remedy or is not remedied within 60 days after notice of such default shall have been given by any Bondholder to the Fiscal Agent at its specified office; or

(c) *Default of JEHDRA Bonds*: any obligation of JEHDRA under the JEHDRA Bonds (as defined below) or which JEHDRA has assumed in respect of bonds or notes issued (other than the Bonds) is accelerated by reason of any actual or potential default, event of default or the like (howsoever described); or

(d) *Cross-default*:

(i) any present or future indebtedness in the form of bonds or notes (other than the Bonds) of the Issuer is accelerated by reason of any actual or potential default, event of default or the like (howsoever described); or

(ii) any present or future indebtedness of the Issuer for or in respect of moneys borrowed or raised (other than any bonds or notes (including the Bonds) issued by the Issuer) is accelerated by reason of any actual or potential default, event of default or the like (howsoever described), where such indebtedness exceeds in the aggregate ¥1,000,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against Japanese yen as quoted by any leading bank on the day on which this paragraph operates); or

(iii) the Issuer fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any bonds or notes issued (other than those issued by the Issuer) or moneys borrowed or raised (other than those borrowed or raised by the Issuer), where such amount due under such guarantee or indemnity exceeds in the aggregate ¥1,000,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against Japanese yen as quoted by any leading bank on the day on which this paragraph operates); or

(e) *Institution of bankruptcy and other proceedings*: the Issuer institutes proceedings seeking adjudication of bankruptcy or seeking with respect to itself, a decree of commencement of bankruptcy, reorganisation or rehabilitation procedures under the Bankruptcy Act, the Corporate Reorganisation Act or the Civil Rehabilitation Act (each as defined below), or any other similar proceedings under the applicable law of Japan or any other jurisdiction, or consents to the institution of any such proceedings, or consents to, or acquiesces in, the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of it or of all or any material part of its property, or makes a general assignment for the benefit of its creditors; or

(f) *Resolution for dissolution*: the Issuer passes a resolution for its winding up or dissolution (other than in respect of a merger), and by the time that the Issuer receives the consent of the Relevant Minister (as defined below) in respect of such resolution pursuant to the Expressway Companies Act, no provision has been made for the obligations of the Issuer under the Bonds to be assumed by JEHDRA or any other successor organisation or corporation (or no other measures have been put in place with regard to the assumption of the obligations of the Issuer under the Bonds); or

(g) *Commencement of bankruptcy and other proceedings*: a decree is given for commencement of bankruptcy, reorganisation or rehabilitation procedures against the Issuer under the Bankruptcy Act, the Corporate Reorganisation Act or the Civil Rehabilitation Act, or an order is made against the Issuer for the commencement of special liquidation procedures under the Companies Act (as defined below), or any other similar proceedings under the applicable law of Japan or any other jurisdiction are commenced against the Issuer, or a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of the Issuer or of all or any material part of its property is appointed, or a general assignment for the benefit of the Issuer's creditors is made; or

(h) *Law for dissolution of JEHDRA*: a law for winding up or dissolving JEHDRA, or a law designating the date of winding-up or dissolution of JEHDRA, is promulgated, and by the date set for the winding-up or dissolution of JEHDRA under such law, no arrangements have been made for another person to assume the business set forth in Article 12(1)(iii) of the JEHDRA Act (as defined below) in respect of the Bonds; or

(i) *Cessation of business*: the Issuer halts or ceases to carry on the whole or a material part of its business as set forth in the Expressway Companies Act; or

(j) *Insolvency*: the Issuer, or a successor organisation or corporation which has assumed the obligations of the Issuer under the Bonds (whether by operation of law or pursuant to Condition 11(c)), is (or could be deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of (or of a particular type of) the debts of such successor organisation or corporation,

then any Bond (including, from and including the Assumption Date, the obligations under the Bonds) may, by notice in writing given to the Fiscal Agent at its specified office by the holder, be declared immediately due and payable whereupon it shall become immediately due and payable at its principal amount together with interest accrued to (but excluding) the date of actual repayment without further formality unless such event of default shall have been remedied prior to the receipt of such notice by the Fiscal Agent.

In these Conditions:

"Bankruptcy Act" means the Bankruptcy Act of Japan (Act No. 75 of 2004, as amended);

"Civil Rehabilitation Act" means the Civil Rehabilitation Act of Japan (Act No. 225 of 1999, as amended);

"Companies Act" means the Companies Act of Japan (Act No. 86 of 2005, as amended);

"Corporate Reorganisation Act" means the Corporate Reorganisation Act of Japan (Act No. 154 of 2002, as amended);

"JEHDRA" means Japan Expressway Holding and Debt Repayment Agency;

"JEHDRA Act" means the Japan Expressway Holding and Debt Repayment Agency Act of Japan (Act No. 100 of 2004, as amended);

"JEHDRA Bonds" means any of the following:

(i) any present or future bonds and notes issued by JEHDRA; and

(ii) bonds and notes issued by the Japan Highway Public Corporation, the Metropolitan Expressway Public Corporation, the Hanshin Expressway Public Corporation and the Honshu-Shikoku Bridge Authority, the obligations under which were assumed by JEHDRA and which continue to be JEHDRA's obligations; and

"Relevant Minister" means the minister of the Ministry of Land, Infrastructure, Transport and Tourism of Japan (or the minister of the relevant successor ministry in Japan).

9. PRESCRIPTION

Claims in respect of principal and interest will become void unless presentation for payment is made as required by Condition 6 within a period of 10 years in the case of principal and five years in the case of interest from the appropriate Relevant Date.

10. REPLACEMENT OF BONDS AND COUPONS

If any Bond or Coupon is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Fiscal Agent (in such capacity, the "Replacement Agent") subject to all applicable laws and stock exchange or other relevant authority requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may require (provided that the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced Bonds or Coupons must be surrendered before replacements will be issued.

11. MEETINGS OF BONDHOLDERS, MODIFICATION AND SUBSTITUTION

(a) *Meetings of Bondholders*: The Fiscal Agency Agreement contains provisions for convening meetings of Bondholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions. Such a meeting may be convened by Bondholders holding not less than 10 per cent. in principal amount of the Bonds for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing a clear majority in principal amount of the Bonds for the time being outstanding, or at any adjourned meeting two or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*:

(i) to modify the maturity of the Bonds or the dates on which interest is payable in respect of the Bonds;

(ii) to reduce or cancel the principal amount of, or interest on, the Bonds;

(iii) to change the currency of payment of the Bonds or the Coupons; or

(iv) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution,

in which case the necessary quorum will be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Bondholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

(b) *Modification of Fiscal Agency Agreement*: The Issuer shall only permit any modification of, or any waiver or authorisation of any breach or proposed breach of or any failure to comply with, the Fiscal Agency Agreement, if to do so could not reasonably be expected to be prejudicial to the interests of the Bondholders.

(c) *Substitution*: The Issuer, or any previous substituted company, may at any time, without the consent of the Bondholders or the Couponholders, substitute for itself as principal debtor under the Bonds and the Coupons such entity (the "Substitute") as is specified in the Fiscal Agency Agreement, provided that no payment in respect of the Bonds or the Coupons is at the relevant time overdue. The substitution shall be made by a deed poll (the "Substitution Deed Poll"), to be substantially in the form exhibited to the Fiscal Agency Agreement, and may take place only if:

(i) the Substitute shall, by means of the Substitution Deed Poll, agree to indemnify each Bondholder and Couponholder against any tax, duty, assessment or governmental charge which is imposed on it by (or by any authority in or of) Japan with respect to any Bond or Coupon and which would not have been so imposed had the substitution not been made, as well as against any tax, duty, assessment or governmental charge, and any cost or expense, relating to the substitution;

(ii) all action, conditions and things required to be taken, fulfilled and done (including the obtaining of any necessary consents) to ensure that the Substitution Deed Poll, the Bonds and Coupons represent valid, legally binding and enforceable obligations of the Substitute have been taken, fulfilled and done and are in full force and effect;

(iii) the Substitute shall have become party to the Fiscal Agency Agreement, with any appropriate consequential amendments, as if it had been an original party to it;

(iv) legal opinions addressed to the Bondholders shall have been delivered to them (care of the Fiscal Agent) from a lawyer or firm of lawyers with a leading securities practice in Japan and in England as to the fulfilment of the preceding conditions of this paragraph (c);

(v) the Issuer shall have given at least 14 days' prior notice of such substitution to the Bondholders, stating that copies, or pending execution the agreed text, of all documents in relation to the substitution which are referred to above, or which might otherwise reasonably be regarded as material to Bondholders, will be available for inspection at the specified office of each of the Paying Agents; and

(vi) no downgrading (whether actual, intended or potential) of the rating given to the Bonds or review or surveillance with negative implications of the rating given to the Bonds shall be announced or given notice of to the Issuer or the Substitute prior to such substitution. References in Condition 8 to obligations under the Bonds shall be deemed to include obligations under the Substitution Deed Poll.

12. FURTHER ISSUES

The Issuer may from time to time without the consent of the Bondholders or Couponholders create and issue further securities either having the same terms and conditions as the Bonds in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Bonds) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Bonds include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Bonds.

13. NOTICES

Notices to Bondholders by the Issuer (or, from and including the Assumption Date, the Issuer and JEHDRA (provided that JEHDRA has provided its prior consent with respect thereto)) will be valid if published in a leading newspaper having general circulation in London (which is expected to be the Financial Times) or, if such publication shall not be practicable, in an English language newspaper of general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the first date on which publication is made. Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Bondholders in accordance with this Condition.

14. CURRENCY INDEMNITY

U.S. dollar is the sole currency of account and payment for all sums payable by the Issuer (or, from and including the Assumption Date, JEHDRA provided that JEHDRA has provided its prior consent with respect thereto) under or in connection with the Bonds and the Coupons (or the obligations thereunder), including damages. Any amount received or recovered in a currency other than U.S. dollar (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Issuer or otherwise) by any Bondholder or Couponholder in respect of any sum expressed to be due to it from the Issuer (or JEHDRA, as the case may be) shall only constitute a discharge to the Issuer (or JEHDRA, as the case may be) to the extent of the U.S. dollar amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that U.S. dollar amount is less than the U.S. dollar amount expressed to be due to the recipient under any Bond or Coupon, the Issuer (or, from and including the Assumption Date, JEHDRA) shall indemnify it against any loss sustained by it as a result. In any event, the Issuer (or, from and including the Assumption Date, JEHDRA) shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition, it will be sufficient for the Bondholder or Couponholder, as the case may be, to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer's and JEHDRA's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Bondholder or Couponholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Bond or Coupon or any other judgment or order. JEHDRA's obligations under this Condition 14 shall be subject to its prior consent as referred to in this Condition.

15. AGENTS

In acting under the Fiscal Agency Agreement, the Fiscal Agent, the Paying Agents and the Replacement Agent are acting solely as agents of the Issuer and do not assume any obligation or duty to, or any relationship of agency or trust for or with, the Bondholders or the Couponholders, except that (without affecting the obligations of the Issuer to the Bondholders to repay the Bonds in accordance with their terms) any funds received by the Fiscal Agent for the payment of the principal of or interest on the Bonds shall, to the extent permitted by law, be held by it in trust for the Bondholders or the Couponholders, as the case may be, until the expiration of the periods of prescription specified in Condition 9.

16. PROVISIONS APPLICABLE AFTER THE ASSUMPTION OF OBLIGATIONS BY JEHDRA

(a) *Purpose and assumption*: The Issuer is issuing the Bonds for the purposes of paying the expenses related to the construction, renovation, repair or disaster recovery works of expressways in Japan which JEHDRA is due to assume pursuant to Article 15, Paragraph 1 of the JEHDRA Act. From and including the Assumption Date, JEHDRA will be jointly and severally liable in respect of the Issuer's obligations under the Bonds and the Coupons pursuant to Article 15, Paragraph 1 of the JEHDRA Act.

In these Conditions:

"Assumption Date", where the Issuer has chosen (pursuant to Article 15, Paragraph 1 of the JEHDRA Act) to have its obligations under the Bonds and the Coupons to be obligations in respect of which JEHDRA shall be jointly and severally liable, means the date specified by the Issuer and JEHDRA from which JEHDRA has assumed such obligations.

(b) *Performance of obligations after the Assumption Date*: Without prejudice to the provisions of paragraph (a) above, on and after the Assumption Date, the obligations under the Bonds and the Coupons will be fulfilled primarily by JEHDRA which has, on or prior to the Assumption Date, provided its prior consent for the assumption of its obligations under the Bonds.

(c) *Notification*: The Issuer and JEHDRA will, on or immediately after the Assumption Date, notify the Bondholders in accordance with Condition 13 of (i) the assumption by JEHDRA (on a joint and several basis) of the Issuer's obligations under the Bonds, (ii) the Assumption Date, and (iii) that JEHDRA has provided its consent referred to in Conditions 13, 14 and 16(b) and (g).

(d) *Status after the Assumption Date*: On and after the Assumption Date, in addition to the provisions of Condition 2, the following provisions shall apply:

The obligations of JEHDRA under the Bonds and Coupons constitute (subject to Condition 16(e)) unsecured obligations of JEHDRA and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of JEHDRA under the Bonds and Coupons shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 16(e), at all times rank at least equally with all its other present and future unsecured bonds and notes which rank senior to JEHDRA's unsecured general obligations not represented by bonds or notes (but not in priority to certain statutory preferred obligations). Under the JEHDRA Act and the Act regarding the Implementation of Acts Related to the Privatisation of Japan Highway Public Corporation of Japan (Act No. 102 of 2004, as amended), all holders of bonds issued or assumed by JEHDRA (including the Bonds) have a right (statutory lien; *sakidori-tokken*) to receive payments in priority to other classes of creditors over the assets of JEHDRA, subject to the exception of the general statutory lien (*ippan no sakidori-tokken*) provided in the Civil Code.

(e) *Negative Pledge after the Assumption Date*: On and after the Assumption Date, in addition to the provisions of Condition 3, the following provisions shall apply:

So long as any Bond or Coupon remains outstanding (as defined in the Fiscal Agency Agreement), JEHDRA will not create, or have outstanding, any mortgage, charge, lien, pledge or other security interest (but excluding the statutory lien as described in Condition 16(d) or any statutory modification of that lien), upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure (a) any payment due in respect of any JEHDRA Specified Indebtedness (as defined below) issued or assumed by it, or (b) any payment under any guarantee or indemnity in respect of any JEHDRA Specified Indebtedness, without at the same time or prior thereto according to the Bonds and the Coupons the same security as is created or subsisting to secure any payment in respect of any such JEHDRA Specified Indebtedness, guarantee or indemnity or such other security as shall be approved by an Extraordinary Resolution (as defined in the Fiscal Agency Agreement) of the Bondholders.

In these Conditions, "JEHDRA Specified Indebtedness" means any indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities which:

(A) either:

(i) are, or may at the option of the person entitled thereto be or become, denominated or payable in, or by reference to, a currency or currencies other than Japanese yen; or

(ii) are denominated or payable in Japanese yen and more than 50 per cent. of the aggregate principal or face amount of which is initially distributed by or with the authorisation of the Issuer outside Japan; and

(B) are, or are capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market.

(f) *Changes to the Terms and Conditions after the Assumption Date*: If at any time on or after the Assumption Date, these Conditions are amended by an Extraordinary Resolution of the Bondholders, then upon JEHDRA giving consent with respect to such amendment, the same change shall take effect in respect of JEHDRA's obligations under the Bonds; provided, however, that such consent of JEHDRA is not required where JEHDRA has provided consent for the proposal to be submitted by the Issuer to the meeting of Bondholders with respect to such amendment.

(g) *Additional Events of Default after the Assumption Date*: On and after the Assumption Date and JEHDRA having, on or prior to the Assumption Date, provided its prior consent to the assumption of the relevant obligations, in addition to the provisions of Condition 8, the following provisions shall apply:

If any of the following events occurs and is continuing:

(A) JEHDRA Cross-default: any present or future indebtedness of JEHDRA for or in respect of moneys borrowed or raised or obligations assumed (other than the JEHDRA Bonds and any other bonds or notes assumed by JEHDRA) exceeding in the aggregate ¥1,000,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against Japanese yen as quoted by any leading bank on the day on which this paragraph operates) is accelerated by reason of any actual or potential default, event of default or the like (howsoever described); or

(B) Initiation of Relevant Proceedings: a decree is given for commencement of Relevant Proceedings (as defined below) against JEHDRA or any other successor organisation or corporation that assumes the obligations of JEHDRA following the dissolution of JEHDRA; or

(C) JEHDRA Insolvency: JEHDRA, or a successor organisation or corporation which has assumed the obligations of JEHDRA under the Bonds (whether by operation of law or pursuant to Condition 11(c)), is (or could be deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of (or of a particular type of) the debts of such successor organisation or corporation, then any Bond (including the obligations under the Bond) may, by notice in writing given to the Fiscal Agent at its specified office by the holder, be declared immediately due and payable whereupon it shall become immediately due and payable at its principal amount together with interest accrued to (but excluding) the date of actual repayment without further formality unless such event of default shall have been remedied prior to the receipt of such notice by the Fiscal Agent.

In these Conditions, "Relevant Proceedings" means proceedings of or equivalent to bankruptcy, reorganisation, rehabilitation or special liquidation procedures or adjustment under the Bankruptcy Act, the Corporate Reorganisation Act, the Civil Rehabilitation Act or the Companies Act in respect of any corporations incorporated in Japan, or any other similar applicable law of Japan or any other jurisdiction.

(h) *Deed poll and other actions*: On or before the Assumption Date, the Issuer shall procure that:

(i) JEHDRA executes and delivers a deed poll (the "JEHDRA Deed Poll"), to be substantially in the form exhibited to the Fiscal Agency Agreement, in favour of Bondholders and Couponholders, to the effect that JEHDRA has assumed or will assume, effective the Assumption Date, jointly and severally, the obligations of the Issuer under the Bonds and Coupons so that JEHDRA's obligations under the Bonds and Coupons represent valid, legally binding and enforceable obligations of JEHDRA;

(ii) JEHDRA has taken all action, conditions and things required to be taken, fulfilled and done (including the obtaining of any necessary consents) to ensure that the JEHDRA Deed Poll, the Bonds and Coupons represent valid, legally binding and enforceable obligations of JEHDRA have been taken, fulfilled and done and are in full force and effect; and

(iii) JEHDRA enters into a supplement to the Fiscal Agency Agreement, to become a party to the Fiscal Agency Agreement and to be bound by the provisions thereof.

17. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999.

18. GOVERNING LAW, JURISDICTION AND WAIVER OF IMMUNITY

(a) *Governing law*: The Fiscal Agency Agreement, the Bonds and the Coupons are governed by and shall be construed in accordance with English law.

(b) *Jurisdiction*: The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Bonds or the Coupons and accordingly any legal action or proceedings arising out of or in connection with the Bonds or the Coupons ("Legal Actions") may be brought in such courts. The Issuer irrevocably submits to the jurisdiction of such courts and waives any objection to Legal Actions in such courts whether on the ground of venue or on the ground that Legal Actions have been brought in an inconvenient forum. This submission is made for the benefit of each of the Bondholders and Couponholders and shall not limit the right of any of them to take Legal Actions in any other court of competent jurisdiction nor shall the taking of Legal Actions in one or more jurisdictions preclude the taking of Legal Actions in any other jurisdiction (whether concurrently or not).

(c) *Agent for service of process*: The Issuer irrevocably appoints The Bank of Tokyo-Mitsubishi UFJ, Ltd., London Branch of Ropemaker Place, 25 Ropemaker Street, London EC2Y 9AN as its agent in England to receive service of process in any Legal Actions in England based on any of the Bonds or the Coupons. If for any reason the Issuer does not have such an agent in England, it will promptly appoint a substitute process agent and notify the Bondholders of such appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.

(d) *Waiver of immunity*: The Issuer, to the fullest extent permitted by applicable laws, irrevocably agrees that, should any Legal Actions be taken anywhere (whether for an injunction, specific performance, damages or otherwise), no immunity (to the extent that it may at any time exist, whether on the grounds of sovereignty or otherwise) from those Legal Actions, from attachment (whether in aid of execution, before judgment or otherwise) of its assets or from execution of judgment shall be claimed by it or with respect to its assets, any such immunity being irrevocably waived and irrevocably and generally consents in respect of any Legal Actions anywhere to the giving of any relief or the issue of any process in connection with those Legal Actions.

SUMMARY OF PROVISIONS RELATING TO THE BONDS WHILE IN GLOBAL FORM

The Temporary Global Bond and the Permanent Global Bond contain provisions which apply to the Bonds while they are in global form, some of which modify the effect of the Conditions set out in this Offering Circular. The following is a summary of those provisions:

Exchange

The Temporary Global Bond is exchangeable in whole or in part (free of charge to the holder) for interests in the Permanent Global Bond on or after a date which is expected to be 15 September 2014 against certification as to non-U.S. beneficial ownership in the form set out in the Temporary Global Bond. The Permanent Global Bond is exchangeable in whole but not, except as provided in the next paragraph, in part (free of charge to the holder) for definitive Bonds (i) if the Permanent Global Bond is held on behalf of Euroclear or Clearstream, Luxembourg or any other clearing system (the "Alternative Clearing System") and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so or (ii) if principal in respect of any Bonds is not paid when due and payable. Thereupon the holder may give notice to the Fiscal Agent of its intention to exchange the Permanent Global Bond for definitive Bonds on or after the Exchange Date (as defined below) specified in the notice.

If principal in respect of any Bonds is not paid when due and payable the holder of the Permanent Global Bond may by notice to the Fiscal Agent (which may, but need not, be the default notice referred to in "Default" below) require the exchange of a specified principal amount of the Permanent Global Bond (which may be equal to or (provided that, if the Permanent Global Bond is held by or on behalf of a clearing system, that clearing system agrees) less than the outstanding principal amount of Bonds represented thereby) for definitive Bonds on or after the Exchange Date (as defined below) specified in such notice.

Subject to the above, on or after any Exchange Date, the holder of the Permanent Global Bond may surrender the Permanent Global Bond or, in the case of a partial exchange, present it for endorsement to or to the order of the Fiscal Agent. In exchange for the Permanent Global Bond, or on endorsement in respect of the part thereof to be exchanged, the Issuer shall deliver, or procure the delivery of, an equal aggregate principal amount of duly executed and authenticated definitive Bonds (having attached to them all Coupons in respect of interest which has not already been paid on the Permanent Global Bond), security printed in accordance with applicable legal and stock exchange requirements and substantially in the form set out in the Fiscal Agency Agreement. On exchange in full of the Permanent Global Bond, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant definitive Bonds.

"Exchange Date" means a day falling not less than 60 days, or in the case of exchange following principal in respect of any Bonds not being paid when due and payable, 30 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Fiscal Agent is located and, except in the case of exchange pursuant to (i) above, in the cities in which Euroclear and Clearstream, Luxembourg or, if relevant, the Alternative Clearing System, are located.

Payments

No payment will be made on the Temporary Global Bond unless exchange for the relevant interest in the Permanent Global Bond is improperly withheld or refused in which case payments on such Temporary Global Bond will only be made upon certification of non-U.S. beneficial ownership in accordance with the rules of Euroclear and Clearstream, Luxembourg. Payments of principal and interest in respect of the Permanent Global Bond will be paid to its holder against presentation and (if no further payment falls to be made on it) surrender of such Permanent Global Bond to or to the order of the Fiscal Agent (or to or to the order of such other Paying Agent as shall have been notified to the Bondholders for this purpose) which shall endorse such payment or cause such payment to be endorsed in the appropriate schedule to the Permanent Global Bond (such endorsement being prima facie evidence that such payment has been made). Condition 6(f)(iv) and Condition 7(a)(vi) will apply to the definitive Bonds only.

Notices

So long as the Bonds are represented by the Temporary Global Bond or the Permanent Global Bond and the Temporary Global Bond or/and the Permanent Global Bond is/are held on behalf of Euroclear or

Clearstream, Luxembourg or the Alternative Clearing System, notices to Bondholders may be given by their being delivered to Euroclear, Clearstream, Luxembourg or, as the case may be, the Alternative Clearing System, for communication by it to entitled accountholders, rather than by publication as required by the Conditions.

Prescription

Claims against the Issuer in respect of principal and interest due on the Bonds while the Bonds are represented by the Permanent Global Bond will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 7).

Meetings

The holder of the Permanent Global Bond shall (unless the Permanent Global Bond represents only one Bond) be treated as two persons for the purposes of any quorum requirements of a meeting of Bondholders and, at any such meeting, as having one vote in respect of each U.S.$1,000 in principal amount of Bonds.

Purchase and Cancellation

Cancellation of any Bond required by the Conditions to be cancelled will be effected by reduction in the principal amount of the Permanent Global Bond on its presentation to or to the order of the Fiscal Agent for notation in the appropriate schedule of the Permanent Global Bond.

Default

The holder of the Permanent Global Bond may exercise the right to declare Bonds represented by the Permanent Global Bond due and payable under Condition 8 or Condition 16(g), as applicable, by stating in the notice to the Fiscal Agent the principal amount of Bonds (which may be less than the outstanding principal amount of the Bonds represented by the Permanent Global Bond) to which such notice relates. If principal in respect of any Bonds is not paid when due and payable (but subject as provided in the Permanent Global Bond), the holder of the Permanent Global Bond may from time to time elect that the Permanent Global Bond becomes void as to a specified portion and that Direct Rights (as defined in the Fiscal Agency Agreement) against the Issuer come into effect.

USE OF PROCEEDS

During the current fiscal year from 1 April 2014 to 31 March 2015, the net proceeds of the issue of the Bonds, amounting to approximately U.S.$498 million, will be appropriated to the funds for construction, renovation, repair or disaster recovery works of expressways as construction funds of road assets which shall belong to JEHDRA upon completion of construction in accordance with Article 51, Paragraph 2 to Paragraph 4 of the Special Measures Act.

RECENT BUSINESS

Overview

The Issuer was established on 1 October 2005 as a corporation incorporated under the Expressway Companies Act and the Implementation Act as part of the privatisation of the Four Highway-Related Public Corporations. The Issuer is involved in the construction, renovation, maintenance, repair, disaster recovery and management of expressways in the 12 Prefectures, located principally in the Tokai area in Japan.

The Group's operations are divided into three segments for financial reporting purposes, namely: (i) the Expressway Business, (ii) the Rest Area Business, and (iii) the Other Related Businesses.

Factors Affecting Results of Operations

Nature of the Expressway Business

In its Expressway Business, the Issuer leases expressway assets from JEHDRA, collects tolls from expressway users and from such toll revenues pays the lease fees payable to JEHDRA and the administrative expenses payable by the Issuer, all pursuant to the Issuer-JEHDRA Agreements and the operational licence obtained by the Issuer pursuant to the Special Measures Act. The Issuer-JEHDRA Agreements and such operational licence assume that, given the public nature of expressways, the tolls collected by the Issuer do not include any profits to be made by the Issuer. However, in each fiscal year, the Issuer may make profits or losses due to the divergence between the initial budgeted amounts and the actual amounts of toll revenues collected and administrative and other expenses paid. With regard to any profits made, the Issuer intends to avoid such funds being paid externally by way of dividends or otherwise, and to use such funds in further strengthening its capital base in order to prepare for appropriate business operations, including the future payment of the lease fees.

In addition, toll revenues collected in the Expressway Business tend to be higher in the first half of the fiscal year due to holidays such as the Japanese "golden week" which falls within such period. Further, the Group tends to record lower expenses in this period, as compared to the second half of the fiscal year, when there tends to be more works necessary to deal with snow and ice or to perform concentrated construction.

Assumption of Debt by JEHDRA

The Issuer is involved in the construction, renovation, repair, disaster recovery and management of expressways in accordance with the Special Measures Act, and the expressways which the Issuer becomes involved in respect of such business is set out under the Issuer-JEHDRA Agreements. Under the JEHDRA Act, expressway assets which are created pursuant to the Group's construction of new expressways or the renovation, repair or disaster recovery works in relation to expressways are, upon completion of the construction of the relevant expressway, to be transferred to JEHDRA pursuant to Article 51, Paragraph 2 to Paragraph 4 of the Special Measures Act, and at such time, JEHDRA is to assume the liabilities in respect of costs relating to construction, renovation, repair or disaster recovery works incurred by the Issuer subject to the maximum set out in the relevant operational plans set under the JEHDRA Act.

