

Consolidated Financial Statements

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

*Years ended March 31, 2023 and 2022
with Independent Auditor's Report*

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Consolidated Financial Statements

Years ended March 31, 2023 and 2022

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Independent Auditor's Report

The Board of Directors
Central Nippon Expressway Company Limited

Opinion

We have audited the accompanying consolidated financial statements of Central Nippon Expressway Company Limited and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheets as at March 31, 2023 and 2022, and the consolidated statements of operations, comprehensive income, changes in net assets, and cash flows for the years then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Accuracy of Recognized Amount of Toll Fee	
Description of Key Audit Matter	Auditor's Response
<p>As described in Note 23, Revenue Recognition, the Company recognized revenue from toll fee of ¥655,512 million during the year ended March 31, 2023.</p> <p>Although the amounts arising from each individual transaction are very small compared with the total amount, there are an extremely large number of transactions that must be processed. In addition, since expressway entrances and exits may be operated by different expressway companies, settlements involving three separate companies (the Company, East Nippon Expressway Company Limited and West Nippon Expressway Company Limited) are required.</p> <p>In order to process such complex transactions, the Company uses a data processing system integrated with an accounting system to automatically calculate and aggregate the toll fee amounts.</p> <p>Therefore, the entirety of this business process is highly reliant on the automated controls in the data processing system.</p> <p>Consequently, the impact on the consolidated financial statements could be significant if any system deficiencies or failures were to occur or transactions were not processed appropriately.</p> <p>In view of the complex nature of these transactions and the dependency on the data processing system, we determined that the accuracy of recognized amounts of toll fee is significant in the consolidated financial statements and is of particular importance in our audit.</p> <p>Accordingly, we determined this to be a key audit matter.</p>	<p>The audit procedures we performed to evaluate the accuracy of recognized amounts of toll fee include the following, among others:</p> <p>(Evaluation of Internal Controls)</p> <p>To assess the reliability of the data processing system for recognizing the toll fee, we identified the related accounting processes and, with the support of our internal IT experts, evaluated the design and operation of IT general controls for the related business processing system.</p> <p>In addition, we evaluated the design and operation of internal controls related to the data processing systems (① Toll Fee Calculation and ② Settlement Allocation among Three Companies) including the following, among others:</p> <p>① Toll Fee Calculation</p> <p>We extracted sample data in consideration of the audit risk, and we recalculated the toll fee amounts for these samples based on such factors as the distance of journeys for each road type, vehicle types, discount types, and compared them with the corresponding amounts automatically calculated by the system.</p> <p>② Settlement Allocation among Three Companies</p> <p>We extracted sample data in consideration of the audit risk, and we calculated amounts to be allocated to each company by multiplying the distance traveled for each route subject to allocation by the unit price, and compared them with the corresponding amounts automatically calculated by the system.</p> <p>(Substantive Procedures to Assess the Accuracy of Recognized Amounts of Toll</p>

	<p>Fee)</p> <ol style="list-style-type: none"> ① We compared the transactions involving the toll fee collection through the Electronic Toll Collection (ETC) exceeding a certain threshold that we determined in consideration of the audit risk among all transactions, with the evidence of receipts. ② We compared the recorded amounts with the corresponding invoices, and the amounts paid out or received in executing the settlement among the three companies. ③ We performed confirmation procedures for the balance of accounts receivable related to toll fee exceeding a certain threshold that we determined in consideration of the audit risk.
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Appropriateness of Classification of Expenses Allocated to the Business Segments	
Description of Key Audit Matter	Auditor's Response
<p>As described in Note 24, Segment Information, the Company recognized a loss of ¥1,409 million in the expressway business segment, a profit of ¥3,994 million in the rest area business segment, and a profit of ¥1,137 million in the other related business segments for the year ended March 31, 2023.</p> <p>In its expressway business, given the public nature of expressways, the toll fees set by the Company do not include a standard profit margin.</p> <p>The expressway assets constructed by the Company based on the operational license granted by the Minister of Land, Infrastructure, Transport and Tourism and the Company-Japan Expressway Holding and Debt Repayment Agency ("JEHDRA") Agreements are transferred to JEHDRA along with the liabilities in respect of costs relating to construction.</p> <p>The Company leases expressway assets from JEHDRA, collects toll fees from expressway users and from such toll fees pays the lease</p>	<p>The audit procedures we performed to consider the appropriateness of classification of expenses allocated to the business segments include the following, among others:</p> <p>(Evaluation of Internal Controls)</p> <p>We evaluated the design and operation of internal controls related to the classification of expenses allocated to the business segments.</p> <p>(Substantive Procedures to Verify Appropriateness of Classification of Expenses Allocated to the Business Segments)</p> <ol style="list-style-type: none"> ① We made inquiries with the department in charge or others about the expense transfer transactions that exceeded a certain threshold that we determined in consideration of the audit risk, among the expense transfer transactions between different business segments. In addition,

<p>fees payable to JEHDRA and the administrative expenses payable by the Company.</p> <p>Such lease fees, together with the Company's expenses in relation to the management of the relevant expressways, are intended to be approximately equivalent to the toll fees the Company expects to receive on such expressway assets.</p> <p>On the other hand, the Company is engaged in other related businesses mainly for the purpose of generating a profit, such as the rest area business, in which the Company operates and manages service areas and parking areas.</p> <p>Because of the dual nature of the organization being both a public business and a profit-making enterprise, the Regulation on Accounting in the Expressway Industry requires separate disclosures for the expressway business and other related businesses such as the rest area business.</p> <p>Considering the characteristics of the Company, we determined that appropriateness of classification of expenses allocated to the business segments is significant to understand the consolidated financial statements and is of particular importance in our audit.</p> <p>Accordingly, we determined this to be a key audit matter.</p>	<p>we vouched details of those transactions to supporting evidence.</p> <p>② We made inquiries with the department in charge or others about the transactions that exceeded a certain threshold that we determined in consideration of audit risk, among the expense transactions accrued during the year ended March 31, 2023. In addition, we vouched details of those transactions to supporting evidence.</p> <p>③ We performed a trend analysis against the prior fiscal year on the allocation ratios used to allocate common expenses to each business segment. In addition, we performed a monthly trend analysis for the year ended March 31, 2023. Furthermore, we considered whether there were any unusual entries for charging employee hours, which is the basis for calculating the allocation ratios.</p> <p>④ We performed a trend analysis against prior fiscal year with regard to the amounts applicable to each expense category. In addition, we performed a monthly trend analysis for the year ended March 31, 2023.</p>
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Other Information

The other information comprises the information included in the Annual Report that contains audited consolidated financial statements but does not include the consolidated financial statements and our auditor's report thereon. Management is responsible for preparation and disclosure of the other information. The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's reporting process of the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors for the Consolidated Financial Statements

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the Corporate Auditor and the Board of Corporate Auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.



Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2023 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1(a) to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Nagoya, Japan

June 28, 2023

/s/ Tomohisa Yura

Tomohisa Yura
Designated Engagement Partner
Certified Public Accountant

/s/ Hirotaka Mizutani

Hirotaka Mizutani
Designated Engagement Partner
Certified Public Accountant

/s/ Mitsuhiro Otani

Mitsuhiro Otani
Designated Engagement Partner
Certified Public Accountant

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Consolidated Balance Sheets

March 31, 2023 and 2022

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1(a))</i>
	2023	2022	2023
Assets			
Current assets:			
Cash and deposits (<i>Notes 19 and 20</i>)	¥ 125,790	¥ 451,863	\$ 942,035
Accounts receivable due from expressway business operations (<i>Notes 20, 23 and 25</i>)	98,991	71,711	741,339
Other accounts receivable and contract assets (<i>Notes 3, 20 and 23</i>)	20,306	9,260	152,071
Marketable securities (<i>Notes 5 and 20</i>)	—	100	—
Inventories (<i>Note 6</i>)	1,394,038	1,378,460	10,439,886
Other current assets	84,323	76,211	631,492
Allowance for doubtful accounts	(16)	(10)	(120)
Total current assets	1,723,432	1,987,595	12,906,703
Property and equipment (<i>Notes 2, 7, 9, 11, 17 and 24</i>):			
Buildings	79,510	75,942	595,447
Structures	71,237	69,643	533,491
Machinery and equipment	125,464	123,991	939,594
Vehicles	52,366	50,714	392,167
Tools, furniture and fixtures	19,605	18,535	146,821
Land	120,253	120,101	900,569
Leased assets	9,184	9,129	68,778
Construction in progress	4,707	4,951	35,250
Less accumulated depreciation	(206,394)	(191,203)	(1,545,675)
Total property and equipment	275,932	281,803	2,066,442
Investments and other assets:			
Investments in unconsolidated subsidiaries and affiliates (<i>Notes 8, 20 and 24</i>)	8,039	7,817	60,204
Investments in securities (<i>Notes 5, 11 and 20</i>)	304	305	2,277
Intangible fixed assets (<i>Notes 2, 7 and 24</i>)	16,853	18,363	126,211
Deferred income taxes (<i>Notes 2 and 12</i>)	3,591	3,499	26,893
Asset for retirement benefits (<i>Note 13</i>)	1,104	1,065	8,268
Others (<i>Notes 7 and 11</i>)	5,013	4,994	37,542
Allowance for doubtful accounts	(79)	(69)	(592)
Total investments and other assets	34,825	35,974	260,803
Deferred assets:			
Bond issuance expenses for road construction	1,574	1,789	11,788
Other bond issuance expenses	1	4	7
Total deferred assets	1,575	1,793	11,795
Total assets (<i>Notes 11 and 24</i>)	¥ 2,035,764	¥ 2,307,165	\$ 15,245,743

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1(a))</i>
	2023	2022	2023
Liabilities			
Current liabilities:			
Accounts payable due to expressway business operations (Note 25)	¥ 163,077	¥ 118,696	\$ 1,221,276
Short-term debt, including current portion of long-term debt (Notes 10, 11, 19, 20 and 25)	112,186	432,617	840,156
Current portion of lease obligations (Note 10)	1,566	1,529	11,728
Other accounts payable	41,211	42,598	308,627
Income and other taxes payable (Note 12)	1,573	1,439	11,780
Contract liabilities (Notes 3 and 23)	29,874	27,574	223,725
Accrued employees' bonuses	4,560	4,361	34,150
Other current liabilities (Note 3)	7,659	7,443	57,358
Total current liabilities (Note 24)	<u>361,706</u>	<u>636,257</u>	<u>2,708,800</u>
Long-term liabilities:			
Long-term debt (Notes 10, 11, 19, 20 and 25)	1,323,915	1,322,431	9,914,738
Lease obligations (Note 10)	3,912	4,856	29,297
Deferred income taxes (Notes 2 and 12)	88	82	659
Liabilities for retirement benefits (Note 13)	60,003	59,987	449,360
Accrued retirement benefits for directors, audit and supervisory board members and corporate officers	158	197	1,183
Others (Note 3)	28,759	29,205	215,375
Total long-term liabilities (Note 24)	<u>1,416,835</u>	<u>1,416,758</u>	<u>10,610,612</u>
Contingent liabilities (Notes 14 and 25)			
Net assets:			
Shareholder's equity (Note 15):			
Common stock	65,000	65,000	486,782
Authorized : 520,000,000 shares			
Issued : 130,000,000 shares at March 31, 2023 and 2022			
Capital surplus	73,012	73,012	546,783
Retained earnings	128,065	124,916	959,073
Total shareholder's equity	<u>266,077</u>	<u>262,928</u>	<u>1,992,638</u>
Accumulated other comprehensive income (loss):			
Net unrealized holding gain on securities (Note 5)	258	181	1,932
Translation adjustments	40	28	300
Retirement benefits liability adjustments (Note 13)	(9,422)	(9,247)	(70,561)
Total accumulated other comprehensive loss	<u>(9,124)</u>	<u>(9,038)</u>	<u>(68,329)</u>
Non-controlling interests (Note 18)	270	260	2,022
Total net assets (Note 18)	<u>257,223</u>	<u>254,150</u>	<u>1,926,331</u>
Total liabilities and net assets	<u>¥ 2,035,764</u>	<u>¥ 2,307,165</u>	<u>\$ 15,245,743</u>

See notes to consolidated financial statements.