The Issuer and JEHDRA have agreed on certain operational points for the assumption of liabilities by JEHDRA. Such operational points include JEHDRA assuming the liabilities of the Issuer's liabilities in each fiscal quarter generally in chronological order with the choice of liabilities being made by the Issuer by the middle of the first month in the next fiscal quarter, and JEHDRA becoming jointly and severally liable in respect of such liabilities.

From the time that the relevant expressway assets and the liabilities relating to such expressway assets are transferred to JEHDRA, such assets and liabilities will cease to be recorded on the Group's consolidated financial statements. Although the Issuer remains jointly and severally liable for the payment in respect of such liabilities with JEHDRA, the necessary actions relating to such liabilities (such as payment) are to be undertaken primarily by JEHDRA.

Further, the Issuer, JEHDRA, East Nippon Expressway Company and West Nippon Expressway Company have each assumed parts of the liabilities of the former Japan Highway Public Corporation in line with the privatisation thereof. At the time of such assumption, pursuant to Article 16 of the Implementation Act, the Issuer, JEHDRA, East Nippon Expressway Company and West Nippon Expressway Company became jointly and severally liable for certain liabilities.

Utilisation of Reserve for Improving Safety

At the general meeting of shareholders held on 24 June 2013, the Issuer established a "reserve for improving safety" in the amount of ¥12 billion, by allocating a part of its retained earnings recorded in its Expressway Business to this reserve. This "reserve for improving safety" will be used for the construction, renovation, repair or disaster recovery works of expressways, which are to be conducted with the aim of improving safety on expressways.

Although JEHDRA generally assumes any such liabilities incurred by the Issuer as to cover the costs relating to the construction, renovation, repair or disaster recovery works, as described above in "— Assumption of Debt by JEHDRA", it is expected that JEHDRA will not assume a part of such liabilities incurred by the Issuer for the purpose of covering the costs relating to the expressway assets to be created for improving safety by using the reserve for such purpose. As such, such costs will be borne solely by the Issuer.

During the fiscal year ended 31 March 2014, among the liabilities incurred by the Issuer to cover the costs relating to the expressway assets to be created for improving safety, the liabilities which JEHDRA will not assume amounted to around ¥4 billion mainly to cover the costs for the removal of ceiling boards from Ena-san tunnel on the Chuo Expressway. Following approval at the general meeting of shareholders held on 25 June 2014, the Issuer reduced the amount of the "reserve for improving safety" by the said amount.

Critical Accounting Principles and Estimates

The Group's consolidated financial statements are prepared in accordance with Japanese GAAP. The preparation of the Group's consolidated financial statements requires management to make estimates and assumptions in order to measure assets and liabilities as of the end of the relevant fiscal period and revenues and expenses for the relevant fiscal period, as well as matters that may affect disclosures of financial statements. These estimates and assumptions are made and continuously reviewed based on the reasonable judgment of the Issuer's management, considering past results and current circumstances as well as various factors deemed to be appropriate. Given their nature, actual results may substantially differ from those estimates and assumptions. Critical accounting principles that may have a material effect on the amounts recognised in the Group's consolidated financial statements are stated in Note 1 to the consolidated financial statements, and among those, the Group considers the following are the items that may have a material effect on the amounts recognised in the Group's consolidated financial statements:

Recognition of Revenues and Costs

Operating revenues from the transfer of expressway assets constructed by the Issuer and related operating expenses are recognised by the completed-contract method in accordance with the Ordinance on Accounting Standards for Expressway Operations (the Ordinance of the Ministry of Land, Infrastructure, Transport and Tourism No. 65 of 2005, as amended).

In principle, pursuant to Article 51 of the Special Measures Act, expressway assets constructed by the Issuer shall belong to JEHDRA after the completion of construction. Pursuant to Article 15 of the JEHDRA Act, the debts borne by the Issuer for construction shall be assumed by JEHDRA. As such, operating revenues and related operating expenses are recognised once construction of the expressway assets is completed and JEHDRA assumes ownership.

For construction related to the improvement or enhancement of safety of expressway assets as determined by the Board of Directors of the Issuer, the debts borne by the Issuer for construction shall not be assumed by JEHDRA. Costs for such improvement or enhancement of safety of expressway assets are charged to expense as incurred. See "— Factors Affecting Results of Operations — Utilisation of Reserve for Improving Safety".

On the other hand, revenue from and the related costs of road construction projects and contracted construction (the "Agency Business") are recognised 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 Issuer 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 31 March 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 or more. Other construction contracts are accounted for by the completed-contract method.

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

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, labour 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 are capitalised as a part of the work in process for road construction.

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

Property and Equipment (Except for Leased Assets)

Depreciation of property and equipment of the Issuer 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 Issuer. Significant renewals and additions are capitalised at cost. Maintenance and repairs are charged to income when incurred. The estimated useful lives of the assets are as follows:

Buildings: 3 to 50 years
Structures: 8 to 60 years
Machinery and equipment: 5 to 17 years

The Issuer succeeded certain property and equipment from the Japan Highway Public Corporation when the Issuer was established on 1 October 2005. The estimated useful lives of property and equipment transferred to the Issuer from Japan Highway Public Corporation are determined by the useful lives of used assets based on the respective estimated useful lives described above.

Intangible Assets (Except for Leased Assets)

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

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

Leased Assets

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

Finance lease transactions commencing on or before 31 March 2008 other than those in which the ownership of the leased assets is transferred to the lessee continue to be accounted for as operating leases.

Allowance for Losses Due to Forged Expressway Cards

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

Allowance for ETC Mileage Programme

The ETC mileage programme is offered to motorists who join the ETC mileage programme. In accordance with the ETC mileage programme, motorists can receive a discount on expressway tolls based on the number of points that they accumulate. The allowance for ETC mileage programme 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.

Allowance for Card Shopping Point Programme

The Issuer offers a cash rebate or gift programme to customers based on the number of points that they accumulate. The allowance for card shopping point programme is provided as an estimate of the total costs expected to be incurred subsequent to the balance sheet date based on the historical data on the utilisation of points by customers.

Accounting Standards Issued but Not Yet Effective

Accounting Standards for Retirement Benefits

On 17 May 2012, the ASBJ issued "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25), which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with an effective date of 1 April 2000 and the other related practical guidance, being followed by partial amendments from time to time through 2009.

The standard provides guidance for the accounting for unrecognised actuarial differences and unrecognised prior service costs, the calculation methods for retirement benefit obligation and service costs, and enhancement of disclosures taking into consideration improvements to financial reporting and international trends.

The revised accounting standard and guidance for the accounting for unrecognised actuarial differences and unrecognised prior service costs and enhancement of disclosures were adopted as of the end of the fiscal year ended 31 March 2014. However, revisions to the calculation methods for the retirement benefit obligation and service costs are scheduled to be adopted from the beginning of the fiscal year ending 31 March 2015.

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

Accounting standards for business combinations

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

Under these revised accounting standards, the accounting treatment for any changes in a parent's ownership interest in a subsidiary when the parent retains control over the subsidiary and the corresponding accounting for acquisition-related costs were revised. In addition, the presentation method of net income was amended, the term "minority interests" was replaced by "non-controlling interests", and transitional provisions for these accounting standards were also defined. The Issuer and its consolidated subsidiaries expect to adopt these revised accounting standards and guidance from the beginning of the fiscal year ending 31 March 2016.

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

Recent Events

Implementation of the Amendment Act

In June 2014, the Amendment Act was published and partly implemented. The Amendment Act amends certain provisions of, among others, the Road Act, the Special Measures Act and the JEHDRA Act, with the aim of ensuring appropriate management of expressways through the use of a wide variety of funding sources. The Issuer is now evaluating the effects on the Issuer's business as a result of the implementation of the Amendment Act, and is coordinating with the Japanese Government with respect thereto.

Consolidated Results for the Fiscal Year Ended 31 March 2014 Compared to Consolidated Results for the Fiscal Year Ended 31 March 2013

Overview

In the fiscal year ended 31 March 2014, the Japanese economy showed signs of recovery at a moderate pace. This principally reflected the effect of government economic policies and the increase in individual consumption, as well as an increasing trend in both exports based on the correction of an overly strong yen and in corporate capital expenditure.

The Group's business operations were generally solid, with traffic volume, toll revenues and service area sales all remaining steady. However, due to the effect of the opening of the Shin-Tomei Expressway during the fiscal year ended 31 March 2013, the Group saw a significant decrease in operating revenues in the fiscal year ended 31 March 2014.

Consolidated Results

Operating Revenues

Consolidated operating revenues for the Group in the fiscal year ended 31 March 2014 decreased by 62.2 per cent. to ¥635,444 million, compared to ¥1,681,016 million for the fiscal year ended 31 March 2013, principally reflecting the recording of the completion of road assets following the opening of the Shin-Tomei Expressway (between Gotenba Junction and Mikkabi Junction) during the fiscal year ended 31 March 2013.

Operating Expenses

The Group's operating expenses decreased in the fiscal year ended 31 March 2014 by 62.2 per cent. to ¥633,404 million, compared to ¥1,674,629 million in the fiscal year ended 31 March 2013, due principally to the opening of the Shin-Tomei Expressway during the fiscal year ended 31 March 2013 referred to above.

Operating Income

The Group's operating income for the fiscal year ended 31 March 2014 amounted to ¥2,040 million, a decrease of 68.1 per cent. compared to ¥6,387 million for the fiscal year ended 31 March 2013.

Other Income (Net)

The Group's other income (net) amounted to ¥2,267 million for the fiscal year ended 31 March 2014, an increase of 14.0 per cent. compared to ¥1,989 million for the fiscal year ended 31 March 2013, principally reflecting an increase in the gain on negative goodwill.

Income before Income Taxes and Minority Interests

As a result of the above, the Group's income before income taxes and minority interests for the fiscal year ended 31 March 2014 amounted to ¥4,307 million, a decrease of 48.6 per cent. compared to ¥8,376 million for the fiscal year ended 31 March 2013.

Income Taxes and Minority Interests

Income tax expenses for the fiscal year ended 31 March 2014 was ¥3,030 million, as compared to ¥4,034 million for the fiscal year ended 31 March 2013. Minority interests in profits of consolidated subsidiaries for the fiscal year ended 31 March 2014 was ¥46 million, compared to ¥11 million of minority interests in losses of consolidated subsidiaries recorded in the fiscal year ended 31 March 2013.

Net Income

As a result of the above, the Group's net income for the fiscal year ended 31 March 2014 amounted to ¥1,231 million, a decrease of 71.7 per cent. compared to ¥4,353 million for the fiscal year ended 31 March 2013.

Results by Reporting Segment

In this section, where figures for operating revenues and operating income are presented on a per segment basis, such figures represent the total operating revenues or total operating income for such segment, as the case may be, without taking into account any inter-segment eliminations.

Expressway Business

In respect of the construction business in the fiscal year ended 31 March 2014, the Group opened 5 km on National Route 468 (Ken-O Expressway) between Chigasaki Junction and Samukawa-Kita Interchange on 14 April 2013.

The Group also pursued its business through measures such as entering into agreements between the Issuer and the Japanese Government with regard to construction, and placing construction orders, with a view to steadily developing its business in relation to (i) the Tokyo-Gaikan Expressway (between Kan-etsu and Tomei), (ii) the Nagoya-Daini-Kanjo Expressway (between Tobishima Junction and Nagoya-Nishi Junction), and (iii) the project of increasing traffic lanes to four lanes on the Tokai-Hokuriku Expressway (between Shiratori Interchange and Hida-Kiyomi Interchange), with regard to each of which the Group obtained its licence to operate as toll roads in April 2012.

In order to promote efforts in relation to the promotion of safety, the Group reviewed the safety of the roads under construction, considered designing and constructing roads that are easy to maintain and manage, and considered measures to promote a secure handover of design products and relevant documents such as records on construction management and quality inspection during the construction phase.

In respect of the maintenance business, the Group took steps to implement safety measures for road structures, reviewed the potential risks of road structures, strengthened the verification process of road structures, reviewed verification guidelines, constructed disaster-resistant expressways, fostered relationships between relevant parties, implemented measures for congestion, acquired international standards (ISO39001 (Road Traffic Safety Management Systems)), implemented efforts towards realising the next generation of expressways, and installed Smart-Interchanges on the Meishin Expressway and the Shin-Tomei Expressway. The Group also worked to increase the ETC lanes in line with the increased usage by customers of the ETC System. As of 31 March 2014, the percentage of customers on expressways using the ETC System amounted to 91.4 per cent.

In implementing "The Three-Year Plan for Improving Safety", amongst the repair works, the Group gave priority to those repair works which would improve safety and, as a top priority, conducted the removal of ceiling boards and ventilation ducts from some of the tunnels. With regard to structural elements on the expressways, the Group also conducted emergency safety inspections and maintenance of the damaged elements.

Against such background, the Group's operating revenue in the Expressway Business for the fiscal year ended 31 March 2014 amounted to ¥582,569 million, a decrease of 64.2 per cent. compared to ¥1,626,125 million for the fiscal year ended 31 March 2013. This principally reflected the recording of the completion of road assets following the opening of the Shin-Tomei Expressway. However, as expressway assets which are transferred to JEHDRA pursuant to Article 51, Paragraph 2 to Paragraph 4 of the Special Measures Act are recorded at the same amount as the expressway assets completion cost of sales, this has no effect on income.

Operating loss in the Expressway Business for the fiscal year ended 31 March 2014 amounted to ¥3,532 million, compared to an operating income of ¥29 million for the fiscal year ended 31 March 2013.

This operating loss was attributable to using retained earnings in the Expressway Business for part of the safety improvement project to conduct measures that ensure safety for customers using expressways promptly after the Sasago Tunnel accident. (JEHDRA generally assumes any such liabilities incurred by the Issuer to cover the costs relating to the construction, renovation, repair or disaster recovery work, pursuant to Article 15, Paragraph 1 of the JEHDRA Act; nevertheless, in implementing the projects using a reserve for improving safety, the liabilities regarding the necessary project costs are not assumed by JEHDRA and are therefore borne by the Issuer.) To cover such costs, the Issuer established a "reserve for improving safety" in the amount of ¥12 billion, by allocating part of its retained earnings recorded in its Expressway Business to this reserve at the general meeting of shareholders held on 24 June 2013. Further, the Issuer had reduced the amount of the "reserve for improving safety" by around ¥4 billion at the general meeting of shareholders held on 25 June 2014. See "— Factors Affecting Results of Operations — Utilisation of Reserve for Improving Safety".

Toll revenue for the fiscal year ended 31 March 2014 amounted to ¥511,417 million, an increase of 2.8 per cent. compared to the fiscal year ended 31 March 2013.

Rest Area Business

In respect of the Rest Area Business in the fiscal year ended 31 March 2014, the Group endeavoured to create service areas with unique characteristics to attract customers and encourage repeat visits.

The Group renovated parts of existing service areas, such as the Ureshino Service Area on the Ise Expressway and endeavoured to increase its earning power. The Group also developed sales floors to increase the attractiveness of service areas. For example, at the Ebina EXPASA Service Area on the Tomei Expressway, the Group held a joint event with a department store; this was the first time that such an event was held in the expressway market. Furthermore, at the Ashigara EXPASA Service Area on the Tomei Expressway, the Group held a joint event with a TV station.

In addition, the Group worked for local revitalisation and enforcement of the relationship with the local community, by holding an "SA and PA Sweets Competition", taking advantage of local ingredients and selling fresh vegetables produced locally, and by expanding the local product lines at the service areas and parking areas.

Against such background, the Group's operating revenues in the Rest Area Business for the fiscal year ended 31 March 2014 amounted to ¥40,211 million, a decrease of 4.3 per cent. compared to ¥42,013 million for the fiscal year ended 31 March 2013. The Group's operating income in the Rest Area Business for the fiscal year ended 31 March 2014 amounted to ¥5,685 million, a decrease of 14.0 per cent. compared to ¥6,611 million for the fiscal year ended 31 March 2013.

Other Related Businesses

The Group operates businesses such as travel business, international business, credit card service business, advertising media business, and real estate development business as other related businesses.

In the travel business, the Group engaged in promoting trips to areas along expressways, by planning and selling unique bus tours that combine a backstage tour of expressway construction sites and management facilities, and local tourism resources.

In the international business, the Group worked with Japan Expressway International Co., Ltd. to conduct local research regarding expressway business in the Asian and European regions together with promoting discussions regarding business conditions with relevant organisations.

In the consulting business, the Group obtained five orders in Kyrgyzstan, Cambodia, Mongolia and Kazakhstan, and contributed to developing the ability of local engineers.

In the credit card service business, the Group improved the attractiveness of membership cards such as by offering new benefits and conducting "thank you" campaigns related to usage volume, expanding privileges for use at service areas in cooperation with the Rest Area Business, and offering discounts for use at petrol stations.

In the advertising media business, the Group offered walls of commercial facilities in the service areas and in-house equipment (such as leaflet stands and digital signs) to local authorities and companies to be used for advertising. During the fiscal year ended 31 March 2014, the Group made contracts with more than 200 entities.

In the real estate development business, the Group developed condominium apartments in Yokohama, Kanagawa prefecture, and land for houses in Machida, Tokyo, by utilising idle land that the Issuer owns as a result of the disposition and consolidation of company housing. The completion and vacation of these assets are expected to be in spring 2015. The Group also plans to open a commercial complex near the Toki-Minami Tajimi Interchange on the Tokai-Kanjo Expressway in spring 2015.

Against such background, the Group's operating revenues in the Other Related Businesses for the fiscal year ended 31 March 2014 amounted to ¥12,727 million, a decrease of 1.5 per cent. compared to ¥12,924 million for the fiscal year ended 31 March 2013. The Group's operating loss in the Other Related Businesses for the fiscal year ended 31 March 2014 amounted to ¥145 million, compared to an operating loss of ¥269 million for the fiscal year ended 31 March 2013.

In addition, on 20 December 2013, the Group announced that it would conduct a joint project with partner companies to facilitate, maintain, and operate the charging infrastructures necessary for electric vehicles and plug-in hybrid vehicles, based on the intention to prepare charging infrastructures for those next generation vehicles that the Issuer had developed.

Financial Condition

Consolidated Balance Sheet as of 31 March 2014 Compared to Consolidated Balance Sheet as of 31 March 2013

Total assets as of 31 March 2014 amounted to ¥1,391,883 million, an increase of ¥207,889 million, or 17.6 per cent., compared to ¥1,183,994 million as of 31 March 2013. This primarily reflected the increase in work in process for road construction, from ¥685,664 million as of 31 March 2013 to ¥873,903 million as of 31 March 2014, principally reflecting the increase of work in process for road construction, mainly affected by the Shin-Tomei Expressway.

Total liabilities as of 31 March 2014 amounted to ¥1,193,242 million, an increase of ¥215,034 million, or 22.0 per cent., compared to ¥978,208 million as of 31 March 2013. This principally reflected the increase in long-term debt.

Total net assets as of 31 March 2014 amounted to ¥198,641 million, a decrease of ¥7,145 million, or 3.5 per cent., compared to ¥205,786 million as of 31 March 2013, principally reflecting an increase in retained earnings and a reversal of adjustments for retirement benefits. Equity ratio (ratio of net assets (less minority interests) to total assets) as of 31 March 2014 amounted to 14.0 per cent., a decrease of 3.2 percentage points, compared to 17.2 per cent. as of 31 March 2013.

Liquidity and Capital Resources

Consolidated Cash Flows for the Fiscal Year Ended 31 March 2014 Compared to Consolidated Cash Flows for the Fiscal Year Ended 31 March 2013

Net cash used in operating activities for the fiscal year ended 31 March 2014 amounted to ¥260,582 million, compared to net cash provided by operating activities of ¥857,057 million for the fiscal year ended 31 March 2013. Cash flows from operating activities in the fiscal year ended 31 March 2014 reflected ¥4,307 million of income before income taxes and minority interests and depreciation and amortisation of ¥20,794 million, set off to a certain extent by an increase in inventories of ¥188,332 million and a decrease in accounts payable of ¥9,272 million. The increase in inventories principally related to the increase of expressway assets to be transferred to JEHDRA upon completion of the construction of the relevant expressways.

Net cash used in investing activities for the fiscal year ended 31 March 2014 amounted to ¥13,320 million, compared to net cash used in investing activities of ¥27,625 million for the fiscal year ended 31 March 2013. Cash flows from investing activities in the fiscal year ended 31 March 2014 reflected, among others, ¥1,468 million of increase in time deposits as well as ¥16,073 million of payment for purchase of fixed assets relating to capital expenditure with respect to toll collection machines and the ETC System.

Net cash provided by financing activities for the fiscal year ended 31 March 2014 amounted to ¥252,410 million, compared to net cash used in financing activities of ¥845,562 million for the fiscal year ended 31 March 2013. Cash flows from financing activities in the fiscal year ended 31 March 2014 reflected proceeds from issuance of bonds for road construction amounting to ¥291,841 million and proceeds from long-term loans of ¥34,000 million, set off to a certain extent by repayment of long-term loans and redemption of bonds for road construction of ¥23,060 million (including ¥15,950 million of liabilities assumed by JEHDRA pursuant to Article 15, Paragraph 1 of the JEHDRA Act) and ¥50,000 million (bonds assumed by JEHDRA pursuant to Article 15, Paragraph 1 of the JEHDRA Act), respectively.

Cash and cash equivalents as of 31 March 2014 amounted to ¥112,627 million, compared to ¥134,119 million as of 31 March 2013.

Funding

The Group raises the funds it requires for its business principally from cash flow from operations, issues of bonds and long-term loans from financial institutions.

The Group's funding needs principally relate to payment of lease fees to JEHDRA as well as for construction of expressways and capital expenditure related to other facilities.

Contingent Liabilities

As of 31 March 2013 and 2014, the Issuer was jointly and severally liable for certain debts.

Pursuant to Article 16 of the Implementation Act, the Issuer is jointly and severally liable with JEHDRA, East Nippon Expressway Company and West Nippon Expressway Company for the loans and road bonds succeeded to by JEHDRA, East Nippon Expressway Company or West Nippon Expressway Company from the former Japan Highway Public Corporation (excluding loans from the Japanese Government, loans succeeded to by JEHDRA and bonds held by the Japanese Government) as follows:

	As of 31 March	
	2013	**2014**
	(Millions of yen)	
JEHDRA	¥3,931,818	¥3,005,206
East Nippon Expressway Company	7,337	2,272
West Nippon Expressway Company	32	28
Total	¥3,939,187	¥3,007,506

The Issuer is jointly and severally liable for the long-term debts transferred to JEHDRA pursuant to Article 15 of the JEHDRA Act corresponding to costs incurred for road construction, renovation, repairs, and disaster recovery as follows:

As of 31 March 2013 and 2014, the Issuer was jointly and severally liable with JEHDRA, East Nippon Expressway Company and West Nippon Expressway Company for the loans succeeded to by the Issuer from the former Japan Highway Public Corporation and already assumed by JEHDRA (excluding loans from the Japanese Government) as follows:

	As of 31 March	
	2013	**2014**
	(Millions of yen)	
JEHDRA	¥16,467	¥10,981

As of 31 March 2013 and 2014, the Issuer was jointly and severally liable with JEHDRA for the bonds and loans of JEHDRA transferred by the Issuer, which were originally financed by the Issuer, as follows:

	As of 31 March	
	2013	**2014**
	(Millions of yen)	
JEHDRA	¥1,505,840	¥1,346,950

As a consequence of these transfers addressed above, bonds for road construction and long-term loans for road construction decreased by ¥50,000 million (face value) and ¥15,950 million, respectively, for the fiscal year ended 31 March 2014.

Capital Expenditure

Other than Leased Expressway Assets, which are not recorded on the Group's consolidated financial statements as the Group's assets (see "Business — Leasing of Expressway Assets"), the Group invests in facilities related principally to the Expressway Business. In the fiscal year ended 31 March 2014, the Group's capital expenditure (including investment in intangible fixed assets) amounted to ¥16,572 million in aggregate, compared to ¥29,322 million for the fiscal year ended 31 March 2013.

In the fiscal year ended 31 March 2014, the Group did not invest in any material new corporate assets. In the Expressway Business, the Group spent ¥11,282 million of capital expenditure (including investment in intangible fixed assets) in the fiscal year ended 31 March 2014, principally in relation to toll collection machinery and ETC system equipment. In the Rest Area Business, the Group spent ¥3,168 million of capital expenditure (including investment in intangible fixed assets) in the fiscal year ended 31 March 2014, principally in relation to renewal of various service areas including the Fujigawa Service Area.

In the fiscal year ended 31 March 2013, the Group did not invest in any material new corporate assets. In the Expressway Business, the Group spent ¥18,202 million of capital expenditure (including investment in intangible fixed assets) in the fiscal year ended 31 March 2013, principally in relation to toll collection machinery and ETC system equipment. In the Rest Area Business, the Group spent ¥8,347 million of capital expenditure (including investment in intangible fixed assets) in the fiscal year ended 31 March 2013, principally in relation to opening the advanced service areas "NEOPASA" and renewal of various service areas.

CAPITALISATION AND INDEBTEDNESS

The following table sets out the Issuer's consolidated capitalisation and indebtedness as of 31 March 2014, which has been extracted without material adjustment from the Issuer's audited consolidated financial statements as of the same date and as adjusted to give effect to the issue of the Bonds:

	As of 31 March 2014	
	Actual	**As adjusted**
	(Millions of yen)	
Indebtedness:		
Short-term debt:		
Current portion of long-term loan	¥ 6,325	¥ 6,325
Current portion of bonds for road construction	45,000	45,000
Total short-term debt	51,325	51,325
Long-term debt:		
Bonds for road construction (less current portion)	807,520	807,520
Long-term loan for road construction (less current portion)	110,000	110,000
Other long-term loan (less current portion)	21	21
The Bonds now being issued(2)	—	50,735
Total long-term debt	917,541	968,276
Total indebtedness(3)(4)	968,866	1,019,601
Net assets:		
Shareholders' equity:		
Common stock, no par value:		
Authorised: 520,000,000 shares		
Issued: 130,000,000 shares(6)	65,000	65,000
Capital surplus	71,650	71,650
Retained earnings	67,719	67,719
Total shareholders' equity	204,369	204,369
Accumulated other comprehensive loss:		
Net unrealised holding gain on securities	23	23
Retirement benefit liability adjustments	(9,457)	(9,457)
Total accumulated other comprehensive loss	(9,434)	(9,434)
Minority interests	3,706	3,706
Total net assets	198,641	198,641
Total capitalisation and indebtedness(7)	¥1,167,507	¥1,218,242

Notes:

(1) The above table should be read in conjunction with the consolidated financial statements of the Issuer contained herein.

(2) For the purposes of this table, the yen equivalent value of the Bonds has been translated at the rate of U.S.$1 = ¥101.47, which was the prevailing rate of exchange of Japanese yen to U.S. dollars at 15:00 Tokyo time on 24 July 2014 as reported on Reuters "JPNU" page. This rate of exchange bears no relationship to the rate(s) at which amounts relating to the Bonds will be converted into yen for accounting purposes.

(3) As of 31 March 2014, ¥852,520 million of the Issuer's bonds for road construction and ¥1,020,000 million of obligations under the Issuer's bonds which were assumed by JEHDRA were secured. As of 31 March 2014, ¥0 of the Issuer's consolidated indebtedness was guaranteed.

(4) On 30 May 2014, the Issuer issued ¥100,000 million in aggregate principal amount of bonds for road construction.

(5) As of 31 March 2014, the Issuer had a total of ¥4,365,437 million of contingent liabilities in respect of joint and several liabilities (see "Recent Business — Contingent Liabilities"). Contingent liabilities in respect of joint and several liabilities increased by ¥40,000 million due to the transfer of liabilities to JEHDRA on 30 June 2014.

(6) All of the issued shares are fully-paid and non-assessable.

(7) Total capitalisation and indebtedness is a total of total short-term debt, total long-term debt and total net assets.

(8) Save as disclosed above, there has been no material change in the Issuer's consolidated capitalisation, indebtedness, contingent liabilities and guarantees since 31 March 2014.

BUSINESS

Overview

The Issuer was established on 1 October 2005 as a corporation incorporated under the Expressway Companies Act and the Implementation Act as part of the privatisation of the Four Highway-Related Public Corporations. The Issuer is involved in the construction, renovation, maintenance, repair, disaster recovery and management of expressways in the 12 Prefectures, located principally in the Tokai area in Japan.

History

In 2001, the Japanese Government decided to establish a plan to privatise the Four Highway-Related Public Corporations, pursuant to the Reorganisation and Rationalisation Plan for Special Public Corporations. In the following year, the Promotion Committee for the Privatisation of the Four Highway-Related Public Corporations prepared an opinion in respect of the new organisation, which would replace the Four Highway-Related Public Corporations after the reorganisation and on how to secure profitability. An agreement on the basic framework for the privatisation of the Four Highway-Related Public Corporations was reached in 2003 and in 2004, and based on such agreement, proposals for the Four Acts regarding the Privatisation of Four Highway-Related Public Corporations were enacted and promulgated.

The Issuer was established on 1 October 2005 as one of the six Expressway Companies newly established under the Privatisation Acts, and succeeded to such operations, assets, rights and obligations of the former Japan Highway Public Corporation as were set out in the implementation plans approved by the Minister of LIT pursuant to Article 14, Paragraph 3 of the Implementation Act.

Operations

The Group's operations are divided into three segments for financial reporting purposes, namely: (i) the Expressway Business, (ii) the Rest Area Business, and (iii) the Other Related Businesses.

Expressway Business

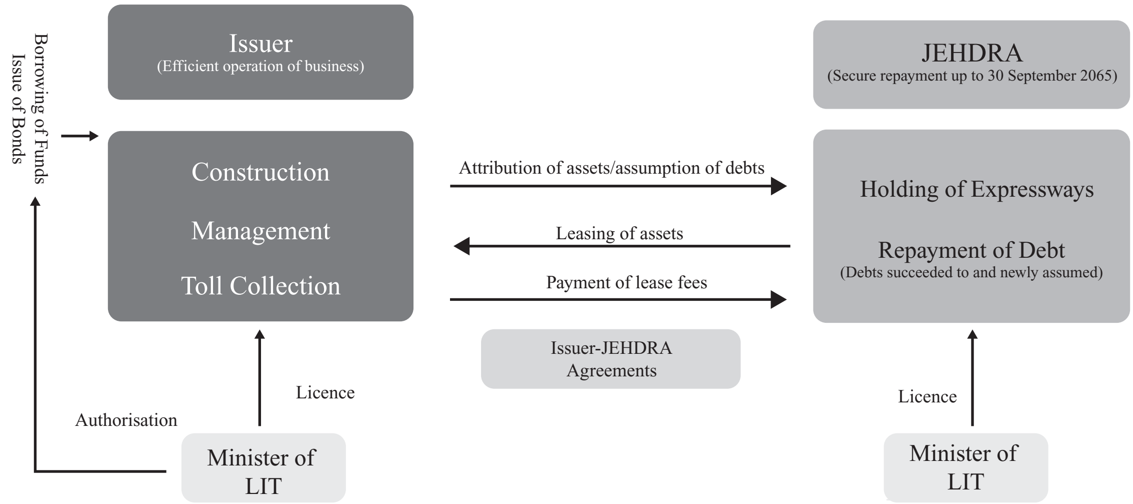
In its Expressway Business, the Group is involved in the construction, renovation, maintenance, repair, disaster recovery and management of expressways (including toll collection, traffic administration, maintenance and inspection, repair and research and development) in the 12 Prefectures, located principally in the Tokai area in Japan, pursuant to the Issuer-JEHDRA Agreements entered into on 31 March 2006 and the licence granted by the Minister of LIT in accordance with Article 3 of the Special Measures Act and the provisions of Article 4 of the Special Measures Act. The Group is also involved in business such as the installation of road signs and entering into agreements regarding crossings with railways as agent in respect of the exercise of rights held by the Minister of LIT as administrator of expressways pursuant to Article 9 of the Special Measures Act. For the fiscal year ended 31 March 2014, the Group's revenues from external customers in the Expressway Business (after inter-segment eliminations) amounted to 91.7 per cent. of total consolidated operating revenues.

The following table sets out certain data relating to the expressways operated by the Group:

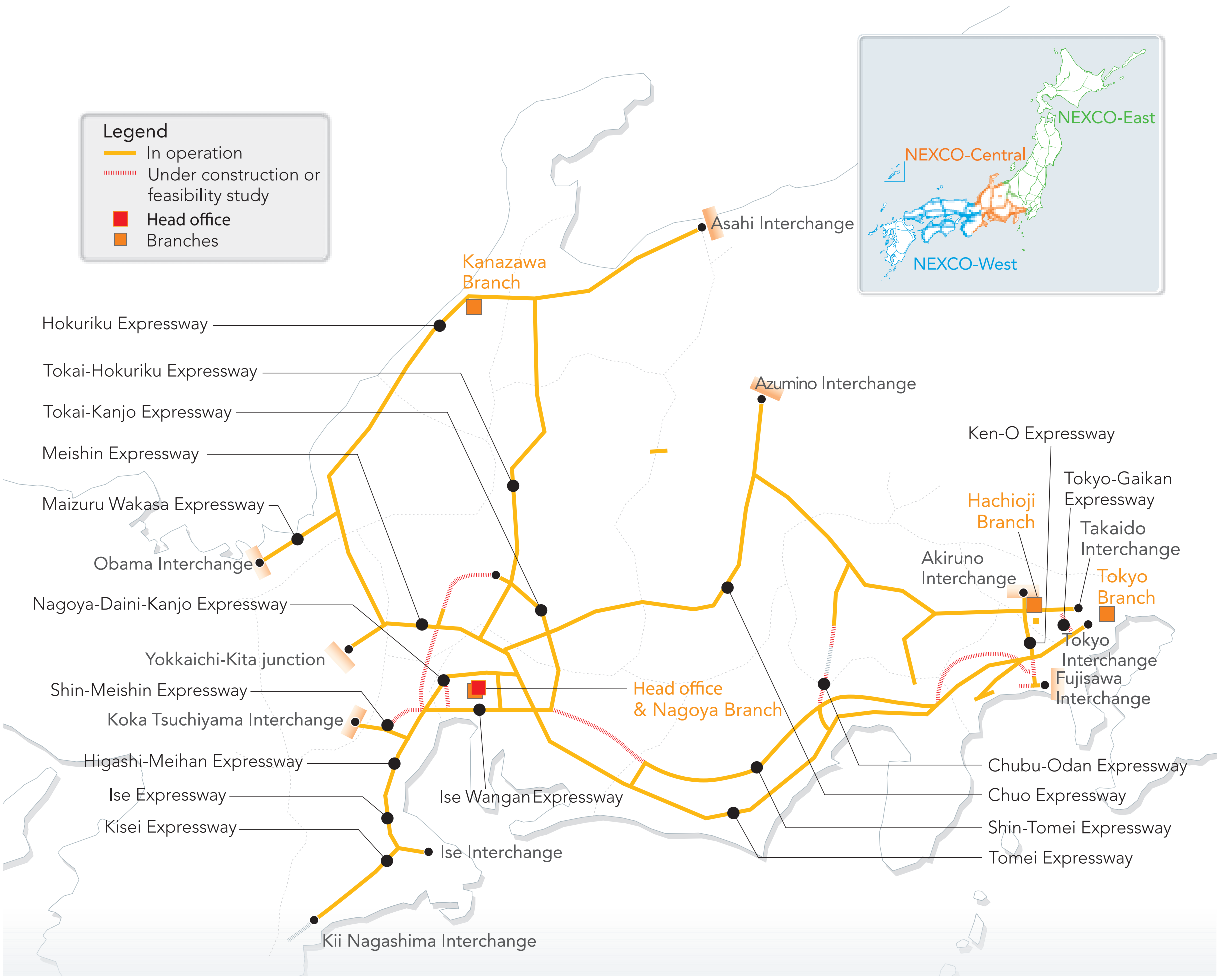
Expressways in operation (as of 31 March 2014)	1,949 km
Average daily traffic volume (fiscal year ended 31 March 2014)	1.94 million vehicles/day
Toll revenues (fiscal year ended 31 March 2014)	¥511.4 billion
Expressways under construction (as of 31 March 2014)	321 km

Newly constructed expressways are, pursuant to Article 51, Paragraph 2 to Paragraph 4 of the Special Measures Act, to be transferred to JEHDRA, and the Issuer leases the relevant expressway from JEHDRA in operating its Expressway Business. Due to the public nature of expressways, tolls collected from expressway users are premised not to include any profits, and such tolls collected are used for payment of lease fees to JEHDRA as well as in payment of administrative expenses.

The following diagram sets out the relationship between the Issuer and JEHDRA in relation to the operation of expressways and certain other matters:



The following map gives certain information about the Issuer's expressway network as of 31 March 2014:



The Issuer operates the expressway network covering the Tokyo metropolitan area and the Chubu, Hokuriku and Kinki areas. This network forms part of the social infrastructure supporting the foundation of socio-economic activities by enabling smooth traffic flows between regional and city areas, as well as invigorating regional industry. It also facilitates increased daily activity in a wide metropolitan area, an organic union of airports, harbours and other transportation infrastructures, and the smooth flow of people, products and information.

The following are the principal expressways currently operated by the Issuer (the distances appearing in brackets refer to the lengths of the expressways operated by the Issuer):

- *Hokuriku Expressway (282.1 km)*. First section entered service in 1973. The Hokuriku Expressway connects the Kansai and Chubu areas with the Hokuriku area, and is the principal roadway leading to and from Niigata.

- *Tokai-Hokuriku Expressway (184.8 km)*. First section entered service in 1986. The Tokai-Hokuriku Expressway joins the Chubu and Hokuriku areas. With the opening of all sections in 2007, the road directly links the Pacific Ocean side of Japan with the Sea of Japan side. It also functions as a major tourism road, as the UNESCO World Heritage site Shirakawa-go and many ski areas are located around it.

- *Tokai-Kanjo Expressway (81.9 km)*. First section entered service in 2005. This road is located 30–40 km from the centre of Nagoya, and connects to the Tomei, Chuo and Tokai-Hokuriku Expressways. It also relieves congestion by allowing traffic passing through the central part of Nagoya to detour around the city centre.

- *Meishin Expressway (87.5 km)*. First section entered service in 1964. The Meishin Expressway is a major artery of Japan, linking Nagoya to the Kansai area. It is also the oldest expressway route that is managed by the Issuer, having been in service for more than 45 years.

- *Shin-Meishin Expressway (18.8 km)*. First section entered service in 2005. This road forms a new expressway network between the Kinki and Chubu areas, relieving congestion on the Meishin and other older expressways, and together with the Meishin Expressway also provides alternative transportation functions in the event of a natural disaster, traffic accident, or major road repairs.

- *Ise Wangan Expressway (50.2 km)*. First section entered service in 2000. This expressway organically links the cities located around Ise Bay, and operates as a broad-area principal roadway that contributes to easing congestion on surrounding national highways.

- *Ken-O Expressway (43.3 km)*. First section entered service in 2007. This is the outermost of the three ring roads in the Tokyo metropolitan area. It functions to disperse traffic heading toward the city centre, and as a detour for excess traffic, relieving traffic congestion in the inner metropolitan area.

- *Chuo Expressway (366.8 km)*. First section entered service in 1972. Together with the Tomei Expressway, these roads link Tokyo to Nagoya, with the Tomei Expressway and the Chuo Expressway serving as an alternative to each other. Because the Chuo Expressway passes through the mountains, it offers convenient access to the Five Lakes of Mt. Fuji, the Kiyosato Highlands, and other scenic mountain resort areas.

- *Shin-Tomei Expressway (161.9 km, final length expected to be 270.4 km)*. First section entered service in 2012. A part of this expressway is currently under construction, and the expressway is expected to become a new "artery" of Japan. Alleviation of traffic congestion in the Tomei Expressway enables drivers to secure high speed and mobility, and also functions as alternative road in the event of disasters in the relevant area.

- *Tomei Expressway (346.7 km)*. First section entered service in 1968. The Tomei Expressway is linked with the Meishin Expressway, together serving as the major arteries of Japan that join the three major cities of Tokyo, Nagoya, and Osaka. It is also one of only a few heavy-vehicle routes in Japan.

- *Maizuru-Wakasa Expressway (39.0 km)*. The section managed by the Issuer opened for service in 2014. The Maizuru-Wakasa Expressway is linked with the Chugoku Expressway, the Meishin Expressway, and the Hokuriku Expressway, together serving to improve the access to each of Maibara, Kobe and Tsuruga areas.

Construction of New Expressway Network

With a view to further strengthening the functions of a highly reliable expressway network, the Group intends to open the following 305 km of expressways (including 41 km increase of traffic lanes) by the end of the fiscal year ending 31 March 2021:

Route Name	Section Names (including provisional names)	Length Extended	Planned Fiscal Year of Completion	Notes
		(kms)	*(fiscal year ending 31 March)*	
Shin-Tomei Expressway	Ebina-Minami Junction to Atsugi-Minami Junction	2	2017	
Shin-Tomei Expressway	Hamamatsu-Inasa Junction to Toyota-Higashi Junction	55	2016	
Shin-Tomei Expressway	Atsugi-Minami to Isehara-Kita	7	2019	
Shin-Tomei Expressway	Isehara-Kita to Gotenba Junction	45	2021	
Tokyo-Gaikan Expressway	Chuo Junction to Tomei Junction	6	2021	
Shin-Shonan Bypass	Chigasaki Kaigan to Oiso	6	2021	
Chubu-Odan Expressway	Rokugo to Masuho	9	2017	
Chubu-Odan Expressway	Shin-Shimizu Junction to Tomizawa	21	2018	
Shin-Meishin Expressway	Yokkaichi Junction to Yokkaichi-Kita Junction	4	2016	
Shin-Meishin Expressway	Yokkaichi-Kita Junction to Kameyama-Nishi Junction	23	2019	
Ken-O Expressway	Samukawa-Kita to Ebina Junction	4	2015	
Tokai-Kanjo Expressway	Toin to Yokkaichi-Kita Junction	1	2016	
Tokai-Kanjo Expressway	Seki-Hiromi to Ogaki-Nishi	35	2021	
Tokai-Kanjo Expressway	Yoro Junction to Toin	34	2021	
Nagoya-Daini-Kanjo Expressway	Nagoya-Nishi Junction to Tobishima Junction	12	2019	
Tokai-Hokuriku Expressway	Shiratori to Hida-Kiyomi	(41)	2019	Not an extension but an increase of traffic lanes from 2 to 4 lanes

The Group intends to undertake such business while strengthening safety measures as well as managing risk by a thorough management of processes.

Improving the Convenience of Expressways

With the aim of further improving the convenience of expressways, the Group is planning to install the following 25 Smart-Interchanges, additional interchanges and junctions by the end of the fiscal year ending 31 March 2018:

Planned Fiscal Year of Completion	**Name of Facility (including provisional names)**
(fiscal year ending 31 March)	
2015	• Fuji-Yoshida-Kita Smart-Interchange (Chuo Expressway)
	• Fuchu Smart-Interchange (Chuo Expressway)
	• Takaoka-Tonami Smart-Interchange (Hokuriku Expressway)
	• Fukui-Kita Junction (Hokuriku Expressway)
	• Nanto Smart-Interchange (Tokai-Hokuriku Expressway)
	• Yoro Service Area Smart-Interchange (Meishin Expressway)
2016	• Ashitaka Smart-Interchange (Tomei Expressway)
	• Oigawa-Fujieda Smart-Interchange (Tomei Expressway)
	• Fuefuki Smart-Interchange (Chuo Expressway)
	• Hachioji-Nishi Smart-Interchange (Ken-O Expressway)
2017	• Mikatagahara Smart-Interchange (Tomei Expressway)
	• Kanzanji Smart-Interchange (Tomei Expressway)
	• Kamigo Smart-Interchange (Tomei Expressway)
	• Anpachi Smart-Interchange (Meishin Expressway)
	• Surugawan-Numazu Smart-Interchange (Shin-Tomei Expressway)
	• Shin-Iwata Smart-Interchange (Shin-Tomei Expressway)
	• Dangozaka Smart-Interchange (Chuo Expressway)
	• Odanijo Smart-Interchange (Hokuriku Expressway)
	• Tsuruga-Minami Smart-Interchange (Maizuru-Wakasa Expressway)
2018	• Ayase Smart-Interchange (Tomei Expressway)
	• Tomei-Shizuoka-Higashi Smart-Interchange (Tomei Expressway)
	• Moriyama Smart-Interchange (Tomei Expressway)
	• Nomi-Neagari Smart-Interchange (Hokuriku Expressway)
	• Mikata Parking Area Smart-Interchange (Maizuru-Wakasa Expressway)
	• Nishi-Owari Interchange (Tokai-Hokuriku Expressway)

Large-Scale Renewal and Repair Plan

The total length of the expressways operated by the Issuer, East Nippon Expressway Company and West Nippon Expressway Company has reached approximately 9,000 km as of January 2014. Dating back from the opening of the Ritto to Amagasaki section of the Meishin Expressway in 1963, expressways that are 30 years or older currently account for approximately 40 per cent. of the total length (of approximately 3,700 km). Due to the long and heavy usage of the expressways, there has been an increase in damage to portions of the expressways despite the regular repair and maintenance performed. The three expressway companies have announced in January 2014 that it will soon become necessary to carry out large-scale renewal and repair works.

The large-scale renewal and repair works are expected to be implemented in phases over a 15-year period from the fiscal year ended 31 March 2014, and the total cost to be borne by, and the total length to be renovated and repaired by, the three expressway companies are estimated to amount to around ¥3,020 billion and 2,110 km (counting the inbound lanes and outbound lanes separately and including access roads to relevant facilities such as service areas), respectively.

The funds for this large-scale renewal and repair plan will be covered by toll revenue that the Issuer expects to earn by virtue of the extended toll collection period in accordance with the Amendment Act, which includes the amendment of the Special Measures Act and the Issuer-JEHDRA Agreements (which include an extension of the toll collection period). Such Issuer-JEHDRA Agreements will be executed responding to such amendment. This plan was established by reviewing the maintenance records and state of disrepair, and by selecting those areas where large-scale renewal and repair works should be conducted at this time. This plan is subject to further revision going forward, as additional areas that require renewal and repair works are expected to emerge as wear and tear progresses.

Rest Area Business

In its Rest Area Business, the Group is involved in the construction and management of rest areas and petrol stations on the expressways operated by it, including the management and operation of commercial facilities at 150 locations, kiosks at 31 locations and vending machines at 148 locations within a total of 150 service areas and parking areas (each as of 31 March 2014). Among the rest areas, the Group operates a new form of rest area under the brand names of "NEOPASA" and "EXPASA". NEOPASA is a new type of facility built up from entirely new concepts including the scale of the facility, the type of business and stores, facility locations, to playground plans. Each facility has a certain concept taking into account regional characteristics, so that customers may select which area to visit based on their needs. EXPASA is a new type of facility that is built up from entirely new concepts including merchandising to leasing, with the aim of rebuilding facilities on a larger scale and actively introducing new shops and new types of business at the time the shops are remodelled. For the fiscal year ended 31 March 2014, the Group's revenues from external customers in the Rest Area Business (after inter-segment eliminations) amounted to 6.3 per cent. of total consolidated operating revenues.

Other Related Businesses

Other Related Businesses include the travel business, the international business, the credit card service business, the truck terminal business, the Agency Business, the facilities utilisation business, the product sales business, the advertising media business, the real estate development business and other businesses. For the fiscal year ended 31 March 2014, the Group's revenues from external customers in the Other Related Businesses (after inter-segment eliminations) amounted to 2.0 per cent. of total consolidated operating revenues.

Travel Business

The Group engages in the planning and sales of travel products utilising its expressway assets with the aim of providing travel services that are unique to the Group.

International Business

The Group is involved in the international business, principally focused on the Asian and European regions. In particular, the Group is engaged in gathering information in Southeast Asia, leveraging on the Issuer's Vietnam office.

Credit Card Service Business

The Group issues a Premium Driver's Card, which combines the functions of credit cards and electronic money, and allows customers to earn reward points for every purchase they make on their card, which can be redeemed for electronic money or toll discounts. Further, this card offers a distinctive service, whereby customers will be given sympathy money when their car is damaged by objects dropped on the Group's expressways. In addition to working to improve the attractiveness of the Premium Driver's Card, since October 2012 the Group has issued the Aeon NEXCO Central Card in conjunction with Aeon Credit Service Co., Ltd. as a new membership card.

Truck Terminal Business

The Group manages and operates a truck terminal in Kanazawa, Ishikawa prefecture.

Agency Business

Following discussions with the central and local governments and public authorities, where it is decided that, from the viewpoint of (among other things) cost and efficiency, the Group is best placed to act as the agent of the relevant government or public authority where the Group engages in the construction of structures such as overpasses and access roads.

Facilities Utilisation Business

The Group operates other business that put to use available space near or under its expressways. For example, currently 32 parking areas are located under the Tomei Expressway, Chuo Expressway and other expressways. Other undertakings include special vending machines at bus stops and parking areas. These remotely controlled machines dispense free beverages in times of disaster.

Product Sales Business

The Group engages in the development and planning of original products such as bags made from recycled banners, stuffed toys and toy cars. The Group is also involved in product development and sales of equipment for civil engineering and construction.

Advertising Media Business

The Group offers space such as service area facility walls and digital signage for advertisement use.

Real Estate Development Business

The Group develops condominium apartments and land for housing by using idle land that the Issuer owns, and it engages in the development business of commercial facilities around interchanges.

Other Business

The Group is also involved in the insurance business, including the non-life insurance agency business, for the purposes of enhancing welfare. The Group also engages in investments in certain infrastructure business in Japan and overseas.

Leasing of Expressway Assets

The Issuer leases expressway assets from JEHDRA for the purposes of engaging in its Expressway Business pursuant to the Issuer-JEHDRA Agreements entered into pursuant to the provisions of the Expressway Companies Act and the JEHDRA Act, and the operational licence granted under the Special Measures Act.

Expressway assets which are created pursuant to the Group's construction of new expressways or the renovation, repair or disaster recovery works in relation to expressways are recorded as "work in process for road construction" under current assets in the Group's consolidated balance sheets, but these assets will, upon completion of the construction of the relevant expressway, be transferred to JEHDRA pursuant to Article 51, Paragraph 2 to Paragraph 4 of the Special Measures Act, and thereafter will not be recorded as part of the Group's assets. Expressway assets transferred by the Issuer to JEHDRA and certain expressway assets assumed by JEHDRA from the Japan Highway Public Corporation pursuant to the operational plans authorised under Article 14, Paragraph 3 of the Implementation Act are leased by the Issuer pursuant to the Issuer-JEHDRA Agreements (such expressway assets leased by the Issuer being the "Leased Expressway Assets"). The Leased Expressway Assets are not recorded on the Group's consolidated financial statements as the Group's assets.

Expressway assets created by the Issuer's construction of new expressways or the renovation of expressways are, as a general rule, transferred to JEHDRA from the day after the date on which the construction is completed (such date to be publicised in advance), and prior thereto, belong to the Issuer. However, where the Issuer and JEHDRA have together set an expressway asset transfer plan (setting out the details of the relevant expressway assets and the planned date of their transfer from the Issuer to JEHDRA) with authorisation from the Minister of LIT, the relevant expressway assets will be transferred to JEHDRA in accordance with such plan. Expressway assets increased through the Issuer's repair or disaster recovery works are transferred to JEHDRA on the day after the date on which such repair or disaster recovery works are completed.

Leased Expressway Assets

The principal expressway assets leased by the Issuer from JEHDRA as of 31 March 2014 are set out below:

Section	Lease Fees[1]
	(Millions of yen)
National Highway Network	¥358,692[2][3]
Chuo Expressway, Fuji-Yoshida Line	
Chuo Expressway, Nishinomiya Line (from Otsuki to Higashi-Omi (including Yokaichi Interchange))	
Chuo Expressway, Nagano Line (from Okaya to Azumino (including Azumino Interchange))	
Tomei Expressway	
Tokai-Hokuriku Expressway	
Shin-Tomei Expressway	
Chubu-Odan Expressway	
Hokuriku Expressway (from Asahicho, Shimo-Niikawa, Toyama prefecture to Maibara (including Asahi Interchange))	
Ise Expressway	
Kinki Expressway Nagoya-Kameyama Line	
Shin-Meishin Expressway (from Tobishima, Ama, Aichi prefecture to Koka (not including Koka-Tsuchiyama Interchange))	
Kisei Expressway	
Maizuru-Wakasa Expressway (from Obama to Tsuruga (not including Obama Interchange))	
National Route 1 (Shin-Shonan Bypass)	
National Route 1 (Seisho Bypass)	
National Route 138 (Higashi-Fuji-Goko Route)	
National Route 271 (Odawara-Atsugi Route)	
National Route 302 (Ise Wangan Route)	
National Route 468 (Ken-O Expressway) (from Chigasaki to Kadosawabashi, Ebina, and from Nakashinden, Ebina to Akiruno (not including Akiruno Interchange))	
National Route 475 (Tokai-Kanjo Expressway) (from Toyota to Yokkaichi)	
Single Routes	
National Route 16 (Hachioji Bypass)	1,700[3]
National Route 158 (Chubu-Jukan Expressway (Aboutouge Route))	194[3]
Total	¥360,586

Notes:

(1) The above table sets out the lease fees paid to JEHDRA for the fiscal year ended 31 March 2014.

(2) The lease fees for National Highway Network are standardised, and not set per expressway.

(3) As the Actual Revenue exceeded the Excess Basis Amount or the Shortage Basis Amount (each as defined below), the lease fee has been recorded after adding or subtracting the relevant amount. The amounts are as follows:

Excess Basis Amount:

National Highway Network: ¥26,895 million

National Route 158 (Chubu-Jukan Expressway (Aboutouge Route)): ¥76 million

Shortage Basis Amount:

National Route 16 (Hachioji Bypass): ¥12 million

See "— The Issuer-JEHDRA Agreements" below for details relating to the Issuer-JEHDRA Agreements.

Lease fees above do not include consumption taxes.

Lease Fees

Lease fees payable in respect of Leased Expressway Assets are set out in the Issuer-JEHDRA Agreements in respect of each respective expressway and route (such amount being the "Agreed Amount"), but the following fees apply to certain specific expressways and routes:

- If the actual amount of toll fees received (the "Actual Revenue") exceeds the relevant amount specified in the relevant Issuer-JEHDRA Agreement as the planned amount of revenues (the "Planned Revenue") by the respective amounts (the "Excess Basis Amount") set out below, then the amount of lease fees payable will be the Agreed Amount plus the amount by which the Actual Revenue exceeds the Excess Basis Amount:
  - the Issuer-JEHDRA Agreements in respect of (i) expressways included in National Highway Network including Tomei Expressway and Chuo Expressway, and (ii) National Route 16 (Hachioji Bypass): 101 per cent. of Planned Revenue; and
  - the Issuer-JEHDRA Agreement in respect of National Route 158 (Chubu-Jukan Expressway (Aboutouge Route)): 104 per cent. of Planned Revenue; and
- If the Actual Revenue falls short of the Planned Revenue specified in the relevant Issuer-JEHDRA Agreements by the respective amounts (the "Shortage Basis Amount") set out below, then the amount of lease fees payable will be the Agreed Amount less the amount by which the Shortage Basis Amount exceeds the Actual Revenue:
  - the Issuer-JEHDRA Agreements in respect of (i) expressways included in National Highway Network including Tomei Expressway and Chuo Expressway, and (ii) National Route 16 (Hachioji Bypass): 99 per cent. of Planned Revenue; and
  - the Issuer-JEHDRA Agreement in respect of National Route 158 (Chubu-Jukan Expressway (Aboutouge Route)): 96 per cent. of Planned Revenue.