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Consolidated Statements of Operations

Years ended March 31, 2023 and 2022

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1(a))</i>
	2023	2022	2023
Operating revenues (Notes 23, 24 and 25)	¥ 1,154,952	¥ 1,099,614	\$ 8,649,382
Operating expenses:			
Road assets leasing expenses (Note 25)	474,319	430,986	3,552,153
Cost of sales and administrative expenses for expressway business operations (Note 16)	631,005	621,452	4,725,567
Selling, general and administrative expenses (Note 16)	45,901	45,575	343,751
Total operating expenses	<u>1,151,225</u>	<u>1,098,013</u>	<u>8,621,471</u>
Operating income (Note 24)	3,727	1,601	27,911
Other income (expenses):			
Interest income	21	51	157
Land and property rental fees	195	194	1,460
Amortization of negative goodwill (Note 24)	342	342	2,561
Equity in earnings of affiliates	458	680	3,430
Income from causative person	220	210	1,648
Penalty income	72	342	539
Interest expenses	(46)	(47)	(344)
Loss on sales of goods	(12)	(7)	(90)
Amortization of bond issuance expenses	(7)	(20)	(52)
Gain on sales of fixed assets	7	35	52
Gain on negative goodwill (Notes 19, 22 and 24)	-	42	-
Loss on sales of fixed assets	(3)	(31)	(22)
Loss on disposal of fixed assets	(585)	(500)	(4,381)
Loss on impairment of fixed assets (Notes 2, 7 and 24)	(235)	(59)	(1,760)
Others	306	430	2,292
Profit before income taxes	<u>4,460</u>	<u>3,263</u>	<u>33,401</u>
Income taxes (Note 12):			
Current	1,372	1,239	10,275
Deferred	(71)	244	(532)
	<u>1,301</u>	<u>1,483</u>	<u>9,743</u>
Profit	<u>3,159</u>	1,780	<u>23,658</u>
Profit attributable to:			
Non-controlling interests	10	5	75
Owner of parent (Note 18)	<u>¥ 3,149</u>	<u>¥ 1,775</u>	<u>\$ 23,583</u>

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Consolidated Statements of Comprehensive Income

Years ended March 31, 2023 and 2022

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1(a))</i>
	2023	2022	2023
Profit	¥ 3,159	¥ 1,780	\$ 23,658
Other comprehensive income (loss) (Note 26):			
Net unrealized holding gain on securities	7	26	53
Translation adjustments	12	17	90
Retirement benefits liability adjustments	(124)	891	(929)
Share of other comprehensive income of affiliates accounted for by the equity method	19	76	142
Total other comprehensive (loss) income	(86)	1,010	(644)
Comprehensive income	¥ 3,073	¥ 2,790	\$ 23,014
Total comprehensive income attributable to:			
Owner of parent	¥ 3,063	¥ 2,785	\$ 22,939
Non-controlling interests	10	5	75

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

Years ended March 31, 2023 and 2022

	<i>Millions of yen</i>				
	Number of shares in issue	Common stock	Capital surplus	Retained earnings	Total shareholder's equity
Balance at April 1, 2021	130,000,000	¥ 65,000	¥ 73,012	¥ 123,423	¥ 261,435
Cumulative effects of changes in accounting policies	-	-	-	(282)	(282)
Restated balance at April 1, 2021	130,000,000	65,000	73,012	123,141	261,153
Profit attributable to owner of parent for the year	-	-	-	1,775	1,775
Other changes	-	-	-	-	-
Balance at April 1, 2022	130,000,000	65,000	73,012	124,916	262,928
Profit attributable to owner of parent for the year	-	-	-	3,149	3,149
Other changes	-	-	-	-	-
Balance at March 31, 2023	130,000,000	¥ 65,000	¥ 73,012	¥ 128,065	¥ 266,077

	<i>Millions of yen</i>					
	Accumulated other comprehensive income (loss)					
	Net unrealized holding gain on securities	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income (loss)	Non- controlling interests	Total net assets
Balance at April 1, 2021	¥ 81	¥ 11	¥ (10,140)	¥ (10,048)	¥ -	¥ 251,387
Cumulative effects of changes in accounting policies	-	-	-	-	-	(282)
Restated balance at April 1, 2021	81	11	(10,140)	(10,048)	-	251,105
Profit attributable to owner of parent for the year	-	-	-	-	-	1,775
Other changes	100	17	893	1,010	260	1,270
Balance at April 1, 2022	181	28	(9,247)	(9,038)	260	254,150
Profit attributable to owner of parent for the year	-	-	-	-	-	3,149
Other changes	77	12	(175)	(86)	10	(76)
Balance at March 31, 2023	¥ 258	¥ 40	¥ (9,422)	¥ (9,124)	¥ 270	¥ 257,223

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Consolidated Statements of Changes in Net Assets (continued)

Years ended March 31, 2023 and 2022

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

	Common stock	Capital surplus	Retained earnings	Total shareholder's equity
Balance at April 1, 2022	\$ 486,782	\$ 546,783	\$ 935,490	\$ 1,969,055
Profit attributable to owner of parent for the year	-	-	23,583	23,583
Other changes	-	-	-	-
Balance at March 31, 2023	<u>\$ 486,782</u>	<u>\$ 546,783</u>	<u>\$ 959,073</u>	<u>\$ 1,992,638</u>

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

	Accumulated other comprehensive income (loss)					
	Net unrealized holding gain on securities	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income (loss)	Non- controlling interests	Total net assets
Balance at April 1, 2022	\$ 1,355	\$ 210	\$ (69,250)	\$ (67,685)	\$ 1,947	\$ 1,903,317
Profit attributable to owner of parent for the year	-	-	-	-	-	23,583
Other changes	577	90	(1,311)	(644)	75	(569)
Balance at March 31, 2023	<u>\$ 1,932</u>	<u>\$ 300</u>	<u>\$ (70,561)</u>	<u>\$ (68,329)</u>	<u>\$ 2,022</u>	<u>\$ 1,926,331</u>

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Consolidated Statements of Cash Flows

Years ended March 31, 2023 and 2022

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1(a))</i>
	<u>2023</u>	<u>2022</u>	<u>2023</u>
Cash flows from operating activities:			
Profit before income taxes	¥ 4,460	¥ 3,263	\$ 33,401
Depreciation and amortization (Note 24)	28,255	27,891	211,600
Loss on impairment of fixed assets (Notes 2, 7 and 24)	235	59	1,760
Gain on negative goodwill (Notes 19, 22 and 24)	–	(42)	–
Equity in earnings of affiliates	(458)	(680)	(3,430)
Increase in accrued employees' bonuses	199	234	1,490
Increase (decrease) in allowance for doubtful accounts	16	(4)	120
Decrease in asset and liabilities for retirement benefits	(166)	(25)	(1,243)
Interest and dividend income	(37)	(66)	(277)
Interest expense	1,102	665	8,253
Gain on sales of fixed assets	(4)	(4)	(30)
Loss on disposal of fixed assets	808	789	6,051
(Increase) decrease in accounts receivable due from expressway business operations	(36,954)	119,652	(276,747)
Increase in inventories	(15,467)	(47,291)	(115,832)
Increase (decrease) in accounts payable due to expressway business operations	47,203	(51,046)	353,501
(Decrease) increase in other accounts payable	(8,466)	19,867	(63,401)
Others	(1,577)	616	(11,810)
Subtotal	19,149	73,878	143,406
Interest and dividends received	317	280	2,374
Interest paid	(977)	(662)	(7,317)
Income taxes paid	(231)	(821)	(1,730)
Net cash provided by operating activities	18,258	72,675	136,733
Cash flows from investing activities:			
Increase in time deposits	(46)	(36)	(345)
Decrease in time deposits	22	100	165
Proceeds from sales and redemption of marketable securities	100	–	749
Payments for purchase of fixed assets	(23,125)	(32,337)	(173,182)
Proceeds from sale of fixed assets	67	107	502
Purchase of shares of subsidiaries resulting in change in scope of consolidation (Notes 19 and 22)	–	(213)	–
Others	(9)	(129)	(68)
Net cash used in investing activities	(22,991)	(32,508)	(172,179)
Cash flows from financing activities:			
Increase (decrease) in short-term loans, net	106,000	(30)	793,829
Proceeds from long-term loans	86,498	2,854	647,780
Repayments of long-term loans (Note 19)	(19,977)	(38,522)	(149,607)
Proceeds from issuance of bonds for road construction	317,393	777,158	2,376,942
Redemption of bonds for road construction (Note 19)	(694,597)	(466,249)	(5,201,805)
Proceeds from issuance of other bonds	56,911	119,656	426,204
Redemption of other bonds	(171,763)	(188,231)	(1,286,325)
Others	(1,848)	(1,285)	(13,840)
Net cash (used in) provided by financing activities	(321,383)	205,351	(2,406,822)
Effect of exchange rate changes on cash and cash equivalents	18	16	135
Net (decrease) increase in cash and cash equivalents	(326,098)	245,534	(2,442,133)
Cash and cash equivalents at beginning of the year	451,373	205,839	3,380,312
Cash and cash equivalents at end of the year (Note 19)	¥ 125,275	¥ 451,373	\$ 938,179

See notes to consolidated financial statements.

Central Nippon Expressway Company Limited and its Consolidated Subsidiaries

Notes to Consolidated Financial Statements

March 31, 2023 and 2022

1. Summary of Significant Accounting Policies

(a) Basis of presentation

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

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

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

Certain reclassifications of previously reported amounts have been made to conform the consolidated financial statements for the year ended March 31, 2022 to the 2023 presentation. Such reclassifications had no effect on consolidated profit or net assets.

The translation of Japanese yen amounts into U.S. dollars is included solely for the convenience of the reader and has been made at ¥133.53 = U.S. \$1.00, the approximate rate of exchange in effect on March 31, 2023. 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 consolidated subsidiaries for the years ended March 31, 2023 and 2022. The Company has applied the equity method to its investments in 9 significant affiliates for the purpose of the consolidated financial statements for the years ended March 31, 2023 and 2022.

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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

(c) Foreign currency translation

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

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

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

(d) Cash and cash equivalents

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

(e) Investments in securities

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

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

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

(f) Inventories

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

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

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

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

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

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

(g) Allowance for doubtful accounts

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

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

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

Buildings:	3 to 50 years
Structures:	3 to 60 years
Machinery and equipment:	4 to 17 years

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

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

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

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

(j) Leased assets

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

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

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

(k) Bond issuance expenses for road construction

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

(l) Other bond issuance expenses

Other bond issuance expenses are capitalized and amortized by the straight-line method over the term of the bonds.

(m) Derivatives and hedging activities

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

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

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

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

(n) 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.

(o) Accrued employees' bonuses

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

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

(p) Retirement benefits

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

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

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

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

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

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

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

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

(r) Recognition of revenues and costs

The main performance obligations of the Company and its consolidated subsidiaries in their principal business relating to revenues from contracts with customers and the normal timing to satisfy such performance obligations (the normal timing to recognize revenues) are as follows:

(1) Expressway business

The Group engages in construction, reconstruction, repairs, disaster recovery, and other management activities involving the expressway business.

For operating revenues associated with toll fees, the Group recognizes revenues when customers use the roads the Company manages. The Electronic Toll Collection (“ETC”) mileage program is offered to customers who join the ETC mileage program. In accordance with the ETC mileage program, customers can receive discounts on expressway tolls based on the number of points that they accumulate. When the Group gives the points to customers, the Group recognizes revenues as providing additional services to customers and the performance obligations are satisfied when the services are provided to the customers in the future.

For operating revenues associated with the completion of road assets, the Group recognizes revenues when the Company transfers work in process for road construction to the Japan Expressway Holding and Debt Repayment Agency (“JEHDRA”) in accordance with “the Regulation on Accounting in the Expressway Industry (Ordinance of the Ministry of Land, Infrastructure, Transport and Tourism No. 65 of 2005).”

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 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.

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

(r) Recognition of revenues and costs (continued)

(2) Rest area business

The Group engages in construction, management and other activities of rest area businesses adjacent to expressways and fueling stations.

Operating revenues associated with rest area businesses are recognized in accordance with the normal rental transactions as the Group rents commercial facilities and land in service areas adjacent to expressways.