Assumption of Liabilities by JEHDRA

Pursuant to Article 15, Paragraph 1 of the JEHDRA Act, JEHDRA must assume the liabilities incurred by the Issuer in respect of the construction, renovation, repair or disaster recovery works relating to expressways undertaken by the Issuer (subject to a maximum amount set out in the operational implementation plan authorised by the Minister of LIT pursuant to Article 14, Paragraph 1 of the JEHDRA Act), at the time that the expressway assets relating to such construction, renovation, repair or disaster recovery works are transferred to JEHDRA pursuant to Article 51, Paragraph 2 to Paragraph 4 of the Special Measures Act. In the case where the Issuer selects certain borrowings or bonds issued by it to be liabilities relating to the relevant expressway assets being transferred to JEHDRA, JEHDRA will become jointly and severally liable under such borrowings or bonds prior to their maturity date.

The Issuer and JEHDRA have agreed on certain operational points for the assumption of liabilities by JEHDRA. Such operational points include JEHDRA assuming the liabilities of the Issuer's borrowings or bonds in each fiscal quarter generally in chronological order with the choice of liabilities being made by the Issuer by the middle of the first month in the next fiscal quarter, and JEHDRA becoming jointly and severally liable in respect of such liabilities.

From the time that the relevant expressway assets and the obligations relating to such expressway assets are transferred to JEHDRA, such assets and liabilities will cease to be recorded on the Group's consolidated financial statements. Although the Issuer remains jointly and severally liable for the payment in respect of such obligations with JEHDRA, the necessary actions relating to such obligations (such as payment) are to be undertaken primarily by JEHDRA.

As of 31 March 2014, JEHDRA had jointly and severally assumed the liabilities of the Issuer in respect of 25 series of domestic bonds with no guarantee issued by the Issuer (other than those bonds which have already matured), in the aggregate principal amount of ¥550,000 million.

The Issuer-JEHDRA Agreements

The Issuer has, on 31 March 2006 (effective 1 April 2006), entered into the Issuer-JEHDRA Agreements with JEHDRA in relation to the provisions of Article 6, Paragraph 1 of the Expressway Companies

Act and Article 13, Paragraph 1 of the JEHDRA Act. The aim of the Issuer-JEHDRA Agreements is to ensure appropriate and smooth operation of expressway-related business by deciding certain matters essential for the operation of expressway business pursuant to Article 5, Paragraph 1, item 1 or item 2 of the Expressway Companies Act. The Issuer-JEHDRA Agreements will be amended as necessary in line with the Amendment Act.

The Issuer-JEHDRA Agreements set out matters such as the following:

- The names of the expressways subject to the relevant Issuer-JEHDRA Agreement;
- The contents of the works relating to construction, renovation or repairs (except for the Specific Renewal Work) undertaken by the Issuer in respect of the expressways managed by the Issuer;
- The contents of the Specific Renewal Work, to the extent the Issuer-JEHDRA Agreements are amended in line with the Amendment Act;
- The maximum amount of liabilities to be assumed by JEHDRA in respect of liabilities in respect of costs relating to such work or expected costs relating to disaster recovery works;
- The details of the expressway assets to be leased by JEHDRA to the Issuer and the lease fees and lease periods in respect thereof; and
- The amount of tolls to be collected by the Issuer and the period during which such tolls are to be collected.

The Issuer and JEHDRA may, generally every five years, consider the contents of the Issuer-JEHDRA Agreements, and where a party believes amendments are necessary, request the other party to make such amendment. Similarly, where there has been a major disaster or major changes to the economic environment and the Issuer-JEHDRA Agreements need to be amended to reflect such events, the parties may request such amendment. In addition, where a party under the Issuer-JEHDRA Agreements believes that the lease fees being charged are not in line with the amounts set on the basis of Article 17 of the JEHDRA Act, or the tolls being charged are not in line with the tolls set on the basis of Article 23 of the Special Measures Act, or that there are other factors which could potentially materially affect the appropriate and smooth operation of expressways, such party may request an amendment of the Issuer-JEHDRA Agreements to the other party.

As of 31 March 2014, the principal Issuer-JEHDRA Agreements are as follows:

Names of Agreements	Sections Relevant to the Agreements	Date on which last amended
Agreement Regarding National Route 158 (Chubu-Jukan Expressway (Aboutouge Route))	• National Route 158 (Chubu-Jukan Expressway (Aboutouge Route))	25 March 2014
Agreement Regarding National Route 16 (Hachioji Bypass)	• National Route 16 (Hachioji Bypass)	14 March 2014
Agreement Regarding Chuo Expressway, Fuji-Yoshida Line, etc.	• Chuo Expressway, Fuji-Yoshida Line • Chuo Expressway, Nishinomiya Line (from Otsuki to Higashi-Omi (including Yokaichi Interchange)) • Chuo Expressway, Nagano Line (from Okaya to Azumino (including Azumino Interchange)) • Tomei Expressway • Tokai-Hokuriku Expressway • Shin-Tomei Expressway • Chubu-Odan Expressway	14 March 2014

Names of Agreements	Sections Relevant to the Agreements	Date on which last amended
	• Hokuriku Expressway (from Asahicho, Shimo-Niikawa, Toyama prefecture to Maibara (including Asahi Interchange))	
	• Ise Expressway	
	• Kinki Expressway Nagoya-Kameyama Line	
	• Shin-Meishin Expressway (from Tobishima, Ama, Aichi prefecture to Koka (not including Koka-Tsuchiyama Interchange))	
	• Kisei Expressway	
	• Maizuru-Wakasa Expressway (from Obama to Tsuruga (not including Obama Interchange))	
	• National Route 1 (Shin-Shonan Bypass)	
	• National Route 1 (Seisho Bypass)	
	• National Route 138 (Higashi-Fuji-Goko Route)	
	• National Route 271 (Odawara-Atsugi Route)	
	• National Route 302 (Ise Wangan Route)	
	• National Route 468 (Ken-O Expressway) (from Chigasaki to Kadosawabashi, Ebina, and from Nakashinden, Ebina to Akiruno (not including Akiruno Interchange))	
	• National Route 475 (Tokai-Kanjo Expressway) (from Toyota to Yokkaichi)	

Involvement of the Japanese Government

Due to the public nature of the expressways, the Japanese Government is involved to a certain extent in the Issuer's operations. For example, the licence or authorisation of the Minister of LIT is required under the Expressway Companies Act in respect of matters such as the construction or renovation of expressways, issue of bonds or borrowing of certain funds. Further, the Expressway Companies Act mandates the Issuer to provide its financial statements to the Minister of LIT, as well as providing for the supervisory powers of the Minister of LIT in respect of the Expressway Companies. See "— Regulations".

Research and Development

The Group is involved in technological developments relating to its Expressway Business. The major themes in such technological development include safety, peace of mind, comfort, cost reduction, efficient business operation, quality and reducing environmental burdens, and the Group works to develop new technologies, construction methods and raw materials with such themes in mind. In particular, the Group has advanced technological development that has contributed to safety; further, it has commenced technological development that has contributed to the improvement of checking, monitoring and repairing technology in response to "The Three-Year Plan for Improving Safety" implemented since the fiscal year ended 31 March 2014.

The Issuer has established Nippon Expressway Research Institute Company Limited together with East Nippon Expressway Company and West Nippon Expressway Company, with a view to utilising technological assets including personnel assets, enhancing and ensuring technological strengths through concentration of available assets, and dealing with technological issues which are common to the three companies.

In the fiscal years ended 31 March 2013 and 2014, research and development costs spent by the Group amounted to ¥778 million and ¥829 million, respectively. Of the research and development costs for the fiscal year ended 31 March 2014, the total amount of research and development costs regarding safety improvements was ¥599 million.

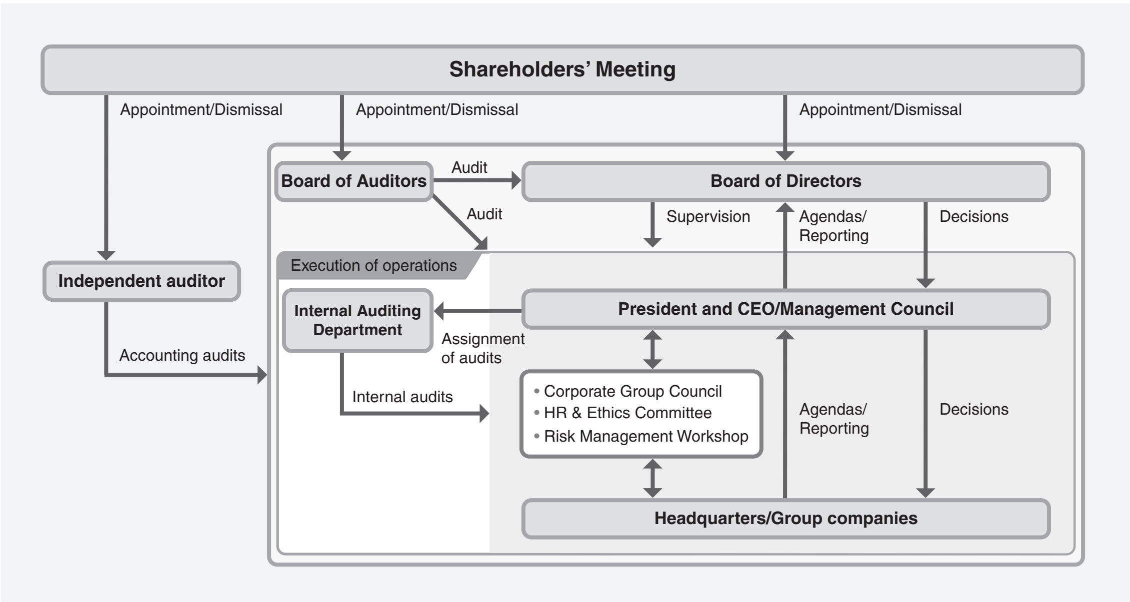
Corporate Governance and Internal Control

Governance Structure

The Issuer's Board of Directors convenes monthly to determine key issues and execute its duties. In addition, full-time Members of Board of Directors, Managing Officers and certain others attend a corporate strategy meeting held regularly to deliberate key issues, strengthen the function of the Board and improve management efficiency. All Members of Board of Directors, Managing Officers, Group company presidents and certain others attend meetings held regularly to determine corporate strategy affecting group-wide policies and to share information. The Senior Corporate Auditors may attend the corporate strategy meeting and all Corporate Auditors may attend the other meetings.

On 1 April 2014, the Issuer established the role of Chief Compliance Officer who controls the promotion of the Group's compliance to enhance the compliance structure.

The following diagram sets out the corporate governance structure of the Issuer:



Internal Control

In accordance with the provisions of the Companies Act and the Ordinance for the Enforcement of the Companies Act of Japan (Ordinance of the Ministry of Justice No. 12 of 2006, as amended), in May 2006 the Issuer introduced an internal control system based on policies regarding a structure to ensure appropriate business practices. This system entails recording and managing information about the performance of Members of Board of Directors' duties, risk management, confirming the efficiency with which Members of Board of Directors perform their duties and verifying the appropriateness of business conducted by the Group.

Legal Proceedings

The Group is currently the subject of a lawsuit for compensation of damages of approximately ¥940 million in respect of the major accident which took place on 2 December 2012 at the Sasago Tunnel on the Chuo Expressway, where the tunnel ceiling collapsed, killing nine people and injuring two others.

Further, an ex-employee of the Issuer and the Issuer are currently the subject of a lawsuit for the compensation of damages of approximately ¥560 million in connection with an alleged fraud committed by the ex-employee in relation to the purchase by the Issuer of a piece of land for the purposes of building an expressway.

Other than as set out above, neither the Issuer nor any other member of the Group is involved in any legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Group is aware), which may have, or have had during the 12 months preceding the date of this Offering Circular, a significant effect on the Group's financial position.

Regulations

Expressway business operated by the Expressway Companies is conducted within the regulatory framework of the expressway system in Japan. The primary sources of regulation for the Expressway Companies are the Expressway Companies Act and the Special Measures Act, to which the Issuer is subject as an Expressway Company. The Minister of LIT has authority to supervise the Expressway Companies under these Acts.

The discussion below summarises the Expressway Companies Act and the Special Measures Act.

The Expressway Companies Act

The Expressway Companies are required to obtain the authorisation of the Minister of LIT under the Expressway Companies Act with respect to, among other things, the following matters:

- Solicitation of subscribers for its shares or stock acquisition rights;
- Operation of business on or in relation to expressways other than expressways which are subject to the Expressway Company's operation by the provisions of the Expressway Companies Act;
- Appointment or removal of representative directors or corporate auditors;
- Establishment of and amendments to annual business plans;
- Solicitation of subscribers for its bonds and long-term borrowings;
- Transfer of important assets or creation of security interests over important assets; and
- Amendment to the articles of incorporation, payment of dividends or other distributions of surplus, mergers, company splits or dissolution of the Expressway Companies.

The Expressway Companies must cooperate with investigations regarding the traffic volume of the expressways under their management which are carried out by central or local governments and are necessary for formulating policies to promote smooth road traffic. Also, the Expressway Companies must submit to the Minister of LIT the balance sheet, profit and loss statement and any other statements related to finance and accounting for each fiscal year within 3 months of the end of the relevant fiscal year.

The Minister of LIT supervises the Expressway Companies pursuant to the Expressway Companies Act. When it deems necessary, the Minister of LIT may give orders that are necessary in terms of supervision of the Expressway Companies' operation of business, it may also order the Expressway Companies to submit reports with regard to the operation of business or order on-site inspections by the officials of the Ministry of LIT.

The Japanese Government must, at all times, hold at least one third of the voting rights of the Expressway Companies and may provide a guarantee over the Expressway Companies' debts the purpose of which are for funding costs related to the construction, renovation, maintenance, repair and other management of expressways. As of the date of this Offering Circular, the Japanese Government holds all of the voting rights of the Issuer.

The Special Measures Act

The Expressway Companies are required to obtain a licence or authorisation from the Minister of LIT under the Special Measures Act with respect to, among other things, the following matters:

- Construction or renovation of expressways, or toll collection, pursuant to each agreement between the Expressway Companies and JEHDRA;
- Establishment of and amendments to the general terms for public use of expressways for toll collection;
- Termination of construction work or renovation work of expressways with respect to which the Expressway Company has obtained a licence;
- Establish facilities for toll collection and rules on how to drive near such facilities (for example, to make a temporary stop when approaching such facilities); and
- Entry to or temporary use of land owned by others where necessary such as investigation, survey, construction work or maintenance of expressways.

In addition, the Minister of LIT has certain authority to supervise the operation of the Expressway Companies under the Special Measures Act. For example:

- Upon completion of the construction or renovation of expressways, the Expressway Companies shall have such expressways examined by the Minister of LIT.
- In the case where the construction work by the Expressway Companies or JEHDRA is in violation of the Road Act, National Highway Act or Special Measures Act or orders thereunder, or in any other case specified in Article 46 of the Special Measures Act, the Minister of LIT may order the Expressway Companies or JEHDRA to stop, amend, or implement such construction work or to take necessary measures for the maintenance of the expressways.
- The Minister of LIT may order the Expressway Companies to take necessary measures when it deems necessary to ensure appropriate collection of tolls.
- The Minister of LIT may provide necessary recommendations, advice or support to the Expressway Companies or JEHDRA in respect of the management of the expressways and the tolls thereof.

Moreover, the Special Measures Act provides the following:

- Expressway assets created by the Expressway Companies' construction of new expressways or the renovation of expressways are, as a general rule, transferred to JEHDRA from the day after the date on which the construction is completed (such date to be publicised in advance), and prior thereto, belong to the Expressway Companies. However, where the Expressway Companies and JEHDRA have together set an expressway asset transfer plan (setting out the details of the relevant expressway assets and the planned date of their transfer from the Expressway Companies to JEHDRA) with authorisation from the Minister of LIT, the relevant expressway assets will be transferred to JEHDRA in accordance with such plan. Expressway assets increased through the Expressway Companies' repair or disaster recovery works are transferred to JEHDRA on the day after the date on which such repair or disaster recovery works are completed.
- The Expressway Companies shall be responsible for maintenance, repair and disaster recovery with respect to the expressways constructed or renovated by them, from the date of completion of the construction work to the date of the expiry of the toll collection period (each date to be publicised).
- The Expressway Companies shall post the general terms for public use of expressways for toll collection, to which the Minister of LIT has granted authorisation, at their business offices, administrative offices or other workplaces, in a manner observable by the public.

- The Expressway Companies will exercise a part of the authority of a road administrator (defined in the Special Measures Act) when they construct, renovate, maintain, repair or otherwise manage the expressways.

- Tolls shall be set for each expressway that are subject to the relevant agreements between the Expressway Companies and JEHDRA, at rates that will account for the lease fees and the administrative expenses which are payable by the Expressway Companies during the course of the toll collection period and that must be fair and reasonable.

- The Expressway Companies shall give public notice in advance when: initiating construction work regarding the construction or renovation of expressways; completing or terminating such construction work; or collecting tolls. The Expressway Companies shall also give public notice when they obtain authorisation of the Minister of LIT with respect to establishment of facilities for toll collection and rules on how to drive near such facilities (for example, to make a temporary stop when approaching such facilities), and together, shall post a notice to that effect, at their business offices, administrative offices or other workplaces, in a manner observable by the public.

- Against persons who evaded payment of tolls, the Expressway Companies may charge, aside from the evaded amount, penalties in the amount equivalent to twice the evaded amount.

MANAGEMENT AND EMPLOYEES

Management

The Issuer's Board of Directors has ultimate responsibility for the administration of the affairs of the Issuer. The Articles of Incorporation of the Issuer provide for the number of members of the Board of Directors to be not more than ten. Members of the Board of Directors are elected at a general meeting of shareholders. The normal term of office of any member of the Board of Directors expires at the close of the ordinary general meeting of shareholders to be held with respect to the last of the fiscal years ending within two years after the election thereof, although they may serve any number of consecutive terms. The Board of Directors elects from among its members one or more Representative Directors, who have the authority individually to represent the Issuer. The Board of Directors may elect one Chairman and one President, and one or more Vice Chairmen, Vice Presidents, Senior Managing Directors and Managing Directors from among its members.

The Articles of Incorporation of the Issuer also provide for not more than four Corporate Auditors, who are elected at a general meeting of shareholders. The normal term of office of any Corporate Auditor expires at the close of the ordinary general meeting of shareholders to be held with respect to the last of the fiscal years ending within four years after the election thereof, although a Corporate Auditor may serve any number of consecutive terms. Under Japanese law, the Corporate Auditors are not required to be, and are not, certified public accountants, and may not at the same time be members of the Board of Directors or employees or Accounting Adviser (*kaikei sanyo*) of the Issuer or any of its subsidiaries or executive officers of any of its subsidiaries. In addition, not less than half of the Corporate Auditors must be outside Corporate Auditors who have never been a member of the Board of Directors, executive officer, Accounting Adviser, manager or employee of the Issuer or of any of its subsidiaries. Corporate Auditors have the duties of supervising the administration by the members of the Board of Directors of the Issuer's affairs and of examining the financial statements and business reports of the Issuer to be submitted by the Representative Director to the general meetings of shareholders and of reporting their opinions thereon to the shareholders. They are required to attend meetings of the Board of Directors in general and to express their opinions when or if necessary at such meetings but they are not entitled to vote. In addition, they are required to elect from among themselves at least one Senior Corporate Auditor. Corporate Auditors also have a statutory duty to provide their report to the Board of Auditors, which must submit its auditing report to the relevant member of the Board of Directors. The Board of Auditors will also determine matters relating to the duties of the Corporate Auditors, such as audit policy and methods of investigation of the affairs of the Issuer.

In addition to Corporate Auditors, the Issuer must appoint an independent auditor, who has the statutory duties of examining the financial statements to be submitted by the Representative Director to the general meetings of shareholders and reporting thereon to the relevant member of the Board of Directors and the relevant Corporate Auditor. Currently, the Issuer's independent auditor is Ernst & Young ShinNihon LLC.

As of the date of this Offering Circular, the Members of Board of Directors and Corporate Auditors of the Issuer are as follows:

Name	Title
Shunichi Samura(1)	Member of Board of Directors and Chairman
Yoshihito Miyaike	Representative Director, President, Chief Executive Officer and Chief Operating Officer, in charge of the Internal Auditing Department
Takahisa Takamatsu	Member of Board of Directors, Senior Managing Officer and Director General of Tokyo Branch
Akira Hirose	Member of Board of Directors, Senior Managing Officer and Director General of Engineering/Construction Headquarters
Toshiji Komuro	Member of Board of Directors, Senior Managing Officer and Director General of Corporate Strategy Headquarters
Yasuo Inokuma	Member of Board of Directors, Senior Managing Officer and Director General of Maintenance Strategy Headquarters
Tetsu Kabashima	Member of Board of Directors, Senior Managing Officer, Director General of General Affairs Headquarters and Chief Compliance Officer
Michiei Tamiya	Full-time Corporate Auditor
Hiromu Okayama(2)	Full-time Corporate Auditor
Masumi Shiraishi(2)	Corporate Auditor
Kenichi Mizuo(2)	Corporate Auditor

Notes:

(1) Outside Director.

(2) Outside Corporate Auditors.

All the Issuer's members of the Board of Directors except the Outside Director are engaged in the business of the Issuer on a full-time basis.

The business address for the Issuer's members of the Board of Directors and Corporate Auditors is Mitsui-Sumitomo Bank Nagoya Building, 18-19, Nishiki 2-chome, Naka-ku, Nagoya, Aichi 460-0003, Japan.

The aggregate remuneration of the Issuer's members of the Board of Directors and Corporate Auditors for the fiscal year ended 31 March 2014 paid by the Issuer amounted to ¥95 million and ¥42 million (of which the remuneration paid by the Issuer to the Outside Corporate Auditors amounted to ¥25 million), respectively.

As of 31 March 2014, no member of the Board of Directors of the Issuer had an interest in any transaction which was unusual in its nature or conditions or significant to the business of the Group which was effected by the Issuer. As of 31 March 2014, there were no outstanding loans granted by any company of the Group to neither any members of the Board of Directors or Corporate Auditors of the Issuer nor any guarantees provided by any company within the Group for their benefit.

The Issuer has entered into liability limitation contracts with its Outside Corporate Auditors (other than those who are Full-time Corporate Auditors) in accordance with Article 427, Paragraph 1 of the Companies Act and the Issuer's Articles of Incorporation, such limitation only to take effect if the relevant Outside Corporate Auditor had acted in good faith and without gross negligence.

Employees

The Group had 9,567 full-time employees as of 31 March 2014. For the fiscal year ended 31 March 2014, the Group had an average of 3,420 temporary employees. The following table sets out the number of full-time employees of the Group as of the dates indicated, divided according to business segments:

	As of 31 March	
	2013	**2014**
Expressway Business	8,435	8,603
Rest Area Business	514	538
Other Related Businesses	81	82
Corporate[1]	346	344
Total	9,376	9,567

Note:

(1) "Corporate" includes employees of departments such as the corporate planning department and the human resources department, which do not belong to one particular business segment.

Certain employees of the Issuer are members of the Central Nippon Expressway Workers Union, which is aligned with the Labor Federation of Government Related Organisations. Certain of the employees of the Issuer's subsidiaries are also members of their respective workers unions.

The Group has not experienced any material labour disputes and believes that its relations with its employees are good.

SUBSIDIARIES AND AFFILIATES

As of 31 March 2014, the Issuer had 24 subsidiaries (of which 23 were consolidated) and 13 affiliates (of which 12 were accounted for by the equity method). The following table sets out certain information as of 31 March 2014 with respect to the Issuer's consolidated subsidiaries and affiliates accounted for by the equity method:

Name of subsidiary/affiliate	Location	Business segment	Issued share capital as of 31 March 2014	Percentage of voting rights owned, directly or indirectly, by the Issuer
			(Millions of yen)	*(Per cent.)*
Consolidated Subsidiaries				
Central Nippon Exis Co., Ltd.	Naka-ku, Nagoya	Rest Area Business	45	100.0
Central Nippon Extoll Yokohama Co., Ltd.	Nishi-ku, Yokohama	Expressway Business	100	100.0
Central Nippon Extoll Nagoya Co., Ltd.	Naka-ku, Nagoya	Expressway Business	100	100.0
Central Nippon Highway Patrol Tokyo Co., Ltd.	Shinjuku-ku, Tokyo	Expressway Business	50	100.0
Central Nippon Highway Patrol Nagoya Co., Ltd.	Naka-ku, Nagoya	Expressway Business	50	100.0
Central Nippon Highway Engineering Tokyo Co., Ltd.	Shinjuku-ku, Tokyo	Expressway Business	90	100.0
Central Nippon Highway Engineering Nagoya Co., Ltd.	Naka-ku, Nagoya	Expressway Business	90	100.0
Central Nippon Highway Maintenance Tomei Co., Ltd.	Minato-ku, Tokyo	Expressway Business	30	88.7
Central Nippon Highway Maintenance Chuoh Co., Ltd.	Hachioji, Tokyo	Expressway Business	50	100.0
Central Nippon Highway Maintenance Nagoya Co., Ltd.	Naka-ku, Nagoya	Expressway Business	45	100.0
Central Nippon Highway Maintenance Hokuriku Co., Ltd.(4)	Kanazawa, Ishikawa	Expressway Business	50	100.0
NEXCO Central Nippon Services Co., Ltd.	Naka-ku, Nagoya	Expressway Business	75	100.0
Central-NEXCO Technical Marketing Co., Ltd.	Naka-ku, Nagoya	Other Related Businesses	10	100.0
NEXCO Central Nippon Investment LLC.(2)(3)	Naka-ku, Nagoya	Other Related Businesses	10	100.0
H.R. Yokohama Co., Ltd.	Nishi-ku, Yokohama	Rest Area Business	35	100.0
Grancer Seiwa Service Co., Ltd.	Naka-ku, Nagoya	Rest Area Business	20	72.1
Central Nippon Highway Advance Co., Ltd.	Minato-ku, Tokyo	Rest Area Business	30	100.0
Central Nippon Road Maintenance Shizuoka Co., Ltd.	Iwata, Shizuoka	Expressway Business	20	51.0
Central Nippon Road Maintenance Tokyo Co., Ltd.	Midori-ku, Yokohama	Expressway Business	62	53.6

Name of subsidiary/affiliate	Location	Business segment	Issued share capital as of 31 March 2014	Percentage of voting rights owned, directly or indirectly, by the Issuer
			(Millions of yen)	*(Per cent.)*
Central Nippon Road Maintenance Tokai Co., Ltd.	Naka-ku, Nagoya	Expressway Business	30	51.0
Central-NEXCO Auto Service Co., Ltd.	Ichinomiya, Aichi	Expressway Business	20	100.0
Central Nippon Road Maintenance Kanazawa Co., Ltd.	Hakusan, Ishikawa	Expressway Business	75	55.2
Central Nippon Road Maintenance Chubu Co., Ltd.	Nakamura-ku, Nagoya	Expressway Business	45	76.0
Affiliates Accounted for by the Equity Method				
Hokuriku Expressway Terminal Co., Ltd.	Kanazawa, Ishikawa	Other Related Businesses	1,157	27.6
NEXCO Systems Co., Ltd.(1)	Taito-ku, Tokyo	Expressway Business	50	33.3
Nippon Expressway Research Institute Co., Ltd.(1)	Machida, Tokyo	Expressway Business	45	33.3
NEXCO Insurance Services Co., Ltd.(1)	Chiyoda-ku, Tokyo	Other Related Businesses	15	33.3
HIGHWAY TOLL SYSTEMS Co., Ltd.	Chuo-ku, Tokyo	Expressway Business	75	24.0
Japan Expressway International Co., Ltd.(1)	Chiyoda-ku, Tokyo	Other Related Businesses	499	28.6
Central Nippon Facilities Management Co., Ltd.	Nakano-ku, Tokyo	Expressway Business	30	49.0
Nihon Road Maintenance Co., Ltd.	Minato-ku, Tokyo	Expressway Business	100	15.0
Tokyo Highway Co., Ltd.	Chiyoda-ku, Tokyo	Expressway Business	86	15.0
TC Maintenance Co., Ltd.	Matsumoto, Nagano	Expressway Business	20	33.4
NHS Nagoya Co., Ltd.	Chikusa-ku, Nagoya	Expressway Business	20	33.5
KOSOKUHOZEN Co., Ltd.	Hachioji, Tokyo	Expressway Business	30	33.3

Notes:

(1) These affiliates are jointly controlled entities under the "Accounting Standard for Business Combination" (ASBJ Statement No. 21 issued on 26 December 2008).

(2) On 8 April 2014, NEXCO Central Nippon Investment LLC., a consolidated subsidiary of the Issuer, incorporated a consolidated subsidiary NEXCO Central Nippon Development Company Limited in Nagoya, Aichi prefecture with an issued share capital of ¥400 million, to be involved in the development and administration of commercial facilities around expressways.

(3) On 25 April 2014, NEXCO Central Nippon Investment LLC., a consolidated subsidiary of the Issuer, acquired Hakone Turnpike Limited in Hakone, Kanagawa prefecture. Hakone Turnpike Limited has been engaged in holding, maintaining and operating motoring roads and other related businesses.

(4) On 26 May 2014, Central Nippon Highway Maintenance Hokuriku Co., Ltd., a consolidated subsidiary of the Issuer, acquired Deros Japan Co., Ltd. in Kanazawa, Ishikawa prefecture. Deros Japan Co., Ltd. has been engaged in inspection, diagnosis, repair and reinforcement of road structures.

JAPAN EXPRESSWAY HOLDING AND DEBT REPAYMENT AGENCY

Overview

JEHDRA is an administrative agency established on 1 October 2005 for the purposes of supporting the successful operation of expressway business activities of the six Expressway Companies in Japan and reducing the fiscal burden on the general public with respect to expressways, through holding highway assets related to expressways, leasing these assets and repaying its debt in a timely and secure manner. JEHDRA conducts business such as holding highway assets related to expressways, leasing these assets to the Expressway Companies, repaying debt assumed by it from the Four Highway-Related Public Corporations, and assuming and repaying debt newly incurred by the Expressway Companies to cover the costs of the construction, renovation, repair or disaster recovery, of expressways. JEHDRA is scheduled to repay in full all such debt assumed from the Four Highway-Related Public Corporations and newly assumed from the Expressway Companies up to 30 September 2065, with the lease fees received from the Expressway Companies as well as through refinancing existing debt. Once the debt is paid in full, each expressway will be transferred to the respective Highway Administrators, the authority of which JEHDRA substitutes for until such time.

Under Article 31, Paragraph 1 of the JEHDRA Act, JEHDRA must be dissolved by 30 September 2065. The JEHDRA Act also requires JEHDRA to repay its debts in full before its dissolution, and that on the date of dissolution it must have remaining assets in an amount at least equivalent to its capital. Further, pursuant to Article 2 of the supplementary provisions of the Implementation Act, JEHDRA must, within ten years of such Act coming into effect, consider the implementation by the Japanese Government of the Privatisation Acts and to take appropriate action based on such consideration.

Business of JEHDRA

Purpose

The purpose of JEHDRA is to support the successful operation of expressway business activities of the six Expressway Companies in Japan and to reduce the fiscal burden on the general public with respect to expressways, through holding expressway assets, leasing these assets and repaying its debt in a timely and secure manner.

Operations

The principal operations of JEHDRA comprise the following:

- Holding of expressway assets and leasing of these assets to the Expressway Companies;
- Repayment of debt assumed from the Four Highway-Related Public Corporations (including repayment of borrowings for the purposes of repayment of such debt);
- Repayment of debt assumed by JEHDRA from the Expressway Companies in respect of liabilities incurred with regard to the construction, renovation, repair or disaster recovery works relating to expressways undertaken by the Expressway Companies (including repayment of borrowings for the purposes of repayment of such debt);
- Lending to the Metropolitan Expressway Company and the Hanshin Expressway Company (with no interest) for the purpose of providing these companies with funding for part of the costs related to construction or renovations of the Metropolitan Expressway or the Hanshin Expressway. The funding is capital obtained from the Japanese Government or certain Japanese local government authorities specified by government ordinance;
- Lending to the Expressway Companies (with no interest) for the purpose of providing the Expressway Companies with funding for disaster recovery efforts in respect of expressways, funded by subsidies from the Japanese Government;
- Lending to the Expressway Companies (with no interest) financed from subsidies granted by the Japanese Government for part of the funds to be allocated to costs necessary for maintenance of the parts of the expressways that join the expressways and roads other than expressways, and specified by the Ordinance of the Ministry of Land, Infrastructure, Transport and Tourism.

- Lending to the Metropolitan Expressway Company and the Hanshin Expressway Company (with no interest) for the purpose of providing such companies with funding for part of the costs related to construction, renovation, repairs or disaster recovery efforts in respect of the Metropolitan Expressway or the Hanshin Expressway. These are funded by subsidies from certain Japanese local government authorities specified by government ordinance;
- Granting of incentives to the Expressway Companies in relation to managerial cost reduction efforts with regard to costs relating to the construction, renovation, maintenance, repair and other management of expressways;
- Acting as agent of the highway management authority in relation to the construction, renovation, maintenance, repair and other management of expressways by the Expressway Companies according to the provisions of the Special Measures Act;
- Certain business related to the operation of regular shipping services in relation to the building of a connecting bridge between Honshu and Shikoku; and
- Operation of railway facilities connecting Honshu and Shikoku and to allow such facilities to be used by railway operators for a fee.

Capitalisation

The following table sets out JEHDRA's capitalisation as of 31 March 2012 and 2013. The capital of JEHDRA is wholly provided by the Japanese Government (the Minister of LIT and the Minister of Finance) as well as the relevant local governments.

	As of 31 March	
	2012	**2013**
	(Millions of yen)	
Net assets:		
Capital:		
Funds contributed by national government	¥3,884,479	¥3,955,854
Funds contributed by local governments	1,370,645	1,420,458
Total capital	5,255,124	5,376,312
Capital Surplus:		
Capital surplus	70	89
Reserve funds pursuant to Article 15 of the Implementation Act	850,933	850,933
Accumulated difference in purchase price not recognised in the Profit and Loss Statement	(29)	(33)
Accumulated depreciation not recognised in the Profit and Loss Statement	(3,930)	(4,515)
Accumulated impairment loss not recognised in the Profit and Loss Statement	(2,061)	(2,062)
Total capital surplus	844,983	844,412
Retained Earnings:		
Total retained earnings	2,445,282	2,808,929
Total net assets	¥8,545,389	¥9,029,653

JEHDRA's financial statements are prepared in accordance with the General Rules Act and the JEHDRA Act as well as the Accounting Standards for Administrative Agency and the Notes to Accounting Standards for Administrative Agency.

JEHDRA's financial statements have not received an audit report in accordance with Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act. However, JEHDRA must obtain the authorisation of the Minister of LIT in respect of such financial statements each year under Article 38 of the General Rules Act. The audit of the financial statements are undertaken by JEHDRA's auditor (pursuant to Article 19, Paragraph 4 of the General Rules Act) and independent auditors (pursuant to Article 39 of the General Rules Act), as well as being audited by the governmental Board of Audit pursuant to Article 22, item 5 of the Board of Audit Act.

TAXATION

Japan

The following statements are not intended to constitute a complete analysis of all tax consequences relating to the purchase, ownership and disposition of the Bonds. Prospective purchasers should consult their own tax advisers concerning the tax consequences of their particular situations.

Interest payments on the Bonds to an individual resident of Japan or a Japanese corporation (except for a Japanese financial institution or a Japanese financial instruments business operator designated by the Cabinet Order pursuant to Article 6, paragraph (9) of the Act on Special Measures Concerning Taxation, which has complied with the requirements for tax exemption under said paragraph (9)), or an individual non-resident of Japan or a non-Japanese corporation that in either case is a person who has a special relationship with the Issuer (that is, in general terms, a person who directly or indirectly controls or is directly or indirectly controlled by, or is under direct or indirect common control with, the issuer of the Bonds within the meaning prescribed by the Cabinet Order (a "Specially-Related Party")) will be subject to withholding pursuant to the Income Tax Act of Japan (Act No. 33 of 1965, as amended) (the "Income Tax Act") and other applicable tax laws at a rate of 15.315 per cent. of the amount specified in sub-paragraph (i) or (ii) below, as applicable:

(i) if interest is paid to an individual resident of Japan, to a Japanese corporation (except as provided in sub-paragraph (ii) below), or to an individual non-resident of Japan or a non-Japanese corporation that in either case is a Specially-Related Party, the amount of such interest; or

(ii) if interest is paid to a public corporation, a financial institution or a financial instruments business operator, etc., each designated by Article 3-3, paragraph (6) of the Act on Special Measures Concerning Taxation (which has complied with the requirements for tax exemption under the said paragraph (6)) through its payment handling agent in Japan as provided in the said paragraph (6), the amount of such interest minus the amount accrued during the period in which the Bonds have been held by such recipient as provided in the Cabinet Order relating to the said paragraph (6).

Under the amendment to the Act on Special Measures Concerning Taxation, which will become effective as of 1 January 2016, the provisions related to withholding tax will be changed on or after 1 January 2016. As a result of application of this amendment, interest payments to become due on or after 1 January 2016 on the Bonds to an individual resident of Japan or a Japanese corporation (except for (i) a Japanese financial institution or a Japanese financial instruments business operator designated by the Cabinet Order pursuant to Article 6, paragraph (9) of the Act on Special Measures Concerning Taxation, which has complied with the requirements for any tax exemption under said paragraph (9), and (ii) a public corporation, a financial institution or a financial instruments business operator, etc., each described in Article 3-3, paragraph (6) of the Act on Special Measures Concerning Taxation which receives interest payments on the Bonds through a Japanese payment handling agent as described in paragraph (1) of said article and which has complied with the requirements for tax exemption under paragraph (6) of said article), or an individual non-resident of Japan or a non-Japanese corporation that in either case is a Specially-Related Party, will be subject to withholding tax pursuant to the Income Tax Act and other applicable tax laws at a rate of 15.315 per cent. of the amount of such interest.

It should be noted that: (i) if the recipient of interest on the Bonds is a Japanese corporation, the amount of such interest will be included in the recipient's income which is subject to Japanese corporate tax under the Corporate Tax Act of Japan (Act No. 34 of 1965, as amended) (the "Corporate Tax Act"); provided that the amount of Japanese income tax withheld under the Income Tax Act will be generally credited against the amount of Japanese corporate tax; and (ii) if the recipient of interest on the Bonds is an individual non-resident of Japan or a non-Japanese corporation that in either case is a Specially-Related Party and has any kind of permanent establishment in Japan, all or a certain amount of such interest will be included in the recipient's income which is subject to Japanese income tax or corporate tax, as appropriate, payable other than by way of withholding, with any necessary adjustment, if applicable, pursuant to the Income Tax Act or the Corporate Tax Act, as appropriate, in consideration of the amount of the Japanese income tax withheld under the Income Tax Act.

Under the Act on Special Measures Concerning Taxation, payment of interest on the Bonds outside Japan by the Issuer or any Paying Agent to a beneficial owner that is not an individual resident of Japan or a Japanese corporation for Japanese tax purposes, other than a Specially-Related Party, will not be subject to Japanese withholding tax, provided that the beneficial owner complies with procedures for establishing its eligibility for exemption from the imposition of Japanese income tax, including withholding tax, pursuant to the Act on Special Measures Concerning Taxation as summarised below:

(i) if the Bonds or Coupons are deposited with an agent which handles the interest payments on the Bonds as defined in the Cabinet Order (the "payment handling agent") in accordance with the Cabinet Order,

(A) the recipient of the interest provides such payment handling agent which holds the Bonds or Coupons in its custody (the "payment handling custodian") with information including, *inter alia*, its name and address and obtains confirmation from the payment handling custodian of the correctness of such information by presenting certain documentary or other evidence to such payment handling custodian; (B) such payment handling custodian notifies "Interest Recipient Information" (providing, *inter alia*, (a) that all recipients are individual non-residents of Japan or non-Japanese corporations other than Specially-Related Party (if applicable); or (b) that the amount of the interest payable to the recipients which are individual non-residents of Japan or non-Japanese corporations other than Specially-Related Party) which is prepared by such payment handling custodian based on the information provided by the recipient, to the Issuer or (if the Bonds or Coupons are further sub-deposited with another payment handling agent including a clearing organisation (the "sub-depositary") by such payment handling custodian) through such sub-depositary to the Issuer, at the latest one day prior to the date on which such payment handling custodian receives from the Issuer the amount of the interest for the payment to the recipients; and (C) the Issuer prepares an "Interest Recipient Confirmation" based upon Interest Recipient Information and submits it to the competent Japanese tax authority (the "tax authority"); or

(ii) if the Bonds or Coupons are held otherwise than through a payment handling custodian, upon each payment of interest on the Bonds, the Bondholder files a "Claim for Exemption from Taxation" (providing, *inter alia*, the name and address of the recipient of the interest) with the tax authority through the Issuer or (if payment of interest is made through the payment handling agent) through the payment handling agent and the Issuer.

If the recipient of interest on the Bonds is an individual non-resident of Japan or a non-Japanese corporation other than a Specially-Related Party, failure by such individual non-resident of Japan or non-Japanese corporation to comply with the above requirements will result in the withholding of Japanese income tax.

The above exemption from the withholding of Japanese income tax on interest payments of the Bonds is also applied to a Japanese financial institution or a Japanese financial instruments business operator designated by the Cabinet Order pursuant to Article 6, paragraph (9) of the Act on Special Measures Concerning Taxation which receives the interest on the Bonds outside of Japan (i.e. receives the interest otherwise than through the payment handling agent in Japan).

If the recipient of interest on the Bonds is an individual non-resident of Japan or a non-Japanese corporation other than a Specially-Related Party which complies with the above requirements and if such individual non-resident of Japan or non-Japanese corporation has a permanent establishment in Japan and the receipt of interest is attributable to the business of such individual non-resident or non-Japanese corporation carried on in Japan through such permanent establishment, such interest will be subject to Japanese income tax or corporate tax, as appropriate, payable other than by way of withholding.

EU Savings Tax Directive

Under European Council Directive 2003/48/EC on the taxation of savings income, each Member State of the European Union is required to provide to the tax authorities of another Member State details of payments of interest (or other similar income) paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments. Luxembourg has announced that it will no longer apply the withholding tax system as from 1 January 2015 and will provide details of payments of interest (or similar income) as from this date.

A number of non-EU countries, including Switzerland, and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

The European Council formally adopted the Amending Directive, amending the European Council Directive 2003/48/EC, on 24 March 2014. The Amending Directive broadens the scope of the requirements described above. Member States have until 1 January 2016 to adopt the national legislation necessary to comply with the Amending Directive. The changes made under the Amending Directive include extending the scope of the European Council Directive 2003/48/EC to payments made to, or collected for, certain other entities and legal arrangements. They also broaden the definition of "interest payment" to cover income that is equivalent to interest.

Investors who are in any doubt as to their position should consult their professional advisers.

Proposed Financial Transactions Tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "Commission's Proposal") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "participating Member States").

The Commission's Proposal has a very broad scope and could, if introduced, apply to certain dealings in the Bonds (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Bonds where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

A joint statement issued in May 2014 by ten of the eleven participating Member States indicated an intention to implement the FTT progressively, such that it would initially apply to shares and certain derivatives, with this initial implementation occurring by 1 January 2016. The FTT, as initially implemented on this basis, may not apply to dealings in the Bonds.

The Commission's Proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation. Additional Member States may decide to participate.

Prospective holders of the Bonds are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE

Subscription Agreement

Citigroup Global Markets Limited and Mitsubishi UFJ Securities International plc (together, the "Joint Lead Managers") have, pursuant to a subscription agreement dated 30 July 2014 (the "Subscription Agreement"), jointly and severally agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe for the Bonds at 100 per cent. of their principal amount (the "Issue Price"). The Issuer has agreed to pay to the Joint Lead Managers a total combined management and underwriting commission and selling concession of 0.225 per cent. of the principal amount of the Bonds. In addition, the Issuer has agreed to reimburse the Joint Lead Managers for certain expenses in connection with the issue of the Bonds. The Subscription Agreement entitles the Joint Lead Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

Selling Restrictions

United States of America

The Bonds have not been and will not be registered under the Securities Act and are subject to U.S. tax law requirements. Subject to certain exceptions, Bonds may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons. Each of the Joint Lead Managers has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Bonds within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after commencement of the offering, an offer or sale of Bonds within the United States by a dealer whether or not participating in the offering may violate the registration requirements of the Securities Act.

Japan

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act and are subject to the Act on Special Measures Concerning Taxation. Each Joint Lead Manager has represented and agreed that, (I) it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Bonds in Japan or to, or for the benefit of, any person resident in Japan for Japanese securities law purposes (including any corporation or entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of any person resident in Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and any other applicable laws, regulations and ministerial guidelines of Japan; and, (II) it (i) has not, directly or indirectly, offered or sold any Bonds to, or for the benefit of, any person other than a Gross Recipient (as defined below), and (ii) will not, directly or indirectly, offer or sell any Bonds, (x) as part of its initial distribution at any time, to, or for the benefit of, any person other than a Gross Recipient, and (y) otherwise until 40 days after the date of issue, to, or for the benefit of, any individual resident of Japan or Japanese corporation for Japanese tax purposes (except for a Designated Financial Institution and an Article 3-3 Japanese Resident).

A "Gross Recipient" for this purpose is (i) a beneficial owner that is, for Japanese tax purposes, neither (x) an individual resident of Japan or a Japanese corporation, nor (y) an individual non-resident of Japan or a non-Japanese corporation that in either case is a Specially-Related Party, (ii) Japanese financial institution, designated in Article 3-2-2, Paragraph 29 of the Cabinet Order that will hold Bonds for its own proprietary account (a "Designated Financial Institution") or (iii) individual resident of Japan or a Japanese corporation whose receipt of interest on the Bonds will be made through a payment handling agent in Japan as defined in Article 2-2, Paragraph 2 of the Cabinet Order (an "Article 3-3 Japanese Resident").

Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), each Joint Lead Manager has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date"), it has not made and will not make an offer of Bonds which are the subject of the offering contemplated by this Offering Circular to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Bonds to the public in that Relevant Member State:

(a) Qualified investors: to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) Fewer than 100/150 offerees: to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Joint Lead Managers; or

(c) Other exempt offers: in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Bonds shall require the Issuer or any Joint Lead Manager to publish a prospectus pursuant to Article 3 or to supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Bonds to the public" in relation to any Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

United Kingdom

Each Joint Lead Manager has represented, warranted and undertaken that:

(a) Financial promotion: it has only communicated or caused to be communicated, and will only communicate or cause to be communicated, an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Bonds in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

(b) General compliance: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

The Netherlands

Each Joint Lead Manager has represented and agreed that it will not make an offer of Bonds which are the subject of the offering contemplated by this Offering Circular to the public in The Netherlands in reliance on Article 3(2) of the Prospectus Directive unless such offer is made exclusively to legal entities which are qualified investors in The Netherlands (as defined in the Dutch Financial Supervision Act (*Wet op het financieel toezicht*)) provided that no such offer of Bonds shall require the Issuer or any Joint Lead Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expressions (i) an "offer of Bonds to the public" in relation to any Bonds in The Netherlands; and (ii) "Prospectus Directive", have the meaning given to them above in the section headed "Public Offer Selling Restriction under the Prospectus Directive".

Singapore

Each Joint Lead Manager has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Cap. 289 of Singapore (the "SFA") and accordingly, the Bonds may not be offered or sold, nor may the Bonds be the subject of an invitation for subscription or purchase, nor may this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase of the Bonds be circulated or distributed, whether directly or indirectly, to any person in Singapore other than under exemptions provided in the SFA for offers made (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to an offer referred to in Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with, the conditions of any other applicable provision of the SFA.

Where the Bonds are acquired by persons who are relevant persons specified in Section 276 of the SFA, namely:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor,

the shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferrable within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor (under Section 274 of the SFA) or to a relevant person as defined in Section 275(2) of the SFA, or any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights or interest in that trust are acquired at a consideration of not less than 200,000 Singapore dollars (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets and further for corporations, in accordance with the conditions specified in Section 275(1A) of the SFA;

(2) where no consideration is given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 32 of the Securities and Futures (Offer of Investments) (Shares and Debentures) Regulation 2005 of Singapore.

Hong Kong

Each Joint Lead Manager has represented, warranted and agreed that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "SFO") and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "Companies Ordinance") or which do not constitute an offer to the public within the meaning of the Companies Ordinance; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

General

Each Joint Lead Manager has represented, warranted and agreed that it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in which it purchases, offers, sells or delivers Bonds or possesses, distributes or publishes this Offering Circular or any other offering material relating to the Bonds. Persons into whose hands this Offering Circular comes are required by the Issuer and the Joint Lead Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Bonds or possess, distribute or publish this Offering Circular or any other offering material relating to the Bonds, in all cases at their own expense.

Other Relationships

Some of the Joint Lead Managers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Issuer. They have received, or may in the future receive, customary fees and commissions for these transactions.

In addition, in the ordinary course of their business activities, the Joint Lead Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer. Certain of the Joint Lead Managers and their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Joint Lead Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Issuer's securities, including potentially the Bonds. Any such short positions could adversely affect future trading prices of the Bonds. The Joint Lead Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

GENERAL INFORMATION

1. The issue of the Bonds was duly authorised by the Issuer on 20 March 2014 with the authorisation of the Minister of LIT on 4 July 2014.

2. The Bonds have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The International Security Identification Number (ISIN) for the Bonds is XS1090178259, and the Common Code is 109017825.

3. Approval in-principle has been received for the listing of the Bonds on the SGX-ST. For so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that the Permanent Global Bond is exchanged for definitive Bonds, the Issuer will appoint and maintain a paying agent in Singapore, where the Bonds may be presented or surrendered for payment or redemption. In addition, in the event that the Permanent Global Bond is exchanged for definitive Bonds, an announcement of such exchange shall be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Bonds, including details of the paying agent in Singapore. The Bonds will be traded on the SGX-ST in a minimum board lot size of U.S.$200,000 for so long as the Bonds are listed on the SGX-ST.

4. So long as any of the Bonds remain outstanding, copies of the following documents will be available for inspection during usual business hours (except Saturdays, Sundays and legal holidays) at the specified offices of the Fiscal Agent and each of the Paying Agents:

   - The Fiscal Agency Agreement, incorporating the forms of the Bonds;
   - The Deed of Covenant;
   - The Articles of Incorporation of the Issuer (certified English translation);
   - The Expressway Companies Act (certified English translation);
   - The JEHDRA Act (certified English translation);
   - The General Rules Act (certified English translation);
   - The consolidated financial statements (including audit reports only for the fiscal years ended 31 March 2013 and 31 March 2014) of the Issuer covering the latest two fiscal years;
   - On and after the Assumption Date (as defined in Condition 16), the most recent annual report of JEHDRA and the JEHDRA Deed Poll (as defined in the Conditions).

5. The consolidated financial statements of the Issuer for each of the fiscal years ended 31 March 2013 and 2014, included in this Offering Circular, have been audited by Ernst & Young ShinNihon LLC, the Issuer's independent auditor, as stated in their audit report appearing herein.

6. Save as disclosed in this Offering Circular, there has been no significant change in the financial or trading position of the Group and no material adverse change in the prospects of the Group since 31 March 2014.

7. Save as disclosed in this Offering Circular, neither the Issuer nor any of its consolidated subsidiaries is, or has been involved in, any legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have, or have had during the 12 months preceding the date of this Offering Circular, a significant effect on the financial position or the profitability of the Group nor is the Issuer aware that any such proceedings are pending or threatened.

8. The Bonds and the Coupons will contain the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code".

9. The Temporary Global Bond, the Permanent Global Bond and the Bonds will bear the following legend.

"INTEREST PAYMENTS ON THE BONDS TO AN INDIVIDUAL RESIDENT OF JAPAN, TO A JAPANESE CORPORATION (EXCLUDING A JAPANESE DESIGNATED FINANCIAL INSTITUTION DESCRIBED IN ARTICLE 6, PARAGRAPH (9) OF THE ACT ON SPECIAL MEASURES CONCERNING TAXATION OF JAPAN, WHICH HAS COMPLIED WITH THE REQUIREMENTS FOR TAX EXEMPTION UNDER SAID PARAGRAPH), OR TO AN INDIVIDUAL NON-RESIDENT OF JAPAN OR A NON-JAPANESE CORPORATION THAT IN EITHER CASE IS A PARTY HAVING A SPECIAL RELATIONSHIP WITH THE ISSUER AS DESCRIBED IN PARAGRAPH (4) OF SAID ARTICLE (A "SPECIALLY-RELATED PARTY") WILL BE SUBJECT TO JAPANESE INCOME TAX ON THE AMOUNT SPECIFIED IN SUB-PARAGRAPH (A) OR (B) BELOW, AS APPLICABLE:

(A) IF INTEREST IS PAID TO AN INDIVIDUAL RESIDENT OF JAPAN, TO A JAPANESE CORPORATION, OR TO AN INDIVIDUAL NON-RESIDENT OF JAPAN OR A NON-JAPANESE CORPORATION THAT IN EITHER CASE IS A SPECIALLY-RELATED PARTY (EXCEPT AS DESCRIBED IN SUB-PARAGRAPH (B) BELOW), THE AMOUNT OF SUCH INTEREST; OR

(B) IF INTEREST IS PAID TO A PUBLIC CORPORATION, A FINANCIAL INSTITUTION OR A FINANCIAL INSTRUMENTS BUSINESS OPERATOR, ETC., EACH DESCRIBED IN ARTICLE 3-3, PARAGRAPH (6) OF THE ACT ON SPECIAL MEASURES CONCERNING TAXATION OF JAPAN (WHICH HAS COMPLIED WITH THE REQUIREMENTS FOR TAX EXEMPTION UNDER SAID PARAGRAPH) THROUGH A JAPANESE PAYMENT HANDLING AGENT AS DESCRIBED IN THE SAID PARAGRAPH (6), THE AMOUNT OF SUCH INTEREST MINUS THE AMOUNT DESCRIBED IN THE CABINET ORDER RELATING TO SAID PARAGRAPH."

Interest payments to become due on or after 1 January 2016 on the Bonds to an individual resident of Japan, to a Japanese corporation (excluding (i) a Japanese designated financial institution described in Article 6, paragraph (9) of the Act on Special Measures Concerning Taxation, which has complied with the requirements for tax exemption under said paragraph, and (ii) a public corporation, a financial institution or a financial instruments business operator, etc., each described in Article 3-3, paragraph (6) of the Act on Special Measures Concerning Taxation, which receives interest payments on the Bonds through a Japanese payment handling agent as described in paragraph (1) of said Article and which has complied with the requirements for tax exemption under paragraph (6) of said Article), or to an individual non-resident of Japan or a non-Japanese corporation that in either case is a Specially-Related Party, will be subject to Japanese income tax on the amount of such interest.

10. Where information has been sourced from the publication of a party other than the Issuer, the source of such information has been identified at their respective occurrences within this Offering Circular, and such information has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from the information published by that party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

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Independent Auditor's Report

The Board of Directors
Central Nippon Expressway Company Limited

We have audited the accompanying consolidated financial statements of Central Nippon Expressway Company Limited and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2014 and 2013, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Central Nippon Expressway Company Limited and its consolidated subsidiaries as at March 31, 2014 and 2013, and their consolidated financial performance and cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1(a).