(3) Other related business

In commissioned business, the Group engages in construction, reconstruction, maintenance, repairs and other commissioned activities involving the roads based on consignment of business activities from the Japanese national and local government and, in principle, operating revenues are recognized over a specific period as the performance obligations are satisfied. In addition, the percentage of completion is determined based on the ratio of actual cost to estimated total cost (the input method), since the incurred cost is considered proportional to the percentage of completion made in satisfying performance obligations. However, in the event that the construction contracts are immaterial, for example, when the period from the commencement date to the date when it is expected that the performance obligations will be fully satisfied is short, operating revenues are recognized on the transfer date as the time when the performance obligations are satisfied. In addition, in the event that the Group charges service fees before providing a service based on contracts, the Group will receive its consideration before the performance obligations are satisfied.

In other related business, except for commissioned business, the Group mainly engages in retail business and others involving the related expressway business. Operating revenues of such business are recognized when services and goods are transferred to customers. If the Company acts as an agent in transactions involving retail business, operating revenues are recognized based on net selling value.

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Significant Accounting Estimates

1. Loss on Impairment of Fixed Assets

- (1) Amounts recorded in the consolidated financial statements as of and for the years ended March 31, 2023 and 2022

Loss on impairment of fixed assets in the amount of ¥235 million (\$1,760 thousand) and ¥59 million was recognized in the consolidated statements of operations for the years ended March 31, 2023 and 2022, respectively, and property and equipment and intangible fixed assets totaling ¥292,785 million (\$2,192,653 thousand) and ¥300,166 million was recorded in the consolidated balance sheet as of March 31, 2023 and 2022, respectively.

- (2) Information on significant accounting estimates made by the Group and the recognized items

(a) Calculation method

The Group recognized loss on impairment of fixed assets for certain asset groups when a decision has been made regarding the termination of business and for certain asset groups when it is determined that investments can no longer be recovered due to a decline in profitability and has written down them to memorandum value. In addition, the Group recognized loss on impairment of fixed assets for certain asset groups when a decision has been made regarding conversion to different uses and has written down these assets to recoverable value. In addition, except for the above-mentioned assets, the Group did not recognize loss on impairment of fixed assets in the event undiscounted future cash flows exceed carrying value. The Group made accounting estimates regarding future cash flows based on the medium-term management plan and anticipated future business expansion.

(b) Significant assumption

The Group considers various elements such as past performance, current situation, future traffic demand and investment plan and others, when the Group prepares its medium-term management plan to provide a basis for estimates of total undiscounted future cash flows.

- (c) Impact on the consolidated financial statements for the fiscal year ending March 31, 2024

The Group will potentially recognize loss on impairment of fixed assets for the fiscal year ending March 31, 2024, if the assumptions underlying the medium-term management plan change.

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Significant Accounting Estimates (continued)

2. Realizability of deferred tax assets

- (1) Amounts recorded in the consolidated financial statements as of March 31, 2023 and 2022

Net deferred tax assets of ¥3,503 million (\$26,234 thousand) and ¥3,417 million were recorded in the consolidated balance sheet as of March 31, 2023 and 2022, respectively.

- (2) Information on significant accounting estimates made by the Group and the recognized items

(a) Calculation method

The Group evaluated realizability of deferred tax assets for deductible temporary differences based on tax planning and future taxable income.

The Group made accounting estimates regarding taxable income based on the medium-term management plan.

(b) Significant assumption

The Group considers various elements such as past performance, current situation, future traffic demand and investment plan and others, when the Group prepares its medium-term management plan to provide a basis for estimates of taxable income.

- (c) Impact on the consolidated financial statements for the fiscal year ending March 31, 2024

The Group will potentially recognize reversal of deferred tax assets for the fiscal year ending March 31, 2024, if the assumptions underlying the medium-term management plan change.

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

3. Accounting Changes

(1) Application of Accounting Standard for Revenue Recognition

The Group adopted “Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan (“ASBJ”) Statement No.29 issued on March 31, 2020) and others from the beginning of the year ended March 31, 2022, and recognizes projected revenues in exchange for goods and services upon transferring control to customers.

The principal changes resulting from application of these standards are as follows:

(a) Revenue recognition in ETC mileage program

ETC mileage program is offered to customers 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.

Previously, the Group recorded the allowance for ETC mileage program in “Allowance for ETC mileage program” in “Long-term liabilities” in the consolidated balance sheets, which was 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.

Effective from the fiscal year ended March 31, 2022, in accordance with those the accounting changes, when the Group gives the points to customers, the Group recognizes revenues as providing additional services to customers and the performance obligations are satisfied when the services are utilized by the customers in the future.

(b) Revenue recognition in commissioned business

Previously, in principle, revenues from contracted construction were 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 activity, the Company measured 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).

Effective from the fiscal year ended March 31, 2022, operating revenues are recognized over a specific period as the performance obligations are satisfied.

However, in the event that the construction contracts are immaterial, for example, for which the period from the commencement date to the date when it is expected that the performance obligations will be fully satisfied is short, operating revenues are recognized on the transfer date as time when the performance obligations are satisfied.

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

3. Accounting Changes (continued)

(1) Application of Accounting Standard for Revenue Recognition (continued)

(c) Revenue recognition in retail business and others

Previously, revenues were recognized based on the gross sales prices received from customers.

Effective from the fiscal year ended March 31, 2022, when the Company acts as an agent in transactions involving the retail business, operating revenues are recognized based on net selling value.

The Group applies the Accounting Standard for Revenue Recognition and others in accordance with the transitional treatment provisions of Paragraph 84 of this standard. The Company has retroactively adjusted the beginning balance of retained earnings as of April 1, 2021 to reflect the cumulative impact of applying the new accounting policies.

In addition, these standards require presenting “Other accounts receivable and contract assets” in “Current assets,” and “Contract liabilities” and “Other current liabilities” in “Current liabilities” and “Others” in “Long-term liabilities” in the consolidated balance sheet as of March 31, 2022. Previously, accounting principles in Japan required an entity to present “Other accounts receivable” in “Current assets,” and “Other current liabilities” in “Current liabilities” and “Allowance for ETC mileage program” and “Others” in “Long-term liabilities.” However, in accordance with the transitional treatment prescribed in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, no reclassification has been made to conform information to the new presentation for the previous fiscal year.