/s/ Ernst & Young ShinNihon LLC
June 20, 2014
Nagoya, Japan

Central Nippon Expressway Company Limited and its Consolidated Subsidiaries

Consolidated Balance Sheets

March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1(a))
	2014	**2013**	**2014**
Assets			
Current assets:			
Cash and deposits *(Notes 9, 17 and 18)*	**¥ 74,384**	¥ 24,930	**$ 722,736**
Accounts receivable due from expressway business operations *(Notes 18 and 22)*	**51,070**	44,463	**496,211**
Other accounts receivable *(Note 18)*	**50,155**	7,275	**487,320**
Marketable securities *(Notes 4, 17 and 18)*	**40,000**	98,276	**388,651**
Inventories *(Note 5)*	**878,431**	689,785	**8,535,086**
Deferred income taxes *(Note 10)*	**2,345**	2,682	**22,785**
Other current assets *(Notes 17, 18 and 20)*	**12,819**	27,483	**124,553**
Allowance for doubtful accounts	**(21)**	(12)	**(204)**
Total current assets	**1,109,183**	894,882	**10,777,138**
Property and equipment *(Notes 7, 15 and 21)*:			
Buildings	**58,520**	57,242	**568,597**
Structures	**53,147**	51,818	**516,391**
Machinery and equipment	**95,004**	89,885	**923,086**
Vehicles	**18,212**	17,137	**176,953**
Tools, furniture and fixtures	**12,731**	12,360	**123,698**
Land	**119,717**	119,843	**1,163,204**
Leased assets	**1,778**	1,581	**17,276**
Construction in progress	**4,018**	3,112	**39,040**
Less accumulated depreciation	**(103,245)**	(87,989)	**(1,003,158)**
Total property and equipment	**259,882**	264,989	**2,525,087**
Investments and other assets:			
Investments in unconsolidated subsidiaries and affiliates *(Notes 6, 18 and 21)*	**3,856**	4,499	**37,466**
Investments in securities *(Notes 4 and 18)*	**1,065**	946	**10,348**
Intangible fixed assets *(Note 21)*	**8,659**	9,854	**84,133**
Deferred income taxes *(Note 10)*	**2,544**	1,806	**24,718**
Asset for retirement benefits *(Note 11)*	**134**	–	**1,302**
Others *(Note 9)*	**5,325**	6,070	**51,739**
Allowance for doubtful accounts	**(298)**	(261)	**(2,895)**
Total investments and other assets	**21,285**	22,914	**206,811**
Deferred assets:			
Bond issuance expenses for road construction	**1,533**	1,209	**14,895**
Total assets *(Notes 9, 12, 21 and 22)*	**¥ 1,391,883**	¥ 1,183,994	**$ 13,523,931**

	Millions of yen		Thousands of U.S. dollars (Note 1(a))
	2014	**2013**	**2014**
Liabilities			
Current liabilities:			
Accounts payable due to expressway business operations *(Notes 18 and 22)*	¥ **83,599**	¥ 93,589	$ **812,272**
Current portion of long-term debt *(Notes 8, 9, 18 and 22)*	**51,325**	38,040	**498,688**
Current portion of lease obligations (*Notes 8 and 15*)	**309**	313	**3,002**
Other accounts payable *(Note 18)*	**19,561**	59,807	**190,060**
Income and other taxes payable *(Notes 10 and 18)*	**1,861**	1,270	**18,082**
Accrued employees' bonuses	**2,829**	2,865	**27,487**
Allowance for losses due to forged expressway cards	**57**	80	**554**
Other current liabilities *(Note 22)*	**14,788**	15,287	**143,685**
Total current liabilities *(Note 21)*	**174,329**	211,251	**1,693,830**
Long-term liabilities:			
Long-term debt *(Notes 8, 9, 18 and 22)*	**917,541**	677,366	**8,915,089**
Lease obligations *(Notes 8 and 15)*	**664**	686	**6,452**
Deferred income taxes *(Note 10)*	**64**	157	**622**
Accrued retirement benefits for employees *(Note 11)*	**–**	59,530	**–**
Liability for retirement benefits *(Note 11)*	**70,273**	–	**682,792**
Accrued retirement benefits for directors, corporate auditors and corporate officers	**232**	186	**2,254**
Allowance for ETC mileage program	**7,307**	5,600	**70,997**
Allowance for card shopping point program	**25**	24	**243**
Others	**22,807**	23,408	**221,600**
Total long-term liabilities *(Note 21)*	**1,018,913**	766,957	**9,900,049**
Contingent liabilities *(Notes 12 and 22)*			
Net assets:			
Shareholders' equity *(Notes 13 and 16)*:			
Common stock	**65,000**	65,000	**631,558**
Authorized: 520,000,000 shares			
Issued: 130,000,000 shares at March 31, 2014 and 2013			
Capital surplus	**71,650**	71,650	**696,172**
Retained earnings	**67,719**	66,488	**657,977**
Total shareholders' equity	**204,369**	203,138	**1,985,707**
Accumulated other comprehensive loss:			
Net unrealized holding gain (loss) on securities *(Note 16)*	**23**	(3)	**224**
Retirement benefit liability adjustments	**(9,457)**	–	**(91,887)**
Total accumulated other comprehensive loss	**(9,434)**	(3)	**(91,663)**
Minority interests *(Note 16)*	**3,706**	2,651	**36,008**
Total net assets *(Note 16)*	**198,641**	205,786	**1,930,052**
Total liabilities and net assets	**¥ 1,391,883**	¥ 1,183,994	**$ 13,523,931**

See notes to consolidated financial statements.

Central Nippon Expressway Company Limited and its Consolidated Subsidiaries

Consolidated Statements of Income

Years ended March 31, 2014 and 2013

	Millions of yen		*Thousands of U.S. dollars (Note 1(a))*
	2014	**2013**	**2014**
Operating revenues ***(Notes 21 and 22)***	**¥ 635,444**	¥ 1,681,016	**$ 6,174,155**
Operating expenses:			
Road assets leasing expenses *(Note 22)*	**360,586**	350,248	**3,503,556**
Cost of sales and administrative expenses for expressway business operations *(Notes 11 and 14)*	**213,770**	1,267,114	**2,077,050**
Selling, general and administrative expenses *(Notes 11 and 14)*	**59,048**	57,267	**573,728**
Total operating expenses	**633,404**	1,674,629	**6,154,334**
Operating income ***(Note 21)***	**2,040**	6,387	**19,821**
Other income (expenses):			
Interest income	**66**	101	**641**
Land and property rental fees	**215**	227	**2,089**
Amortization of negative goodwill *(Note 21)*	**342**	339	**3,323**
Equity in earnings of affiliates	**318**	506	**3,090**
Interest expenses	**(83)**	(137)	**(806)**
Gain on sales of fixed assets	**57**	47	**554**
Gain on sales of investments in securities *(Note 4)*	**37**	123	**360**
Gain on cancellation of insurance claims	**–**	80	**–**
Loss on disposal of fixed assets	**(167)**	(146)	**(1,623)**
Loss on sales of fixed assets	**(61)**	(5)	**(593)**
Loss on sales of investments in securities *(Note 4)*	**–**	(33)	**–**
Gain on negative goodwill *(Notes 21 and 23)*	**1,010**	339	**9,813**
Gain on step acquisitions *(Note 23)*	**–**	16	**–**
Loss on withdrawal from employees' pension fund	**–**	(84)	**–**
Others	**533**	616	**5,179**
Income before income taxes and minority interests	**4,307**	8,376	**41,848**
Income taxes ***(Note 10)*****:**			
Current	**2,930**	3,335	**28,469**
Deferred	**100**	699	**971**
	3,030	4,034	**29,440**
Income before minority interests	**1,277**	4,342	**12,408**
Minority interests	**46**	(11)	**447**
Net income ***(Note 16)***	**¥ 1,231**	¥ 4,353	**$ 11,961**

See notes to consolidated financial statements.

Central Nippon Expressway Company Limited and its Consolidated Subsidiaries

Consolidated Statements of Comprehensive Income

Years ended March 31, 2014 and 2013

	Millions of yen		*Thousands of U.S. dollars (Note 1(a))*
	2014	2013	**2014**
Income before minority interests	**¥ 1,277**	¥ 4,342	**$ 12,408**
Other comprehensive income:			
Net unrealized holding gain on securities	**26**	19	**252**
Share of other comprehensive income of affiliates accounted for by the equity method	**0**	20	**0**
Total other comprehensive income *(Note 24)*	**26**	39	**252**
Comprehensive income	**¥ 1,303**	¥ 4,381	**$ 12,660**
Total comprehensive income (loss) attributable to:			
Shareholders of the Company	**¥ 1,256**	¥ 4,392	**$ 12,204**
Minority interests	**47**	(11)	**456**

See notes to consolidated financial statements.

Central Nippon Expressway Company Limited and its Consolidated Subsidiaries

Consolidated Statements of Changes in Net Assets

Years ended March 31, 2014 and 2013

	Number of shares in issue	*Millions of yen* Common stock	Capital surplus	Retained earnings
Balance at April 1, 2012	130,000,000	¥ 65,000	¥ 71,650	¥ 62,135
Net income for the year	–	–	–	4,353
Other changes	–	–	–	–
Balance at April 1, 2013	**130,000,000**	**65,000**	**71,650**	**66,488**
Net income for the year	**–**	**–**	**–**	**1,231**
Other changes	**–**	**–**	**–**	**–**
Balance at March 31, 2014	**130,000,000**	**¥ 65,000**	**¥ 71,650**	**¥ 67,719**

	Millions of yen			
	Accumulated other comprehensive loss			
	Net unrealized holding gain (loss) on securities	Retirement benefit liability adjustments	Minority interests	Total net assets
Balance at April 1, 2012	¥ (41)	¥ –	¥ 2,341	¥ 201,085
Net income for the year	–	–	–	4,353
Other changes	38	–	310	348
Balance at April 1, 2013	**¥ (3)**	**¥ –**	**¥ 2,651**	**¥ 205,786**
Net income for the year	**–**	**–**	**–**	**1,231**
Other changes	**26**	**(9,457)**	**1,055**	**(8,376)**
Balance at March 31, 2014	**¥ 23**	**¥ (9,457)**	**¥ 3,706**	**¥ 198,641**

	Thousands of U.S. dollars (Note 1(a)) Common stock	Capital surplus	Retained earnings
Balance at April 1, 2013	**$ 631,558**	**$ 696,172**	**$ 646,016**
Net income for the year	**–**	**–**	**11,961**
Other changes	**–**	**–**	**–**
Balance at March 31, 2014	**$ 631,558**	**$ 696,172**	**$ 657,977**

	Thousands of U.S. dollars (Note 1(a))			
	Accumulated other comprehensive loss			
	Net unrealized holding gain (loss) on securities	Retirement benefit liability adjustments	Minority interests	Total net assets
Balance at April 1, 2013	**$ (29)**	**$ –**	**$ 25,758**	**$ 1,999,475**
Net income for the year	**–**	**–**	**–**	**11,961**
Other changes	**253**	**(91,887)**	**10,250**	**(81,384)**
Balance at March 31, 2014	**$ 224**	**$ (91,887)**	**$ 36,008**	**$ 1,930,052**

See notes to consolidated financial statements.

Central Nippon Expressway Company Limited and its Consolidated Subsidiaries

Consolidated Statements of Cash Flows

Years ended March 31, 2014 and 2013

	Millions of yen		*Thousands of U.S. dollars (Note 1(a))*
	2014	**2013**	**2014**
Cash flows from operating activities:			
Income before income taxes and minority interests	**¥ 4,307**	¥ 8,376	**$ 41,848**
Depreciation and amortization	**20,794**	20,782	**202,040**
Gain on negative goodwill	**(1,010)**	(339)	**(9,813)**
Gain on step acquisitions	**–**	(16)	**–**
Equity in earnings of affiliates	**(318)**	(506)	**(3,090)**
Increase in accrued retirement benefits	**–**	1,783	**–**
Increase in asset and liability for retirement benefits	**911**	–	**8,852**
Decrease in accrued employees' bonuses	**(44)**	(56)	**(428)**
Increase (decrease) in allowance for ETC mileage program	**1,707**	(226)	**16,586**
Increase (decrease) in allowance for doubtful accounts	**46**	(17)	**447**
Interest and dividend income	**(103)**	(110)	**(1,001)**
Interest expense	**4,773**	5,097	**46,376**
Loss (gain) on sales of fixed assets	**5**	(42)	**49**
Loss on disposal of fixed assets	**1,105**	1,435	**10,736**
Increase in accounts receivable due from expressway business operations	**(6,508)**	(869)	**(63,234)**
(Increase) decrease in inventories *(Note 17)*	**(188,332)**	788,080	**(1,829,887)**
Decrease in accounts payable due to expressway business operations	**(9,272)**	(4,814)	**(90,089)**
Decrease (increase) in other accounts payable	**(80,118)**	50,243	**(778,449)**
Others	**(176)**	(690)	**(1,711)**
Subtotal	**(252,233)**	868,111	**(2,450,768)**
Interest and dividends received	**162**	139	**1,574**
Interest paid	**(6,862)**	(4,598)	**(66,673)**
Income taxes paid	**(1,649)**	(6,595)	**(16,022)**
Net cash (used in) provided by operating activities	**(260,582)**	857,057	**(2,531,889)**
Cash flows from investing activities:			
Increase in time deposits	**(1,468)**	(954)	**(14,263)**
Decrease in time deposits	**1,788**	1,140	**17,373**
Proceeds from sales and redemption of marketable securities	**77**	280	**748**
Payments for purchase of investments in securities	**(1)**	(340)	**(10)**
Proceeds from sales and redemption of investments in securities	**513**	934	**4,984**
Payments for purchase of fixed assets	**(16,073)**	(29,318)	**(156,169)**
Proceeds from sale of fixed assets	**577**	181	**5,606**
Proceeds from acquisition of investments in subsidiaries resulting in change in scope of consolidation *(Note 17)*	**1,312**	310	**12,748**
Others	**(45)**	142	**(437)**
Net cash used in investing activities	**(13,320)**	(27,625)	**(129,420)**
Cash flows from financing activities:			
Proceeds from long-term loans	**34,000**	34,000	**330,354**
Repayments of long-term loans *(Note 17)*	**(23,060)**	(394,247)	**(224,058)**
Proceeds from issuance of bonds for road construction	**291,841**	309,265	**2,835,610**
Redemption of bonds for road construction *(Note 17)*	**(50,000)**	(794,167)	**(485,814)**
Cash dividends paid to minority shareholders	**(17)**	(2)	**(165)**
Others	**(354)**	(411)	**(3,440)**
Net cash provided by (used in) financing activities	**252,410**	(845,562)	**2,452,487**
Effect of exchange rate changes on cash equivalents	**0**	(0)	**0**
Net decrease in cash and cash equivalents	**(21,492)**	(16,130)	**(208,822)**
Cash and cash equivalents at beginning of the year	**134,119**	150,249	**1,303,138**
Cash and cash equivalents at end of the year *(Note 17)*	**¥ 112,627**	¥ 134,119	**$ 1,094,316**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

March 31, 2014 and 2013

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 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.

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

A reclassification of previously reported amount was made to confirm the consolidated statements of income for the year ended March 31, 2013 to the 2014 presentation.

The translation of Japanese yen amounts into U.S. dollars is included solely for the convenience of the reader and has been made at ¥102.92 = U.S. $1.00, the approximate rate of exchange in effect on March 31, 2014. 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 23 and 21 significant consolidated subsidiaries (collectively, the "Group") for the years ended March 31, 2014 and 2013, respectively. The Company has applied the equity method to its investments in 12 and 14 significant affiliates for the purpose of the consolidated financial statements for the years ended March 31, 2014 and 2013, respectively.

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

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

Other subsidiaries and affiliates are not significant in terms of their total assets, net income or loss, and retained earnings. Accordingly, these other subsidiaries and affiliates have not been consolidated nor are they accounted for by the equity method. Investments in such subsidiaries and affiliates are stated at cost or less. Where there has been a permanent decline in the value of such investments, the Company has written down the investments.

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

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

(c) Cash and cash equivalents

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

1. Summary of Significant Accounting Policies (continued)

(d) Investments in securities

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

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 or loss. Cost of securities sold is determined by the moving average method. Non-marketable securities classified as other securities are carried at cost determined by the moving average method.

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

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

(e) Inventories

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

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

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

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

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

(f) Allowance for doubtful accounts

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

(g) Property and equipment (except for leased assets)

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

Buildings:	3 to 50 years
Structures:	8 to 60 years
Machinery and equipment:	5 to 17 years

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

1. Summary of Significant Accounting Policies (continued)

(h) Intangible assets (except for leased assets)

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

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

(i) Leases

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

Finance lease transactions commencing on or before March 31, 2008 other than those in which the ownership of the leased assets is transferred to the lessee continue to be accounted for as operating leases.

(j) Bond issuance expenses for road construction

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

(k) Derivatives and hedging activities

The Company has entered into a currency swap contract to hedge its exposure to adverse fluctuation of the foreign currency exchange rate corresponding to a corporate bond denominated in a foreign currency based on internal regulations.

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

Currency swap contracts that meet certain conditions are accounted for by the allocation method, which requires that the recognized foreign currency transaction be translated at the corresponding currency swap contract rate.

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

(l) Income taxes

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

(m) Accrued employees' bonuses

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

(n) Retirement benefits

The liability for retirement benefits are 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.

1. Summary of Significant Accounting Policies (continued)

(n) Retirement benefits (continued)

The retirement benefit obligation is attributed to each period be the straight-line method over the estimate years of service of the eligible employees.

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 charged to income as incurred.

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

(o) Accrued retirement benefits for directors, corporate auditors and corporate officers

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

(p) Allowance for losses due to forged expressway cards

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

(q) Allowance for ETC mileage program

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

(r) Allowance for card shopping point program

The Company offers a cash rebate or gift program to customers based on the number of points that they accumulate. The allowance for card shopping point program is provided as an estimate of the total costs expected to be incurred subsequent to the balance sheet date based on the historical data on the utilization of points by customers.

(s) Recognition of revenues and costs

Operating revenues from the transfer of expressway assets constructed by the Company and related operating expenses are recognized by the completed-contract method in accordance with "Accounting Standards for Expressway Operations".

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

1. Summary of Significant Accounting Policies (continued)

(s) Recognition of revenues and costs (continued)

For construction related to the improvement or enhancement of safety of expressway assets as determined by the Board of Directors, the debts borne by the Company for construction shall not be assumed by JEHDRA. Costs for such improvement or enhancement of safety of expressway assets are charged to expense as incurred.

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

For construction contracts related to the Agency Business that commenced on or before March 31, 2009, the percentage-of-completion method is applied if the construction work extends beyond a two-year period and the contract amount exceeds ¥5,000 million ($48,581 thousand). Other construction contracts are accounted for by the completed-contract method.

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

2. Accounting Changes

The Company adopted “Accounting Standard for Retirement Benefits” (ASBJ Statement No.26 of May 17, 2012) and “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No.25 of May 17, 2012) (expect for certain provisions described in the main clause of Section 35 of the standard and in the main clause of Section 67 of the guidance) as of the end of the year ended March 31, 2014. These accounting standards require entities to apply a revised method for recording the retirement benefit obligation, after deducting pension plan assets, as an asset and a liability for retirement benefit. In addition, unrecognized actuarial differences and unrecognized prior service costs are recorded as an asset for retirement benefits and a liability for retirement benefits. Concerning the application of the Accounting Standard for Retirement Benefits, based on the provisional treatment set out in Section 37 of the standard, the effects of such changes in the current fiscal year have been recorded in retirement benefit liability adjustments as a separate component of accumulated other comprehensive income. As a result of this change, a liability for retirement benefit was recognized in the amount of ¥9,838 million ($95,589 thousand), asset for retirement benefits was recognized in the amount of ¥247 million ($2,400 thousand), deferred tax asset reflected in deferred income taxes increased by ¥518 million ($5,033 million), deferred tax liability reflected in deferred income taxes decreased by ¥89 million ($864 thousand) and retirement benefits liability adjustment was recognized by ¥9,478 million ($92,901 thousand) as of March 31, 2014. In addition, net assets per share decreased by ¥72.91 ($0.71) as of March 31, 2014.

3. Accounting Standards Issued but Not Yet Effective

Accounting standards for retirement benefits

On May 17, 2012, the ASBJ issued “Accounting Standard for Retirement Benefits” (ASBJ Statement No.26) and “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No.25), which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000 and the other related practical guidance, being followed by partial amendments from time to time through 2009.

3. Accounting Standards Issued but Not Yet Effective (continued)

Accounting standards for retirement benefits (continued)

The standard provides guidance for the accounting for unrecognized actuarial differences and unrecognized prior service costs, the calculation methods for retirement benefit obligation and service costs, and enhancement of disclosures taking into consideration improvements to financial reporting and international trends.

The revised accounting standard and guidance for the accounting for unrecognized actual differences and unrecognized prior service costs and enhancement of disclosures were adopted as of the end of the fiscal year ended March 31, 2014. However, revisions to the calculation methods for the retirement benefit obligation and service costs are scheduled to be adopted from the beginning of the fiscal year ending March 31, 2015.

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

Accounting standards for business combinations

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

Under these revised accounting standards, the accounting treatment for any changes in a parent's ownership interest in a subsidiary when the parent retains control over the subsidiary and the corresponding accounting for acquisition-related costs were revised. In addition, the presentation method of net income was amended, the term "minority interests" was replaced by "non-controlling interests," and transitional provisions for these accounting standards were also defined.

The Company and its domestic consolidated subsidiaries expect to adopt these revised accounting standards and guidance from the beginning of the fiscal year ending March 31, 2016.

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

4. Securities

Held-to-maturity debt securities with available market value at March 31, 2014 and 2013 are as follows:

	Millions of yen					
	Held-to-maturity debt securities					
	2014			**2013**		
	Carrying value	Market value	Unrealized gain (loss)	Carrying value	Market value	Unrealized gain (loss)
Securities with market value exceeding carrying value:						
National and local government bonds	**¥ 352**	**¥ 365**	**¥ 13**	¥ 352	¥ 367	¥ 15
Corporate bonds	**150**	**155**	**5**	150	157	7
Other	**–**	**–**	**–**	–	–	–
Securities with market value not exceeding carrying value:						
National and local government bonds	**–**	**–**	**–**	–	–	–
Corporate bonds	**–**	**–**	**–**	–	–	–
Other	**20,000**	**20,000**	**(0)**	11,999	11,999	(0)
Total	**¥20,502**	**¥20,520**	**¥ 18**	¥12,501	¥12,523	¥ 22

	Thousands of U.S. dollars		
	Held-to-maturity debt securities		
	2014		
	Carrying value	Market value	Unrealized gain (loss)
Securities with market value exceeding carrying value:			
National and local government bonds	**$ 3,420**	**$ 3,546**	**$ 126**
Corporate bonds	**1,457**	**1,506**	**49**
Other	**–**	**–**	**–**
Securities with market value not exceeding carrying value:			
National and local government bonds	**–**	**–**	**–**
Corporate bonds	**–**	**–**	**–**
Other	**194,326**	**194,326**	**(0)**
Total	**$199,203**	**$199,378**	**$ 175**

4. Securities (continued)

Other securities with available market value at March 31, 2014 and 2013 are as follows:

	Millions of yen					
	Other securities					
	2014			**2013**		
	Acquisition cost	Carrying value	Unrealized gain (loss)	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities with carrying value exceeding acquisition cost:						
Stocks	**¥ 128**	**¥ 166**	**¥ 38**	¥ 45	¥ 45	¥ 0
Securities with carrying value not exceeding acquisition cost:						
Stocks	**38**	**27**	**(11)**	72	59	(13)
Bonds	**237**	**237**	**–**	211	211	–
Other	**20,000**	**20,000**	**–**	86,276	86,276	–
Subtotal	**20,275**	**20,264**	**(11)**	86,559	86,546	(13)
Total	**¥20,403**	**¥20,430**	**¥ 27**	¥86,604	¥86,591	¥ (13)

	Thousands of U.S. dollars		
	Other securities		
	2014		
	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities with carrying value exceeding acquisition cost:			
Stocks	**$ 1,243**	**$ 1,613**	**$ 370**
Securities with carrying value not exceeding acquisition cost:			
Stocks	**369**	**262**	**(107)**
Bonds	**2,303**	**2,303**	**–**
Other	**194,326**	**194,326**	**–**
Subtotal	**196,998**	**196,891**	**(107)**
Total	**$198,241**	**$198,504**	**$ 263**

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

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

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

Because no quoted market price is available and it is extremely difficult to estimate the corresponding future cash flow, unlisted stocks of ¥133 million ($1,292 thousand) and ¥129 million at March 31, 2014 and 2013 are not included in the above table.

4. Securities (continued)

Sales of securities classified as other securities and the aggregate gain and loss for the years ended March 31, 2014 and 2013 are summarized as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2014	**2013**	**2014**
Sales proceeds:			
Stocks	**¥ 53**	¥ 121	**$ 515**
Corporate bonds	**–**	405	**–**
Other	**–**	432	**–**
	¥ 53	¥ 958	**$ 515**
Aggregate gain:			
Stocks	**¥ 37**	¥ 23	**$ 360**
Corporate bonds	**–**	91	**–**
Other	**–**	9	**–**
	¥ 37	¥ 123	**$ 360**
Aggregate loss:			
Stocks	**¥ –**	¥ (14)	**$ –**
Corporate bonds	**–**	(0)	**–**
Other	**–**	(19)	**–**
	¥ –	¥ (33)	**$ –**

5. Inventories

Inventories at March 31, 2014 and 2013 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2014	**2013**	**2014**
Work in process for road construction	**¥ 873,903**	¥ 685,664	**$ 8,491,090**
Merchandise and finished goods	**1,270**	1,112	**12,340**
Raw materials and supplies	**1,711**	1,677	**16,625**
Work in process	**1,547**	1,332	**15,031**
	¥ 878,431	¥ 689,785	**$ 8,535,086**

6. Investments in Unconsolidated Subsidiaries and Affiliates

Investments in unconsolidated subsidiaries and affiliates included stock of jointly controlled companies of ¥1,514 million ($14,710 thousand) and ¥1,532 million at March 31, 2014 and 2013, respectively.

7. Rental Properties

The Company has commercial facilities and commercial land available for rent located in service areas and parking areas adjacent to its expressways (“service areas”).

In certain service areas commercial facilities are leased by the Company to Central Nippon Exis Co., Ltd, the Company’s consolidated subsidiary, and a certain portion of the facilities is further subleased to third-party tenants with the remaining portion being utilized by the Company’s consolidated subsidiaries as retail stores or as free rest areas for motorists.

Accordingly, certain service areas are deemed as real estate and included in rental properties.

7. Rental Properties (continued)

The carrying value in the accompanying consolidated balance sheets as of March 31, 2014 and 2013 and corresponding fair value of rental properties are as follows:

	Millions of yen			
	Carrying value			*Fair value*
	April 1, 2013	Net change	March 31, 2014	March 31, 2014
Rental properties	**¥ 5,607**	**¥ 906**	**¥ 6,513**	**¥ 5,887**

	Millions of yen			
	Carrying value			*Fair value*
	April 1, 2012	Net change	March 31, 2013	March 31, 2013
Rental properties	¥ 15,063	¥ (9,456)	¥ 5,607	¥ 5,025

	Thousands of U.S. dollars			
	Carrying value			*Fair value*
	April 1, 2013	Net change	March 31, 2014	March 31, 2014
Rental properties	**$ 54,479**	**$ 8,803**	**$ 63,282**	**$ 57,200**

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, 2014 and 2013 mainly represents the transfer of construction in progress from rental properties to real estate including certain portions used as investment property.

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

The carrying value in the accompanying consolidated balance sheets as of March 31, 2014 and 2013 and corresponding fair value of real estate including certain portions used as investment property are as follows:

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

	Millions of yen			
	Carrying value			*Fair value*
	April 1, 2012	Net change	March 31, 2013	March 31, 2013
Real estate including certain portions used as investment property	¥ 124,055	¥ 9,549	¥ 133,604	¥ 118,486

	Thousands of U.S. dollars			
	Carrying value			*Fair value*
	April 1, 2013	Net change	March 31, 2014	March 31, 2014
Real estate including certain portions used as investment property	**$ 1,298,134**	**$ (12,164)**	**$ 1,285,970**	**$ 1,119,355**

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

Net changes in real estate including certain portions used as investment property for the years ended March 31, 2014 and 2013 mainly represent the transfer of construction in progress from rental properties to real estate and the increase of the consolidated subsidiaries.

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

7. Rental Properties (continued)

Operating revenues, operating expenses and net for those properties for the years ended March 31, 2014 and 2013 are as follows:

	Millions of yen		
	2014		
	Operating revenues	Operating expenses	Net
Rental properties	**¥ 514**	**¥ 248**	**¥ 266**
Real estate including certain portions used as investment property	**31,472**	**18,825**	**12,647**

	Millions of yen		
	2013		
	Operating revenues	Operating expenses	Net
Rental properties	¥ 490	¥ 205	¥ 285
Real estate including certain portions used as investment property	33,435	19,719	13,716

	Thousands of U.S. dollars		
	2014		
	Operating revenues	Operating expenses	Net
Rental properties	**$ 4,994**	**$ 2,410**	**$ 2,584**
Real estate including certain portions used as investment property	**305,791**	**182,909**	**122,882**

Operating revenues in the above table includes revenues from retail businesses and others operated by consolidated subsidiaries in the amounts of ¥12,060 million ($117,178 thousand) and ¥12,518 million for the years ended March 31, 2014 and 2013, 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.

8. Long-Term Debt and Lease Obligations

Long-term debt at March 31, 2014 and 2013 consisted of the following:

	Millions of yen		*Thousands of U.S. dollars*
	2014	2013	**2014**
Bonds for road construction	**¥ 852,520**	¥ 610,000	**$ 8,283,327**
Long-term loans for road construction at interest rates ranging from 0.412% to 0.697% due from 2015 to 2017	**110,000**	95,950	**1,068,791**
Other long-term loans at interest rates ranging from 0.120% to 3.880% due from 2014 to 2033	**6,346**	9,456	**61,659**
	968,866	715,406	**9,413,777**
Less current portion	**(51,325)**	(38,040)	**(498,688)**
	¥ 917,541	¥ 677,366	**$ 8,915,089**

The current portion of long-term debt in the above table is classified based on the maturity dates of the original agreements.

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

Bonds for road construction as of March 31, 2014 and 2013 are summarized as follows:

		Issue date	Maturity date	Interest rate (%)	Note	*Millions of yen* 2014	*Millions of yen* 2013	*Thousands of U.S. dollars* 2014
No.26	Bond of Central Nippon Expressway Company Limited	May 31, 2011	March 20, 2014	0.34	*	¥ –	¥ 15,000	$ –
No.27	Bond of Central Nippon Expressway Company Limited	May 31, 2011	March 18, 2016	0.53	*	–	25,000	–
No.28	Bond of Central Nippon Expressway Company Limited	May 31, 2011	March 20, 2018	0.78	*	–	10,000	–
No.29	Bond of Central Nippon Expressway Company Limited	May 31, 2011	March 19, 2021	1.21		**20,000**	20,000	**194,326**
No.30	Bond of Central Nippon Expressway Company Limited	September 27, 2011	September 19, 2014	0.27		**10,000**	10,000	**97,163**
No.31	Bond of Central Nippon Expressway Company Limited	September 27, 2011	September 20, 2016	0.43		**20,000**	20,000	**194,326**
No.32	Bond of Central Nippon Expressway Company Limited	September 27, 2011	September 20, 2018	0.64		**15,000**	15,000	**145,744**
No.33	Bond of Central Nippon Expressway Company Limited	September 27, 2011	September 17, 2021	1.08		**25,000**	25,000	**242,907**
No.34	Bond of Central Nippon Expressway Company Limited	November 25, 2011	September 19, 2014	0.27		**35,000**	35,000	**340,070**
No.35	Bond of Central Nippon Expressway Company Limited	November 25, 2011	September 20, 2016	0.44		**10,000**	10,000	**97,163**
No.36	Bond of Central Nippon Expressway Company Limited	November 25, 2011	September 17, 2021	1.06		**15,000**	15,000	**145,744**
No.37	Bond of Central Nippon Expressway Company Limited	February 28, 2012	February 26, 2016	0.38		**35,000**	35,000	**340,070**
No.38	Bond of Central Nippon Expressway Company Limited	February 28, 2012	February 28, 2019	0.67		**15,000**	15,000	**145,744**
No.39	Bond of Central Nippon Expressway Company Limited	February 28, 2012	December 20, 2021	1.05		**50,000**	50,000	**485,814**
No.40	Bond of Central Nippon Expressway Company Limited	May 23, 2012	March 18, 2016	0.29		**40,000**	40,000	**388,651**
No.41	Bond of Central Nippon Expressway Company Limited	May 23, 2012	March 20, 2019	0.56		**20,000**	20,000	**194,326**
No.42	Bond of Central Nippon Expressway Company Limited	May 23, 2012	March 18, 2022	0.94		**40,000**	40,000	**388,651**
No.43	Bond of Central Nippon Expressway Company Limited	September 20, 2012	September 20, 2017	0.36		**30,000**	30,000	**291,489**
No.44	Bond of Central Nippon Expressway Company Limited	September 20, 2012	September 20, 2019	0.53		**15,000**	15,000	**145,744**

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

		Issue date	Maturity date	Interest rate (%)	Note	Millions of yen 2014	Millions of yen 2013	Thousands of U.S. dollars 2014
No.45	Bond of Central Nippon Expressway Company Limited	September 20, 2012	September 20, 2022	0.90		**¥ 35,000**	¥ 35,000	**$ 340,070**
No.46	Bond of Central Nippon Expressway Company Limited	November 9, 2012	September 20, 2017	0.35		**60,000**	60,000	**582,977**
No.47	Bond of Central Nippon Expressway Company Limited	March 19, 2013	March 20, 2018	0.27		**50,000**	50,000	**485,814**
No.48	Bond of Central Nippon Expressway Company Limited	March 19, 2013	March 20, 2023	0.80		**20,000**	20,000	**194,326**
No.49	Bond of Central Nippon Expressway Company Limited	May 21, 2013	March 20, 2018	0.50		**70,000**	–	**680,140**
No.1	U.S. Bond of Central Nippon Expressway Company Limited	September 10, 2013	September 30, 2018	2.36		**97,520**	–	**947,532**
No.50	Bond of Central Nippon Expressway Company Limited	November 8, 2013	November 8, 2016	0.23		**15,000**	–	**145,744**
No.51	Bond of Central Nippon Expressway Company Limited	November 8, 2013	November 8, 2018	0.32		**25,000**	–	**242,907**
No.52	Bond of Central Nippon Expressway Company Limited	November 8, 2013	November 6, 2020	0.48		**15,000**	–	**145,744**
No.53	Bond of Central Nippon Expressway Company Limited	February 14, 2014	June 20, 2017	0.22		**30,000**	–	**291,489**
No.54	Bond of Central Nippon Expressway Company Limited	February 14, 2014	December 20, 2018	0.31		**20,000**	–	**194,326**
No.55	Bond of Central Nippon Expressway Company Limited	February 14, 2014	December 18, 2020	0.47		**10,000**	–	**97,163**
No.56	Bond of Central Nippon Expressway Company Limited	February 14, 2014	December 20, 2023	0.75		**10,000**	–	**97,163**
					Total	**¥ 852,520**	¥ 610,000	**$ 8,283,327**

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

The aggregate annual maturities of long-term debt subsequent to March 31, 2014 are summarized as follows:

Years ending March 31,	Millions of yen: Bonds for road construction	Millions of yen: Long-term loans for road construction	Millions of yen: Other long-term debt
2015	**¥ 45,000**	**¥ –**	**¥ 6,325**
2016	**75,000**	**50,000**	**2**
2017	**45,000**	**30,000**	**2**
2018	**240,000**	**30,000**	**2**
2019 and thereafter	**447,520**	**–**	**15**
	¥ 852,520	**¥ 110,000**	**¥ 6,346**

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

	Thousands of U.S. dollars		
Years ending March 31,	Bonds for road construction	Long-term loans for road construction	Other long-term debt
2015	**$ 437,233**	**$ –**	**$ 61,455**
2016	**728,721**	**485,813**	**19**
2017	**437,233**	**291,489**	**19**
2018	**2,331,908**	**291,489**	**19**
2019 and thereafter	**4,348,232**	**–**	**147**
	$ 8,283,327	**$ 1,068,791**	**$ 61,659**

The aggregate annual maturities of lease obligations subsequent to March 31, 2014 are summarized as follows:

	Millions of yen	*Thousands of U.S. dollars*
Years ending March 31,	Lease obligations	
2015	**¥ 309**	**$ 3,002**
2016	**191**	**1,856**
2017	**165**	**1,603**
2018	**138**	**1,341**
2019 and thereafter	**170**	**1,652**
	¥ 973	**$ 9,454**

9. Pledged Assets

At March 31, 2014 and 2013, 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.

	Millions of yen		*Thousands of U.S. dollars*
	2014	**2013**	**2014**
Bonds for road construction			
Carrying value	**¥ 852,520**	¥ 610,000	**$ 8,283,327**
Face value	**852,520**	610,000	**$ 8,283,327**

In addition, at March 31, 2014 and 2013, the total assets of the Company were also pledged as collateral for bonds in the amounts of ¥1,020,000 million ($9,910,610 thousand) and ¥1,040,000 million at March 31, 2014 and 2013, respectively assumed by JEHDRA pursuant to Article 15 of the JEHDRA Act.

At March 31, 2014 and 2013, 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.

	Millions of yen		*Thousands of U.S. dollars*
	2014	**2013**	**2014**
Cash and deposits	**¥ 3**	¥ 3	**$ 29**
Others	**419**	519	**4,071**

10. 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 37.7% for the years ended March 31, 2014 and 2013, respectively.

10. Income Taxes (continued)

The effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2014 and 2013 differ from the above statutory tax rate for the following reasons:

	2014	2013
Statutory tax rate	**37.7%**	37.7%
Adjustments:		
Effects of changes in corporation tax rates	**6.9**	1.1
Valuation allowance	**23.9**	12.1
Gain on negative goodwill	**(8.8)**	(1.5)
Gain on step acquisitions	**–**	(0.1)
Amortization of negative goodwill	**(3.0)**	(1.5)
Equity in earnings of affiliates	**(2.8)**	(2.3)
Other	**16.4**	2.7
Effective tax rates	**70.3%**	48.2%

The significant components of the Group's deferred tax assets and liabilities at March 31, 2014 and 2013 are summarized as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2014	**2013**	**2014**
Deferred tax assets:			
Allowance for doubtful accounts	**¥ 98**	¥ 65	**$ 952**
Accrued employees' bonuses	**1,018**	1,100	**9,891**
Allowance for losses due to forged expressway cards	**20**	30	**194**
Accrued retirement benefits	**–**	21,209	**–**
Liability for retirement benefits	**24,940**	–	**242,324**
Allowance for ETC mileage program	**2,580**	1,978	**25,068**
Other	**5,995**	5,690	**58,250**
Gross deferred tax assets	**34,651**	30,072	**336,679**
Less valuation allowance	**(29,687)**	(25,520)	**(288,447)**
Total deferred tax assets	**4,964**	4,552	**48,232**
Deferred tax liabilities:			
Other	**(139)**	(221)	**(1,351)**
Total deferred tax liabilities	**(139)**	(221)	**(1,351)**
Net deferred tax assets	**¥ 4,825**	¥ 4,331	**$ 46,881**

The "Act for Partial Amendment of the Income Tax Act, etc." (Act No.10 of 2014) was promulgated on March 31, 2014 and, as a result, the Company is no longer subject to the Special Reconstruction Corporation Tax effective for fiscal years beginning on or after April 1, 2014.

As a result, the effective statutory tax rate used to measure the Company's deferred tax assets and liabilities was changed from 37.7% to 35.3% for the temporary differences expected to be realized or settled from fiscal years beginning April 1, 2014. The effect of the announced reduction of the effective statutory tax rate was to decrease deferred tax assets after offsetting deferred tax liabilities by ¥207 million ($2,011 thousand), increase deferred income taxes by ¥209 million ($2,031 thousand) and increase unrealized holding gain on securities by ¥2 million ($19 thousand) as of and for the year ended March 31, 2014.

11. Retirement Benefits

1. Overview

The Company and its consolidated subsidiaries have defined benefit plans that include both unfunded severance indemnity plans and 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 liability for retirement benefits based on the simplified method. These domestic subsidiaries have calculated their retirement benefit obligation based on the amount which would be payable at the year end if all eligible employees terminated their services voluntarily.

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

As described in Note 2 "Accounting Changes", "Accounting Standard for Retirement Benefits" (ASBJ Statement No.26 of May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No.25 of May 17, 2012) are adopted as of the end of the year ended March 31, 2014.

2. Defined benefit plans for the year ended March 31, 2014

The change in retirement benefit obligation is outlined as follows (excluding defined benefit plans based on the simplified method):

	Millions of yen	*Thousands of U.S. dollars*
	2014	
Retirement benefit obligation at April 1, 2013	**¥ 103,217**	**$ 1,002,886**
Service cost	**3,977**	**38,642**
Interest cost	**1,536**	**14,924**
Actuarial loss	**36**	**349**
Benefit paid	**(4,172)**	**(40,536)**
Retirement benefit obligation at March 31, 2014	**¥ 104,594**	**$ 1,016,265**

The change in plan assets at fair value is outlined as follows (excluding retirement defined benefit plans based on the simplified method):

	Millions of yen	*Thousands of U.S. dollars*
	2014	
Plan assets at fair value at April 1, 2013	**¥ 33,326**	**$ 323,805**
Expected return on plan assets	**1,265**	**12,291**
Actuarial gain	**55**	**534**
Contributions by the employer	**1,979**	**19,229**
Benefit paid	**(1,783)**	**(17,324)**
Other	**493**	**4,790**
Plan assets at fair value at March 31, 2014	**¥ 35,335**	**$ 343,325**

11. Retirement Benefits (continued)

2. Defined benefit plans for the year ended March 31, 2014 (continued)

The change in retirement benefit obligation under the simplified method is outlined as follows:

	Millions of yen	*Thousands of U.S. dollars*
	2014	
Retirement benefit obligation at April 1, 2013	**¥ 818**	**$ 7,948**
Service cost	**241**	**2,341**
Benefit paid	**(112)**	**(1,088)**
Payment for the plan	**(67)**	**(651)**
Retirement benefit obligation at March 31, 2014	**¥ 880**	**$ 8,550**

The balance of retirement benefit obligation and plan assets at fair value, liabilities and assets recognized in consolidated balance sheet are outlined as follows:

	Millions of yen	*Thousands of U.S. dollars*
	2014	
Funded retirement benefit obligation	**¥ 78,839**	**$ 766,022**
Plan assets at fair value	**(36,100)**	**(350,758)**
	42,739	**415,264**
Unfunded retirement benefit obligation	**27,400**	**266,226**
Net amount of liabilities and assets recognized in consolidated balance sheet	**70,139**	**681,490**
Liability for retirement benefits	**70,273**	**682,792**
Asset for retirement benefits	**(134)**	**(1,302)**
Net amount of liabilities recognized in consolidated balance sheet	**¥ 70,139**	**$ 681,490**

The components of retirement benefit expenses for the year ended March 31, 2014 are outlined as follows:

	Millions of yen	*Thousands of U.S. dollars*
	2014	
Service cost	**¥ 3,484**	**$ 33,852**
Interest cost	**1,536**	**14,924**
Expected return on plan assets	**(1,265)**	**(12,291)**
Amortization:		
Actuarial loss	**1,476**	**14,341**
Past service cost	**(14)**	**(136)**
Retirement benefit expenses under the simplified method	**241**	**2,341**
Other	**(141)**	**(1,370)**
Retirement benefit expenses	**¥ 5,317**	**$ 51,661**

The balance of unrecognized past service cost and actuarial loss recognized in accumulated other comprehensive income, before tax effects, is outlined as follows:

	Millions of yen	*Thousands of U.S. dollars*
	2014	
Unrecognized past service cost	**¥ (82)**	**$ (796)**
Unrecognized actuarial loss	**10,167**	**98,785**
Total	**¥ 10,085**	**$ 97,989**

11. Retirement Benefits (continued)

2. Defined benefit plans for the year ended March 31, 2014 (continued)

The plan assets by major category consist of the following:

	2014
Securities	**30.10%**
Bonds	**37.98**
Cash and deposits	**0.01**
Other	**31.91**
Total	**100.0%**

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 year ended March 31, 2014 are as follows:

	2014
Discount rates	**1.0-1.5%**
Expected long-term rates of return on plan assets	**0.0-5.4%**

Amount required to contribute to defined contribution plans including the multi-employer welfare pension plans was ¥ 511 million ($4,965 thousand) for the year ended March 31, 2014.

3. Defined benefit plans for the year ended March 31, 2013

The following table sets forth the funded and accrued status of the pension plans, and the amounts recognized in the accompanying consolidated balance sheet at March 31, 2013 for the Group's defined benefit plans:

	Millions of yen
	2013
Retirement benefit obligation	¥(104,764)
Fair value of plan assets	34,065
Unfunded retirement benefit obligation	(70,699)
Unrecognized actuarial loss	11,662
Unrecognized prior service cost	(96)
Net amount recognized in the consolidated balance sheets	(59,133)
Prepaid pension expenses	397
Accrued retirement benefits for employees	¥ (59,530)

The components of retirement benefit expenses for employees for the year ended March 31, 2013 was as follows:

	Millions of yen
	2013
Service cost	¥ 3,080
Interest cost	1,804
Expected return on plan assets	(483)
Amortization:	
Actuarial loss	1,066
Prior service cost	(39)
Retirement benefit expenses for employees	¥ 5,428

Service cost does not include the amounts contributed by employees with respect to the WPFP.

11. Retirement Benefits (continued)

3. Defined benefit plans for the year ended March 31, 2013 (continued)

The assumptions used in accounting for the defined benefit plans for the year ended March 31, 2013 were as follows:

	2013
Discount rates	1.0-1.5%
Expected rates of return on plan assets	0.0-2.3%

12. Contingent Liabilities

At March 31, 2014 and 2013, the Company provides the following debt guarantees:

	Millions of yen		*Thousands of U.S. dollars*
	2014	2013	**2014**
JEHDRA	**¥ 3,005,206**	¥ 3,931,818	**$ 29,199,436**
E-NEXCO	**2,272**	7,337	**22,075**
W-NEXCO	**28**	32	**273**
	¥ 3,007,506	¥ 3,939,187	**$ 29,221,784**

Pursuant to Article 16 of the "Act regarding the Implementation of Acts Related to Privatisation of the Japan Highway Public Corporation of Japan" (the "Implementation Act"), the Company is jointly and severally liable with JEHDRA, East Nippon Expressway Company Limited ("E-NEXCO") and West Nippon Expressway Company Limited ("W-NEXCO") for the loans and road bonds succeeded to by JEHDRA, E-NEXCO or W-NEXCO from the JHPC (excluding loans from the Japanese government, loans succeeded to by JEHDRA and bonds held by the Japanese government).

Pursuant to Article 15 of the JEHDRA Act, the Company is jointly and severally liable for the long-term debt transferred to JEHDRA corresponding to costs incurred for road construction, reconstruction, repairs, maintenance and disaster recovery as follows:

As a consequence of these transfers addressed above, bonds for road construction and long-term loans for road construction decreased by ¥50,000 million (face value) ($485,814 thousand) and ¥15,950 million ($154,975 thousand), respectively, for the year ended March 31, 2014.

At March 31, 2014 and 2013, the Company is jointly and severally liable with JEHDRA, E-NEXCO and W-NEXCO for the debt succeeded to by the Company from JHPC and already assumed by JEHDRA (excluding loans from the Japanese government).

	Millions of yen		*Thousands of U.S. dollars*
	2014	2013	**2014**
JEHDRA	**¥ 10,981**	¥ 16,467	**$ 106,695**

At March 31, 2014 and 2013, 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:

	Millions of yen		*Thousands of U.S. dollars*
	2014	2013	**2014**
JEHDRA	**¥ 1,346,950**	¥ 1,505,840	**$ 13,087,349**

13. Shareholders' Equity

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

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

14. Research and Development Cost

Research and development cost included in cost of sales and administrative expenses for expressway business operations and selling, general and administrative expenses amounted to ¥829 million ($8,055 thousand) and ¥778 million for the years ended March 31, 2014 and 2013, respectively.

15. Leases

The following pro forma amounts represent the acquisition cost, accumulated depreciation and net book value of assets leased to the Company and its consolidated subsidiaries at March 31, 2013, which would have been reflected in the accompanying consolidated balance sheets if finance leases, other than those which transfer the ownership of the leased assets to the Company or its consolidated subsidiaries, that started on or before March 31, 2008 (which are currently accounted for as operating leases) had been capitalized:

	Millions of yen		
	2013		
	Acquisition cost	Accumulated depreciation	Net book value
Classification of leased assets:			
Vehicles	¥ 96	¥ 88	¥ 8
Total	¥ 96	¥ 88	¥ 8

Lease payments of the Company and its consolidated subsidiaries relating to finance leases accounted for as operating leases amounted to ¥8 million ($78 thousand) and ¥49 million for the years ended March 31, 2014 and 2013, respectively. Depreciation on these leased assets calculated by the straight-line method would have amounted to ¥8 million ($78 thousand) and ¥49 million for the years ended March 31, 2014 and 2013, respectively, if it had been reflected in the accompanying consolidated balance sheets.

Future minimum lease payments subsequent to March 31, 2014 under non-cancellable operating leases related to road assets are summarized as follows:

Years ending March 31,	*Millions of yen*	*Thousands of U.S. dollars*
2015	**¥ 422,290**	**$ 4,103,090**
2016 and thereafter	**15,750,168**	**153,033,113**
	¥ 16,172,458	**$ 157,136,203**

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.

15. Leases (continued)

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, 2014 under non-cancellable operating leases other than road assets are summarized as follows:

Years ending March 31,	*Millions of yen*	*Thousands of U.S. dollars*
2015	**¥ 364**	**$ 3,537**
2016 and thereafter	**616**	**5,985**
	¥ 980	**$ 9,522**

16. Amounts per Share

Per share amounts as of and for the years ended March 31, 2014 and 2013 are as follows:

	Yen		*U.S. dollars*
	2014	**2013**	**2014**
Net income:			
Basic	**¥ 9.47**	¥ 33.48	**$ 0.09**
Net assets	**1,499.49**	1,562.58	**14.57**

Basic net income per share has been computed based on the net income attributable to shareholders of common stock and the weighted-average number of shares of common stock outstanding during the year.

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

The financial data used in the computation of basic net income per share for the years ended March 31, 2014 and 2013 is summarized as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2014	**2013**	**2014**
Net income	**¥ 1,231**	¥ 4,353	**$ 11,961**
Adjusted net income available for distribution to common stockholders	**¥ 1,231**	¥ 4,353	**$ 11,961**

	Thousands of shares	
	2014	**2013**
Weighted-average number of shares of common stock outstanding	**130,000**	130,000

16. Amounts per Share (continued)

The financial data used in the computation of net assets per share as of March 31, 2014 and 2013 is summarized as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2014	2013	**2014**
Total net assets	**¥ 198,641**	¥ 205,786	**$ 1,930,052**
Deduction from total net assets			
Minority interests	**3,706**	2,651	**36,008**
Total net assets available to common stockholders	**¥ 194,935**	¥ 203,135	**$ 1,894,044**

	Thousands of shares	
	2014	2013
Number of shares of common stock used in the calculation of net assets per share	**130,000**	130,000

17. Supplemental Information on Consolidated Statements of Cash Flows

Reconciliations of cash and deposits in the accompanying consolidated balance sheets at March 31, 2014 and 2013 and cash and cash equivalents in the accompanying consolidated statements of cash flows for the years then ended is as follows:

	Millions of yen		*Thousands of U.S. dollars*
	At March 31,		
	2014	2013	**2014**
Cash and deposits	**¥ 74,384**	¥ 24,930	**$ 722,736**
Certificates of deposits included in marketable securities maturing within three months	**20,000**	86,000	**194,326**
Commercial papers included in marketable securities maturing within three months	**20,000**	11,999	**194,326**
Repurchase agreements included in other current assets within three months of contract term	**–**	11,995	**–**
Public bond investment trust included in marketable securities	**–**	277	**–**
Deposits over three months	**(1,757)**	(1,082)	**(17,072)**
Cash and cash equivalents	**¥ 112,627**	¥ 134,119	**$ 1,094,316**

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

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

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

	Millions of yen	*Thousands of U.S. dollars*
	2014	
Current assets	**¥ 1,182**	**$ 11,485**
Non-current assets	**874**	**8,492**
Current liabilities	**(145)**	**(1,409)**
Non-current liabilities	**(19)**	**(184)**
Negative goodwill	**(440)**	**(4,275)**
Minority interests	**(847)**	**(8,230)**
Interests previously acquired	**(541)**	**(5,257)**
Acquisition cost	**64**	**622**
Cash and cash equivalents	**(843)**	**(8,191)**
Net proceeds from acquisition	**¥ (779)**	**$ (7,569)**

Net proceeds from the acquisition of ¥779 million ($7,569 thousand) are included in proceeds from acquisition of investments in subsidiaries resulting in change in scope of consolidation in the consolidated statement of cash flows for the year ended March 31, 2014.

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

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

	Millions of yen	*Thousands of U.S. dollars*
	2014	
Current assets	**¥ 1,458**	**$ 14,166**
Non-current assets	**32**	**311**
Current liabilities	**(204)**	**(1,982)**
Non-current liabilities	**(50)**	**(486)**
Negative goodwill	**(162)**	**(1,574)**
Minority interests	**(672)**	**(6,529)**
Interests previously acquired	**(402)**	**(3,906)**
Acquisition cost	**–**	**–**
Cash and cash equivalents	**(533)**	**(5,179)**
Net proceeds from acquisition	**¥ (533)**	**$ (5,179)**

Net proceeds from the acquisition of ¥533 million ($5,179 thousand) are included in proceeds from acquisition of investments in subsidiaries resulting in change in scope of consolidation in the consolidated statement of cash flows for the year ended March 31, 2014.

During the year ended March 31, 2013, the Company purchased shares of Central Nippon Road Maintenance Shizuoka Co., Ltd. and included it in the scope of consolidation.

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

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

	Millions of yen
	2013
Current assets	¥ 40
Goodwill	3
Current liabilities	(2)
Minority interests	(19)
Acquisition cost	22
Cash and cash equivalents	(38)
Net proceeds from acquisition	¥ (16)

Net proceeds from the acquisition of ¥16 million are included in proceeds from acquisition of investments in subsidiaries resulting in change in scope of consolidation in the consolidated statement of cash flows for the year ended March 31, 2013.

During the year ended March 31, 2013, the Company purchased shares of Central Nippon Road Maintenance Tokyo Co., Ltd. and included it in the scope of consolidation.

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

	Millions of yen
	2013
Current assets	¥1,004
Non-current assets	286
Current liabilities	(404)
Non-current liabilities	(28)
Negative goodwill	(280)
Minority interests	(415)
Interests previously acquired	(4)
Differences due to step acquisition	(16)
Acquisition cost	143
Cash and cash equivalents	(437)
Net proceeds from acquisition	¥ (294)

Net proceeds from the acquisition of ¥294 million are included in proceeds from acquisition of investments in subsidiaries resulting in change in scope of consolidation in the consolidated statement of cash flows for the year ended March 31, 2013.

As described in Note 1(s) "Recognition of revenues and cost", 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, 2014 and 2013, expressway assets constructed by the Company in the amounts of ¥74,456 million ($723,436 thousand) and ¥1,127,926 million, respectively, were transferred to JEHDRA pursuant to Article 51.2 through 51.4 of the Special Measures Act and, concurrently, the long-term debt of ¥15,950 million ($154,975 thousand) and ¥386,150 million, respectively and bonds related to road construction of ¥50,000 million ($485,814 thousand) and ¥794,167 million respectively, were assumed by JEHDRA pursuant to Article 15.1 of the JEHDRA Act.

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

Non-cash transactions outlined above are incorporated and included in (increase) decrease in inventories, 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, 2014 and 2013.

18. Financial Instruments and Related Disclosures

Status of financial instruments

(1) Policy for financial instruments

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

(2) Types of financial instruments and related risk

Accounts receivable due from expressway business operations and other accounts receivable are exposed to credit risk in relation to customers. Marketable securities and investments in securities are held for the purpose of fund management and primarily consist of certificates of deposits and commercial papers. These are exposed to credit risk in relation to issuers and market risk.