The impact on per share information is stated in Note 18 “Amounts per Share.”

In accordance with the transitional treatment provisions prescribed in Paragraph 89-3 of the Accounting Standard for Revenue Recognition, information in the notes on revenue recognition in the consolidated financial statements for the previous fiscal year are not presented in Note 23 “Revenue Recognition.”

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

3. Accounting Changes (continued)

(2) Application of Accounting Standard for Fair Value Measurement

The Group adopted “Accounting Standard for Fair Value Measurement” (ASBJ Statement No.30 issued on July 4, 2019) and others from the beginning of the year ended March 31, 2022, and in accordance with the transitional treatment prescribed in Paragraph 19 of this standard and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No.10, July 4, 2019), the Group has decided to apply the new accounting policies prescribed by these standards in the future. This change had no impact on the consolidated financial statements.

In addition, in Note 20 “Financial Instruments and Related Disclosures,” the Group has decided to include note information on matters related to the breakdown of fair value of financial instruments by hierarchy level. However, in accordance with the transitional treatment provisions of Paragraph 7-4 of the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No.19, July 4, 2019), information in the notes to the consolidated financial statements for the previous fiscal year is not presented.

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

4. Accounting Standards Issued but Not Yet Effective

On October 28, 2022, the ASBJ revised “Accounting Standard for Current Income Taxes” (ASBJ Statement No.27), “Accounting Standard for Presentation of Comprehensive Income” (ASBJ Statement No.25) and “Guidance on Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No.28).

(1) Overview

In February 2018, the ASBJ issued Statement No. 28 “Partial Amendments to Accounting Standard for Tax Effect Accounting” and others (ASBJ Statement No. 28, etc.), which completed the transfer of the Japanese Institute of Certified Public Accountants' practical guidance on tax effect accounting to the ASBJ.

In the process of council, two issues, which were to be discussed again after the issue of ASBJ Statement No. 28, etc. were discussed and released.

The two issues are as follows:

- Classification of tax expenses (taxation on other comprehensive income)
- Tax effect on sales of shares of subsidiaries and others (shares of subsidiaries or affiliates) when group corporate taxation is applied

(2) Scheduled date of adoption

The Company expects to adopt the accounting standards and guidance from the beginning of the fiscal year ending March 31, 2025.

(3) Impact of the adoption of accounting standards and guidance

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

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

5. Securities

Held-to-maturity debt securities with fair value at March 31, 2023 and 2022 are as follows:

		<i>Millions of yen</i>					
		Held-to-maturity debt securities					
		2023			2022		
		Carrying value	Fair value	Unrealized gain	Carrying value	Fair value	Unrealized gain
Securities with fair value exceeding carrying value:							
	National and local government bonds	¥ -	¥ -	¥ -	¥ 100	¥ 100	¥ 0
	Total	¥ -	¥ -	¥ -	¥ 100	¥ 100	¥ 0
		<i>Thousands of U.S. dollars</i>					
		Held-to-maturity debt securities					
		2023					
		Carrying value	Fair value	Unrealized gain			
Securities with fair value exceeding carrying value:							
	National and local government bonds	\$ -	\$ -	\$ -			
	Total	\$ -	\$ -	\$ -			

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

5. Securities (continued)

Other securities with available market value at March 31, 2023 and 2022 are as follows:

	<i>Millions of yen</i>					
	Other securities					
	2023			2022		
	Acquisition cost	Carrying value	Unrealized gain (loss)	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities with carrying value exceeding acquisition cost:						
Stocks	¥ 78	¥ 238	¥ 160	¥ 78	¥ 233	¥ 155
Securities with carrying value not exceeding acquisition cost:						
Stocks	38	34	(4)	38	27	(11)
Total	<u>¥ 116</u>	<u>¥ 272</u>	<u>¥ 156</u>	<u>¥ 116</u>	<u>¥ 260</u>	<u>¥ 144</u>

	<i>Thousands of U.S. dollars</i>		
	Other securities		
	2023		
	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities with carrying value exceeding acquisition cost:			
Stocks	\$ 584	\$ 1,782	\$ 1,198
Securities with carrying value not exceeding acquisition cost:			
Stocks	285	255	(30)
Total	<u>\$ 869</u>	<u>\$ 2,037</u>	<u>\$ 1,168</u>

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

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

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

5. Securities (continued)

Financial instruments such as stocks with no market price in the amount of ¥32 million (\$240 thousand) and ¥45 million as of March 31, 2023 and 2022 are not included in the above table.

Sales of securities classified as other securities and the aggregate gain (loss) for the years ended March 31, 2023 and 2022 are not applicable.

The Group recognized loss on impairment of non-marketable securities classified as other securities in the amounts of ¥13 million (\$97 thousand) and ¥36 million for the year ended March 31, 2023 and 2022, respectively. For securities for which fair values are deemed extremely difficult to assess, when the value of those securities has written down by more than 50% from their carrying value, the loss on impairment of those securities are recognized, except for cases where the recoverability of the value of those securities in the future is supported by reasonable grounds.

6. Inventories

Inventories at March 31, 2023 and 2022 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2023	2022	2023
Work in process for road construction	¥ 1,390,439	¥ 1,374,536	\$ 10,412,933
Merchandise and finished goods	567	517	4,246
Work in process	812	999	6,081
Raw materials and supplies	2,220	2,408	16,626
	<u>¥ 1,394,038</u>	<u>¥ 1,378,460</u>	<u>\$ 10,439,886</u>

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

7. Loss on Impairment of Fixed Assets

The Group recognized loss on impairment of the following groups of assets for the years ended March 31, 2023 and 2022, respectively.

Years ended March 31	Location	Usage	Category
2023	Gotemba-city, Shizuoka, and others	Common assets related to the entire business	Buildings, structures and others
2023	Hachioji-city, Tokyo, and others	Fixed assets related to rest area business	Tools, furniture and fixtures, leased assets and others
2023	Ichinomiya-city, Aichi, and others	Fixed assets related to other related business	Machinery and equipment, tools, furniture and fixtures and others
2022	Kanazawa-city, Ishikawa, and others	Common assets related to the entire business	Buildings, structures and others
2022	Suwa-city, Nagano, and others	Fixed assets related to rest area business	Land

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

The carrying value of the asset group to be disposed, which consists of common assets related to the entire business was written down to their memorandum value for the years ended March 31, 2023 and 2022. In addition, the carrying value of the asset group for which it is considered that investments can no longer be recovered due to a decline in profitability, consisting of fixed assets related to rest area business and other related business, was written down to memorandum value for the year ended March 31, 2023. Furthermore, the carrying value of the asset group for which it is considered that investments can no longer be recovered due to conversion to a different use, consisting of fixed assets related to rest area business, was written down to recoverable value for the years ended March 31, 2023 and 2022.

As a result, loss on impairment of fixed assets amounted to ¥235 million (\$1,760 thousand) and ¥59 million for the years ended March 31, 2023 and 2022, respectively.

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

7. Loss on Impairment of Fixed Assets (continued)

The details of loss on impairment are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2023	2022	2023
Buildings	¥ 116	¥ 46	\$ 869
Structures	3	3	22
Machinery and equipment	82	–	614
Tools, furniture and fixtures	15	1	112
Land	0	9	0
Others	19	–	143
	¥ 235	¥ 59	\$ 1,760

The recoverable value of the asset group is measured by net selling value which is calculated based on estimated selling amounts.

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

8. Investments in Unconsolidated Subsidiaries and Affiliates

Investments in unconsolidated subsidiaries and affiliates included stock of jointly controlled companies of ¥6,619 million (\$49,569 thousand) and ¥6,561 million at March 31, 2023 and 2022, respectively.

9. Rental Properties

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

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

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

The carrying value in the consolidated balance sheets as of March 31, 2023 and 2022 and corresponding fair value of rental properties are as follows:

	<i>Millions of yen</i>			
	<i>Carrying value</i>			<i>Fair value</i>
	April 1, 2022	Net change	March 31, 2023	March 31, 2023
Rental properties	¥ 6,456	¥ 990	¥ 7,446	¥ 6,953

	<i>Millions of yen</i>			
	<i>Carrying value</i>			<i>Fair value</i>
	April 1, 2021	Net change	March 31, 2022	March 31, 2022
Rental properties	¥ 5,366	¥ 1,090	¥ 6,456	¥ 5,940

	<i>Thousands of U.S. dollars</i>			
	<i>Carrying value</i>			<i>Fair value</i>
	April 1, 2022	Net change	March 31, 2023	March 31, 2023
Rental properties	\$ 48,349	\$ 7,414	\$ 55,763	\$ 52,071

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, 2023 and 2022 mainly represents the increase of the construction in progress and depreciation expenses.

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

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

9. Rental Properties (continued)

The carrying value in the consolidated balance sheets as of March 31, 2023 and 2022 and corresponding fair value of real estate including certain portions used as investment property are as follows:

	<i>Millions of yen</i>			
	<i>Carrying value</i>			<i>Fair value</i>
	April 1, 2022	Net change	March 31, 2023	March 31, 2023
Real estate including certain portions used as investment property	¥ 131,855	¥ (669)	¥ 131,186	¥ 98,554

	<i>Millions of yen</i>			
	<i>Carrying value</i>			<i>Fair value</i>
	April 1, 2021	Net change	March 31, 2022	March 31, 2022
Real estate including certain portions used as investment property	¥ 133,197	¥ (1,342)	¥ 131,855	¥ 101,305

	<i>Thousands of U.S. dollars</i>			
	<i>Carrying value</i>			<i>Fair value</i>
	April 1, 2022	Net change	March 31, 2023	March 31, 2023
Real estate including certain portions used as investment property	\$ 987,456	\$ (5,010)	\$ 982,446	\$ 738,066

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

Net change in real estate including certain portions used as investment property for the years ended March 31, 2023 and 2022 mainly represents the increase of the investment in the Ibuki Parking Area (inbound, called “Aichi-bound”) and the Taga Service Area (a common service area for outbound, called “Osaka-bound”), respectively, and depreciation expenses.

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

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

9. Rental Properties (continued)

Operating revenues, operating expenses and net for those properties for the years ended March 31, 2023 and 2022 are as follows:

<i>Millions of yen</i>			
2023			
	Operating revenues	Operating expenses	Net
Rental properties	¥ 535	¥ 211	¥ 324
Real estate including certain portions used as investment property	23,961	13,137	10,824
<i>Millions of yen</i>			
2022			
	Operating revenues	Operating expenses	Net
Rental properties	¥ 520	¥ 215	¥ 305
Real estate including certain portions used as investment property	19,091	12,912	6,179
<i>Thousands of U.S. dollars</i>			
2023			
	Operating revenues	Operating expenses	Net
Rental properties	\$ 4,007	\$ 1,580	\$ 2,427
Real estate including certain portions used as investment property	179,443	98,382	81,061

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

Operating revenues in the above table includes revenues from retail businesses and others operated by consolidated subsidiaries in the amounts of ¥4,323 million (\$32,375 thousand) and ¥3,398 million for the years ended March 31, 2023 and 2022, respectively.

Operating expenses in the above table includes expenses related to real estate including certain portions used as investment property, such as depreciation expenses, repairs, insurance costs, and taxes and public charges and others.

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

10. Short-Term Debt, Long-Term Debt and Lease Obligations

Short-term debt at March 31, 2023 and 2022 consisted of the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2023	2022	2023
Short-term loans	¥ 106,000	¥ –	\$ 793,829
	¥ 106,000	¥ –	\$ 793,829

Short-term loans from banks represent loans on deeds with a weighted-average interest rate of 0.103% at March 31, 2023.