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

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

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

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

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

(3) Risk management for financial instruments

(a) Monitoring of credit risk

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

Marketable securities and investments in securities primarily consist of certificates of deposits and commercial papers and are limited to securities with high credit ratings based on internal regulations, and are exposed to immaterial credit risks.

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

(b) Monitoring of market risk

Marketable securities, investments in securities and short-term debt receivable included in other current assets primarily consist of certificates of deposits and commercial papers and are limited to instruments with defined interest rates and are restricted to domestic Japanese instruments based on internal regulations.

18. Financial Instruments and Related Disclosures (continued)

Status of financial instruments (continued)

The corporate bond denominated in foreign currency, which are exposed to foreign currency exchange risk, are monitored by each corporate bond and are accounted for by the allocate method by utilizing currency swap contracts.

(c) Monitoring of liquidity risk

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

(d) Derivative transactions

The Company and certain subsidiaries enter into derivative transactions based on internal regulations but do not enter into derivative transactions for speculative or trading purposes. Currency swap contracts that meet certain conditions are accounted for by the allocation method, which requires that the recognized foreign currency transaction be translated at the corresponding currency swap contract rate.

Fair value of financial instruments

The carrying value of financial instruments on the accompanying consolidated balance sheets as of March 31, 2014 and 2013 and their estimated fair value are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value.

	Millions of yen					
	2014			**2013**		
	Carrying value	**Estimated fair value**	**Difference**	**Carrying value**	**Estimated fair value**	**Difference**
Assets:						
Cash and deposits	**¥ 74,384**	**¥ 74,384**	**¥ –**	¥ 24,930	¥ 24,930	¥ –
Accounts receivable due from expressway business operations	**51,070**	**51,070**	**–**	44,463	44,463	–
Other accounts receivable	**50,155**	**50,155**	**–**	7,275	7,275	–
Marketable securities and investments in securities:						
Held-to-maturity debt securities	**20,502**	**20,520**	**18**	12,501	12,523	22
Other securities	**20,430**	**20,430**	**–**	86,591	86,591	–
Short-term loans receivable included in other current assets	**3**	**3**	**–**	12,001	12,001	–
Total assets	**216,544**	**216,562**	**18**	187,761	187,783	22
Liabilities:						
Accounts payable due to expressway business operations	**83,599**	**83,599**	**–**	93,589	93,589	–
Other accounts payable	**19,561**	**19,561**	**–**	59,807	59,807	–
Income and other taxes payable	**1,861**	**1,861**	**–**	1,270	1,270	–
Bonds for road construction (*)	**852,520**	**861,220**	**8,700**	610,000	618,761	8,761
Long-term loans for road construction (*)	**110,000**	**110,014**	**14**	95,950	95,892	(58)
Other long-term loans	**6,346**	**6,362**	**16**	9,456	9,513	57
Total liabilities	**¥ 1,073,887**	**¥ 1,082,617**	**¥ 8,730**	¥ 870,072	¥ 878,832	¥ 8,760

(*) including due within a year

18. Financial Instruments and Related Disclosures (continued)

Fair value of financial instruments (continued)

	Thousands of U.S. dollars		
	2014		
	Carrying value	**Estimated fair value**	**Difference**
Assets:			
Cash and deposits	$ 722,736	$ 722,736	$ –
Accounts receivable due from expressway business operations	496,211	496,211	–
Other accounts receivable	487,320	487,320	–
Marketable securities and investments in securities:			
Held-to-maturity debt securities	199,203	199,378	175
Other securities	198,504	198,504	–
Short-term loans receivable included in other current assets	29	29	–
Total assets	2,104,003	2,104,178	175
Liabilities:			
Accounts payable due to expressway business operations	812,272	812,272	–
Other accounts payable	190,060	190,060	–
Income and other taxes payable	18,082	18,082	–
Bonds for road construction (*)	8,283,327	8,367,859	84,532
Long-term loans for road construction (*)	1,068,791	1,068,927	136
Other long-term loans	61,659	61,815	156
Total liabilities	$ 10,434,191	$ 10,519,015	$ 84,824

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

For marketable securities and investments in securities, the fair value of the corresponding certificates of deposit approximates the carrying value since these items are settled in a short period of time. The fair value of held-to-maturity debt securities and other securities other than certificates of deposit is determined based on quoted market prices. For further information on the fair value of marketable securities and investments in securities, please refer to Note 4.

The fair value of accounts payable due to expressway business operations, other accounts payable and income and other taxes payable approximates the carrying value since these items are settled in a short period of time.

The fair value of bonds for road construction is determined based on market prices.

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

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

Derivative transactions

Please refer to Note 19 "Derivative Financial Instruments and Hedging Activities."

18. Financial Instruments and Related Disclosures (continued)

Fair value of financial instruments (continued)

Financial instruments for which it is extremely difficult to determine the fair value as of March 31, 2014 and 2013 are summarized as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2014	**2013**	**2014**
Unlisted stocks:			
Investments in unconsolidated subsidiaries and affiliates	**¥ 3,856**	¥ 4,499	**$ 37,466**
Other securities	**133**	129	**1,292**

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, 2014 are as follows:

	Millions of yen			
	2014			
	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	**¥ 74,384**	**¥ –**	**¥ –**	**¥ –**
Accounts receivable due from expressway business operations	**51,070**	**–**	**–**	**–**
Other accounts receivable	**50,155**	**–**	**–**	**–**
Investments in securities:				
Held-to-maturity debt securities	**20,000**	**200**	**300**	**–**
Other securities	**20,000**	**–**	**–**	**432**
Total	**¥ 215,609**	**¥ 200**	**¥ 300**	**¥ 432**

	Thousands of U.S. dollars			
	2014			
	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	**$ 722,736**	**$ –**	**$ –**	**$ –**
Accounts receivable due from expressway business operations	**496,211**	**–**	**–**	**–**
Other accounts receivable	**487,320**	**–**	**–**	**–**
Investments in securities:				
Held-to-maturity debt securities	**194,326**	**1,943**	**2,915**	**–**
Other securities	**194,326**	**–**	**–**	**4,197**
Total	**$ 2,094,919**	**$ 1,943**	**$ 2,915**	**$ 4,197**

19. Derivative Financial Instruments and Hedging Activities

For hybrid financial instruments containing an embedded derivative that cannot be reliably identified and measured separately which did not qualify hedge accounting at March 31, 2014 and 2013, the entire contract is measured at fair value with the gain or loss recognized in income and included in investment securities at March 31, 2014 and 2013.

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

			Millions of yen		
Hedge accounting method	Hedging instrument	Main hedged item	Contract amount	Contract amount payable after one year	Fair value
Allocation method for currency swaps	Currency swap	Bonds for road construction	**¥97,520**	**¥97,520**	**(*)**

			Thousands of U.S. dollars		
Hedge accounting method	Hedging instrument	Main hedged item	Contract amount	Contract amount payable after one year	Fair value
Allocation method for currency swaps	Currency swap	Bonds for road construction	**$947,532**	**$947,532**	**(*)**

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

There were no derivative instruments outstanding, which qualified hedge accounting at March 31, 2013.

20. Repurchase Transactions

The repurchase transactions included in other current assets and the fair value of pledged assets at March 31, 2013 are as follows:

	Millions of yen
	2013
Repurchase transactions	¥ 11,995
Fair value of securities received as pledged assets	¥ 11,995

21. 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.

21. Segment Information (continued)

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.

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

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

Intersegment sales are determined in reference to market actual value.

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, 2014 and 2013 is outlined as follows:

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

21. Segment Information (continued)

	Millions of yen					
	2013					
	Reportable segments					
	Expressway business	Rest area business	Other related business	Total	Adjustments	Consolidated
Sales to third parties	¥1,626,104	¥ 42,000	¥12,912	¥ 1,681,016	¥ –	¥ 1,681,016
Intersegment sales and transfers	21	13	12	46	(46)	–
Net sales	1,626,125	42,013	12,924	1,681,062	(46)	1,681,016
Segment income (loss)	¥ 29	¥ 6,611	¥ (269)	¥ 6,371	¥ 16	¥ 6,387
Segment assets	¥ 850,827	¥ 169,324	¥ 6,345	¥ 1,026,496	¥ 157,498	¥ 1,183,994
Segment liabilities	705,950	4,000	–	709,950	268,258	978,208
Other items:						
Depreciation and amortization	17,395	3,215	172	20,782	–	20,782
Investments in affiliates	3,775	–	619	4,394	–	4,394
Increase in property and equipment and intangible assets	18,202	8,347	218	26,767	2,555	29,322

	Thousands of U.S. dollars					
	2014					
	Reportable segments					
	Expressway business	Rest area business	Other related business	Total	Adjustments	Consolidated
Sales to third parties	**$ 5,660,222**	**$ 390,497**	**$ 123,436**	**$ 6,174,155**	**$ –**	**$ 6,174,155**
Intersegment sales and transfers	**184**	**205**	**223**	**612**	**(612)**	**–**
Net sales	**5,660,406**	**390,702**	**123,659**	**6,174,767**	**(612)**	**6,174,155**
Segment income (loss)	**$ (34,318)**	**$ 55,237**	**$ (1,409)**	**$ 19,510**	**$ 311**	**$ 19,821**
Segment assets	**$ 10,555,713**	**$ 1,698,494**	**$ 55,791**	**$ 12,309,998**	**$ 1,213,933**	**$ 13,523,931**
Segment liabilities	**9,352,118**	**38,865**	**–**	**9,390,983**	**2,202,896**	**11,593,879**
Other items:						
Depreciation and amortization	**167,888**	**32,209**	**1,943**	**202,040**	**–**	**202,040**
Investments in affiliates	**30,713**	**–**	**5,752**	**36,465**	**–**	**36,465**
Increase in property and equipment and intangible assets	**109,619**	**30,781**	**816**	**141,216**	**19,802**	**161,018**

Adjustments in the above tables:

The adjustments of segment income in the amounts of ¥32 million ($311 thousand) and ¥16 million for the years ended March 31, 2014 and 2013, respectively, are eliminations of intersegment transactions.

The adjustments of segment assets in the amounts of ¥124,938 million ($1,213,933 thousand) and ¥157,498 million at March 31, 2014 and 2013, respectively, include corporate assets not allocated to reportable segments, mainly consisting of surplus funds held by the Company (deposits and marketable securities) and assets related common departments in the Company.

21. Segment Information (continued)

The adjustments of segment liabilities in the amounts of ¥226,722 million ($2,202,896 thousand) and ¥268,258 million at March 31, 2014 and 2013 respectively, include corporate liabilities not allocated to reportable segments, principally consisting of accrued liabilities, liability for retirement benefits and other liabilities.

The adjustments of increase in property, plant and equipment and intangible assets in the amounts of ¥2,038 million ($19,802 thousand) and ¥2,555 million for the years ended March 31, 2014 and 2013, respectively, include corporate assets not allocated to reportable segments, principally consisting of system development by the Company.

Information on each product and service for the years ended March 31, 2014 and 2013 is analyzed as follows:

	Millions of yen			
	2014			
	Toll fee	Completion of road assets	Other	Total
Sales to external customers	**¥ 511,417**	**¥ 70,457**	**¥ 53,570**	**¥ 635,444**

	Millions of yen			
	2013			
	Toll fee	Completion of road assets	Other	Total
Sales to external customers	¥ 497,332	¥ 1,127,926	¥ 55,758	¥ 1,681,016

	Thousands of U.S. dollars			
	2014			
	Toll fee	Completion of road assets	Other	Total
Sales to external customers	**$ 4,969,073**	**$ 684,580**	**$ 520,502**	**$ 6,174,155**

As more than 90% of the consolidated net sales for the years ended March 31, 2014 and 2013 were made in Japan, the disclosure of geographical segment information has been omitted.

As property and equipment in the consolidated balance sheets is located only in Japan, the disclosure of information on property and equipment by country or geographic region as of March 31, 2014 and 2013 has been omitted.

Sales to JEHDRA concerning completion of expressway assets amounted to ¥70,457 million ($684,580 thousand) and ¥1,127,926 million by the expressway business segment for the years ended March 31, 2014 and 2013.

Information on amortization of goodwill and the remaining balance by reportable segment as of and for the years ended March 31, 2014 and 2013 is as follows:

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

21. Segment Information (continued)

	Millions of yen					
	2013					
	Expressway business	Rest area business	Other related business	Total	Eliminations and other	Consolidated
Amortization of goodwill	¥ 3	¥ 1	¥ –	¥ 4	¥ –	¥ 4
Remaining balance	¥ –	¥ –	¥ –	¥ –	¥ –	¥ –

	Thousands of U.S. dollars					
	2014					
	Expressway business	Rest area business	Other related business	Total	Eliminations and other	Consolidated
Amortization of goodwill	**$ –**	**$ 0**	**$ –**	**$ 0**	**$ –**	**$ 0**
Remaining balance	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**

Amortization and the remaining balance of negative goodwill arising from business combinations before April 1, 2010 amounted to ¥342 million ($3,323 thousand) and ¥342 million, and ¥4,871 million ($47,328 thousand) and ¥5,213 million in “Eliminations and other” as of and for the years ended March 31, 2014 and 2013, respectively.

Gain on negative goodwill in the expressway business segment in the amount of ¥743 million ($7,219 thousand) and in the rest area business segment of ¥267 million ($2,594 thousand) for the year ended March 31, 2014 incurred from the acquisition of Central Nippon Road Maintenance Kanazawa Co., Ltd. by Central Nippon Highway Maintenance Hokuriku Co., Ltd. and the acquisition of Central Nippon Road Maintenance Chubu Co., Ltd. by Central Nippon Highway Maintenance Nagoya Co., Ltd., as disclosed in Note 23 “Business Combinations.”

Gain on negative goodwill in the expressway business segment of ¥280 million for the year ended March 31, 2013 incurred from the acquisition of Central Nippon Road Maintenance Tokyo Co., Ltd. by Central Nippon Highway Maintenance Tomei Co., Ltd., as disclosed in Note 23 “Business Combinations.”

22. Related Party Transactions

Principal transactions between the Company and JEHDRA for the years ended March 31, 2014 and 2013 are summarized as follows:

2014

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)
				Accounts payable due to expressway business operations	**¥ 57,516**	**$ 558,842**
Leasing of road assets	Road assets leasing expenses (*1)	**¥ 360,586**	**$ 3,503,556**	Accounts receivable due from expressway business operations (*2)	**13**	**126**
Transfer of road assets and loans and jointly and severally liable debts	Revenues from the transfer of road assets constructed by the Company (*1)	**70,457**	**684,580**	Accounts receivable due from expressway business operations	**5,094**	**49,495**
	Transfer of liabilities and guarantee of debts (*3)	**65,950**	**640,789**	–	–	–
	Guarantee of debts (*4)	**3,005,206**	**29,199,436**	–	–	–
Jointly and severally liable for debts	Guarantee of debts (*5)	**1,291,981**	**12,553,255**	–	–	–

2013

Relationship with the related party	Nature of transaction	Transaction amount (Millions of yen)	Account name	Carrying amount (Millions of yen)
			Accounts payable due to expressway business operations	¥48,080
Leasing of road assets	Road assets leasing expenses (*1)	¥ 350,248	Accounts receivable due from expressway business operations (*2)	67
Transfer of road assets and loans and jointly and severally liable debts	Revenues from the transfer of road assets constructed by the Company (*1)	1,127,926	Other current liabilities	2,603
	Transfer of liabilities and guarantee of debts (*3)	1,181,150	–	–
Jointly and severally liable for debts	Guarantee of debts (*4)	3,931,818	–	–
	Guarantee of debts (*5)	341,157	–	–

JEHDRA is supervised by the Minister of Land, Infrastructure, Transport and Tourism (“Minister of LIT”), which is a major shareholder of the Company, and its share capital at March 31, 2014 and 2013 amounted to ¥5,376,312 million ($52,237,777 thousand) and ¥5,255,125 million, respectively.

JEHDRA, which is located in Minato ward in Tokyo, is engaged in business activities involving holding road assets, leasing of road assets to the Company and repayment of debts it has assumed.

22. Related Party Transactions (continued)

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

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

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

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

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

(*5) Pursuant to Article 15 of the JEHDRA Act, the Company is jointly and severally liable with E-NEXCO and W-NEXCO in the amount of ¥10,981 million ($106,695 thousand) and ¥16,467 million and solely liable in the amount of ¥1,281,000 million ($12,446,560 thousand) and ¥324,690 million at March 31, 2014 and 2013, respectively, for the debt transferred to JEHDRA in the amount corresponding to costs for construction for expressways, reconstruction, repairs, maintenance and disaster recovery. Related guarantee fees are not received by the Company.

23. Business Combinations

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

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

The fair value of the consideration paid to purchase shares of the acquired entity including acquisition-related expenses was ¥605 million ($5,878 thousand), which was paid to acquire 22% of the voting rights. As a result, ¥364 million ($3,537 thousand) of negative goodwill was recognized, corresponding to the excess of the fair value of net assets acquired on the date of the business combination over the acquisition costs, which was charged to income for the year ended March 31, 2014.

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

	Millions of yen	*Thousands of U.S. dollars*
Current assets	**¥ 1,182**	**$ 11,485**
Non-current assets	**874**	**8,492**
Total assets	**2,056**	**19,977**
Current liabilities	**145**	**1,409**
Non-current liabilities	**19**	**184**
Total liabilities	**¥ 164**	**$ 1,593**

23. Business Combinations (continued)

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

On May 20, 2013, as a result of the acquisition of Astech Co., Ltd., currently named as Central Nippon Road Maintenance Kanazawa Co., Ltd., by Central Nippon Highway Maintenance Hokuriku Co., Ltd., as described above (1), the Group automatically acquired shares of Central Nippon Road Maintenance Chubu Co., Ltd., which is engaged in maintenance and repairs of expressways and related operations.

The fair value of the consideration paid to purchase shares of the acquired entity was ¥402 million ($3,906 thousand). As a result, ¥70 million ($680 thousand) of negative goodwill was recognized, corresponding to the excess of the fair value of net assets acquired on the acquisition date over the acquisition costs, which was charged to income for the year ended March 31, 2014.

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

	Millions of yen	*Thousands of U.S. dollars*
Current assets	**¥ 1,458**	**$ 14,166**
Non-current assets	**32**	**311**
Total assets	**1,490**	**14,477**
Current liabilities	**204**	**1,982**
Non-current liabilities	**50**	**486**
Total liabilities	**¥ 254**	**$ 2,468**

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

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

On April 4, 2012, the Company acquired 51% of the voting rights of Central Nippon Road Maintenance Shizuoka Co., Ltd., which is engaged in maintenance and repairs of expressways and related operations, through the acquisition of shares for cash. The purpose of the business combination is to ensure maintenance and repair work on expressways is performed in an efficient manner. Central Nippon Road Maintenance Shizuoka Co., Ltd. has a fiscal year end of March 31.

The fair value of the consideration paid to purchase shares of the acquired entity was ¥22 million. As a result, ¥3 million of goodwill was recognized, corresponding to the excess of the acquisition costs over the fair value of net assets acquired on the date of the business combination, which was charged to income as incurred.

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

	Millions of yen
Current assets	¥ 40
Non-current assets	–
Total assets	40
Current liabilities	2
Non-current liabilities	–
Total liabilities	¥ 2

23. Business Combinations (continued)

(4) Acquisition of Central Nippon Road Maintenance Tokyo Co., Ltd.

On April 9, 2012, the Company acquired 45% of the voting rights of Central Nippon Road Maintenance Tokyo Co., Ltd., which is engaged in maintenance and repairs of expressways and related operations through the acquisition of shares for cash. As a result, the Company currently holds 51% of the voting rights after this acquisition. The purpose of the corresponding business combination is to ensure maintenance and repair work on expressways in performed an efficient manner. Central Nippon Road Maintenance Tokyo Co., Ltd. has a fiscal year end of March 31.

The fair value of the consideration paid to purchase shares of the acquired entity was ¥163 million. As a result, the Company recorded a gain on step acquisition in the amount of ¥16 million and ¥280 million of negative goodwill was recognized, corresponding to the excess of the fair value of net assets acquired on the acquisition date over the acquisition costs.

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

	Millions of yen
Current assets	¥ 1,007
Non-current assets	283
Total assets	1,290
Current liabilities	400
Non-current liabilities	32
Total liabilities	¥ 432

24. Other Comprehensive Income

The following table presents an analysis of components of other comprehensive income for the years ended March 31, 2014 and 2013.

	Millions of yen		*Thousands of U.S. dollars*
	2014	**2013**	**2014**
Net unrealized holding gain on securities:			
Amount arising during the year	**¥ 37**	¥ 29	**$ 360**
Reclassification adjustments for gains included in net income	**3**	—	**28**
Before tax effect	**40**	29	**388**
Tax effect	**(14)**	(10)	**(136)**
Net unrealized holding gain on securities	**26**	19	**252**
Share of other comprehensive income of affiliates accounted for by the equity method:			
Amount arising during the year	**0**	20	**0**
Total other comprehensive income	**¥ 26**	¥ 39	**$ 252**

25. Subsequent Events

(1) Establishment of NEXCO Central Nippon Development Co., Ltd.

On April 8, 2014, NEXCO Central Nippon Investment LLC., the Company's consolidated subsidiary, established NEXCO Central Nippon Development Co., Ltd. As a result, Limited Liability Company NEXCO Central Nippon Investment obtained 800,000 shares at cost of ¥400 million ($3,887 thousand).

25. Subsequent Events (continued)

NEXCO Central Nippon Development Co., Ltd. is engaged in development and administrative operation of commercial facilities around the express way. The purpose of this establishment is to ensure that commercial facilities around the expressway are developed, maintained and operated effectively.

(2) Acquisition of Hakone Turnpike Limited.

On April 25, 2014, NEXCO Central Nippon Investment LLC., the Company's consolidated subsidiary, acquired the 740 shares of Hakone Turnpike Limited. at cost of ¥78 million ($758 thousand). As a result, Hakone Turnpike Limited. became a wholly owned subsidiary of NEXCO Central Nippon Investment LLC.

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

The following table presents the assets and liabilities of Hakone Turnpike as of March 31, 2013:

	Millions of yen
Assets	**¥ 1,616**
Liabilities	**1,508**
Net assets	**¥ 108**

(3) Acquisition of Deros Japan Co., Ltd.

On May 26, 2014, Central Nippon Highway Maintenance Hokuriku Co., Ltd., the Company's consolidated subsidiary, acquired 315 shares of Deros Japan Co., Ltd. at cost of ¥63 million ($612 thousand). As a result, the voting rights acquired reached 30.3%.

Deros Japan Co., Ltd. has been engaged in inspection, diagnosis, repair and addition of the road structures. The purpose of this acquisition is to ensure to enhance the road repair and maintenance business for road structures.

The following table presents the assets and liabilities of Central Nippon Highway Hokuriku Co., Ltd. as of September 30, 2013:

	Millions of yen
Assets	**¥ 1,011**
Liabilities	**827**
Net assets	**¥ 184**

(4) Issuance of Corporate Bonds

On May 30, 2014, the Company issued Bond of Central Nippon Expressway Company Limited No. 57 in the amount of ¥100,000 million ($971,628 thousand) with the applicable interest rate of 0.294% and a maturity date on March 20, 2019 for construction of expressways, reconstruction, repairs, maintenance, disaster recovery and other management activities related to its expressways.

The issuance price was ¥100 per ¥100 face value and the payment date was May 30, 2014. A statutory lien was pledged in accordance with the applicable law.

The following special provisions were attached to the bonds.

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

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

25. Subsequent Events (continued)

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

26. Significant Subsidiaries and Affiliates

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

Name	Ownership interest	Country of incorporation	Subsidiaries / affiliates
Central Nippon Exis Co., Ltd.	100.0%	Japan	Consolidated subsidiary
Central Nippon Extoll Yokohama Co., Ltd.	100.0	Japan	Consolidated subsidiary
Central Nippon Extoll Nagoya Co., Ltd.	100.0	Japan	Consolidated subsidiary
Central Nippon Highway Patrol Tokyo Co., Ltd.	100.0	Japan	Consolidated subsidiary
Central Nippon Highway Patrol Nagoya Co., Ltd.	100.0	Japan	Consolidated subsidiary
Central Nippon Highway Engineering Tokyo Co., Ltd.	100.0	Japan	Consolidated subsidiary
Central Nippon Highway Engineering Nagoya Co., Ltd.	100.0	Japan	Consolidated subsidiary
Central Nippon Highway Maintenance Tomei Co., Ltd.	88.7	Japan	Consolidated subsidiary
Central Nippon Highway Maintenance Chuoh Co., Ltd.	100.0	Japan	Consolidated subsidiary
Central Nippon Highway Maintenance Nagoya Co., Ltd.	100.0	Japan	Consolidated subsidiary
Central Nippon Highway Maintenance Hokuriku Co., Ltd.	100.0	Japan	Consolidated subsidiary
NEXCO Central Nippon Services Co., Ltd.	100.0	Japan	Consolidated subsidiary
Central-NEXCO Technical Marketing Co., Ltd.	100.0	Japan	Consolidated subsidiary
NEXCO Central Nippon Investment LLC.	100.0	Japan	Consolidated subsidiary
H.R. Yokohama Co., Ltd.	100.0	Japan	Consolidated subsidiary
Grancer Seiwa Service Co., Ltd.	72.1	Japan	Consolidated subsidiary
Central Nippon Highway Advance Co., Ltd.	100.0	Japan	Consolidated subsidiary
Central Nippon Road Maintenance Shizuoka Co., Ltd.	51.0	Japan	Consolidated subsidiary
Central Nippon Road Maintenance Tokyo Co., Ltd.	53.6	Japan	Consolidated subsidiary
Central Nippon Road Maintenance Tokai Co., Ltd.	51.0	Japan	Consolidated subsidiary
Central-NEXCO Auto Service Co., Ltd.	100.0	Japan	Consolidated subsidiary
Central Nippon Road Maintenance Kanazawa Co., Ltd.	55.2	Japan	Consolidated subsidiary
Central Nippon Road Maintenance Chubu Co., Ltd.	76.0	Japan	Consolidated subsidiary

26. Significant Subsidiaries and Affiliates (continued)

Name	Ownership interest	Country of incorporation	Subsidiaries / affiliates
Hokuriku Expressway Terminal Co., Ltd.	27.6%	Japan	Equity-method affiliate
NEXCO Systems Co., Ltd.	33.3	Japan	Equity-method affiliate
Nippon Expressway Research Institute Co., Ltd.	33.3	Japan	Equity-method affiliate
NEXCO Insurance Services Co., Ltd.	33.3	Japan	Equity-method affiliate
HIGHWAY TOLL SYSTEMS Co., Ltd.	24.0	Japan	Equity-method affiliate
Japan Expressway International Co., Ltd.	28.6	Japan	Equity-method affiliate
Central Nippon Facilities Management Co., Ltd.	49.0	Japan	Equity-method affiliate
Nihon Road Maintenance Co., Ltd.	15.0	Japan	Equity-method affiliate
Tokyo Highway Co., Ltd.	15.0	Japan	Equity-method affiliate
TC Maintenance Co., Ltd.	33.4	Japan	Equity-method affiliate
NHS Nagoya Co., Ltd.	33.5	Japan	Equity-method affiliate
KOSOKUHOZEN Co., Ltd.	33.3	Japan	Equity-method affiliate

Effective the year ended March 31, 2014, Central Nippon Road Maintenance Kanazawa Company Limited, whose shares were newly acquired by Central Nippon Highway Maintenance Hokuriku Co., Ltd., has been newly consolidated.

Effective the year ended March 31, 2014, Central Nippon Road Maintenance Chubu Co., Ltd., whose shares were newly acquired through the acquisition of shares of Central Nippon Road Maintenance Kanazawa Company Limited, has been newly consolidated.

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

Weiza Co., Ltd. and Shoei Co., Ltd. have neither been accounted for by the equity method nor included in the scope of consolidation since these companies are not significant in terms of net income or loss, and retained earnings and are not material as a whole.

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