Long-term debt at March 31, 2023 and 2022 consisted of the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2023	2022	2023
Bonds for road construction	¥ 1,104,359	¥ 1,480,979	\$ 8,270,494
Other bonds	4,823	119,671	36,119
Long-term loans for road construction at interest rates ranging from 0.080% to 0.800% due from 2024 to 2050	170,288	104,028	1,275,279
Other long-term loans at interest rates ranging from 0.002% to 0.609% due from 2023 to 2030	50,631	50,370	379,173
	1,330,101	1,755,048	9,961,065
Less current portion	(6,186)	(432,617)	(46,327)
	¥ 1,323,915	¥ 1,322,431	\$ 9,914,738

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

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

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

Bonds for road construction and other bonds as of March 31, 2023 and 2022 are summarized as follows:

	Issue date	Maturity date	Interest rate (%)	Note	Millions of yen		Thousands of U.S. dollars
					2023	2022	2023
Central Nippon Expressway Company Limited Issue of Series 22							
U.S.\$100,000,000 Floating Rate Notes due 2024	October 30, 2019	October 30, 2024	5.41	**	¥ 10,870	¥ 10,870	\$ 81,405
No.81 Bond of Central Nippon Expressway Company Limited	January 28, 2020	January 28, 2025	0.03	*	–	100,000	–
No.82 Bond of Central Nippon Expressway Company Limited	March 18, 2020	March 17, 2023	0.01	*	–	80,000	–
No.83 Bond of Central Nippon Expressway Company Limited	April 20, 2020	April 20, 2023	0.04	*	–	100,000	–
No.84 Bond of Central Nippon Expressway Company Limited	July 10, 2020	July 10, 2025	0.07	*	–	100,000	–
Central Nippon Expressway Company Limited Issue of Series 26							
AUD100,000,000 1.06 per cent. Notes due 2025	August 4, 2020	August 1, 2025	1.06	*	–	7,530	–
Central Nippon Expressway Company Limited Issue of Series 29							
U.S.\$400,000,000 0.886 per cent. Notes due 2025	September 29, 2020	September 29, 2025	0.89	*	–	42,512	–
No.85 Bond of Central Nippon Expressway Company Limited	October 21, 2020	October 21, 2025	0.07		100,000	100,000	748,895
Central Nippon Expressway Company Limited Issue of Series 33							
U.S.\$400,000,000 0.894 per cent. Notes due 2025	December 10, 2020	December 10, 2025	0.89		41,789	41,789	312,956
No.86 Bond of Central Nippon Expressway Company Limited	January 22, 2021	January 22, 2026	0.06		30,000	30,000	224,669
No.87 Bond of Central Nippon Expressway Company Limited	March 18, 2021	March 18, 2026	0.06		90,000	90,000	674,006
Central Nippon Expressway Company Limited Issue of Series 36							
U.S.\$250,000,000 1.352 per cent. Notes due 2026	April 28, 2021	April 28, 2026	1.35		27,375	27,375	205,010
Central Nippon Expressway Company Limited Issue of Series 37							
U.S.\$233,000,000 0.43 per cent. Notes due 2022	May 6, 2021	April 28, 2022	0.43		–	25,169	–
No.88 Bond of Central Nippon Expressway Company Limited	May 10, 2021	May 8, 2026	0.05		95,000	95,000	711,450
No.89 Bond of Central Nippon Expressway Company Limited	June 1, 2021	June 1, 2026	0.05		60,000	60,000	449,337
Central Nippon Expressway Company Limited Issue of Series 1							
U.S.\$40,000,000 CP	June 1, 2021	May 27, 2022	0.00		–	4,350	–
Central Nippon Expressway Company Limited Issue of Series 38							
U.S.\$65,000,000 0.35 per cent. Notes due 2022	July 20, 2021	April 20, 2022	0.35		–	7,157	–
No.90 Bond of Central Nippon Expressway Company Limited	July 27, 2021	July 27, 2026	0.05		75,000	75,000	561,672

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

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

Bonds for road construction and other bonds as of March 31, 2023 and 2022 are summarized as follows: (continued)

	Issue date	Maturity date	Interest rate (%)	Note	Millions of yen		Thousands of U.S. dollars
					2023	2022	2023
Central Nippon Expressway Company Limited Issue of Series 39 HK\$1,000,000,000 0.29 per cent. Notes due 2022	August 4, 2021	August 2, 2022	0.29		¥ –	¥ 14,163	\$ –
Central Nippon Expressway Company Limited Issue of Series 2 EUR272,000,000 CP	August 16, 2021	May 16, 2022	0.00		–	35,238	–
Central Nippon Expressway Company Limited Issue of Series 3 U.S.\$25,000,000 CP	August 16, 2021	May 16, 2022	0.00		–	2,727	–
Central Nippon Expressway Company Limited Issue of Series 4 U.S.\$300,000,000 CP	August 16, 2021	August 10, 2022	0.00		–	32,727	–
Central Nippon Expressway Company Limited Issue of Series 40 U.S.\$300,000,000 1.169 per cent. Notes due 2026	August 23, 2021	August 21, 2026	1.17		32,781	32,781	245,495
Central Nippon Expressway Company Limited Issue of Series 5 EUR50,000,000 CP	September 10, 2021	June 9, 2022	0.00		–	6,502	–
Central Nippon Expressway Company Limited Issue of Series 6 EUR100,000,000 CP	September 10, 2021	September 7, 2022	0.00		–	13,026	–
Central Nippon Expressway Company Limited Issue of Series 7 U.S.\$300,000,000 CP	September 10, 2021	September 7, 2022	0.00		–	33,011	–
No.91 Bond of Central Nippon Expressway Company Limited Central Nippon Expressway Company Limited Issue of Series 8 EUR220,000,000 CP	September 17, 2021	September 17, 2026	0.04		75,000	75,000	561,672
Central Nippon Expressway Company Limited Issue of Series 8 EUR220,000,000 CP	October 14, 2021	October 7, 2022	0.00		–	28,424	–
Central Nippon Expressway Company Limited Issue of Series 9 U.S.\$140,000,000 CP	October 14, 2021	April 13, 2022	0.00		–	15,568	–
Central Nippon Expressway Company Limited Issue of Series 10 EUR80,000,000 CP	October 14, 2021	April 13, 2022	0.00		–	10,348	–
No.92 Bond of Central Nippon Expressway Company Limited Central Nippon Expressway Company Limited Issue of Series 10 EUR80,000,000 CP	November 10, 2021	November 10, 2026	0.04		100,000	100,000	748,895
Central Nippon Expressway Company Limited Issue of Series 12 EUR480,000,000 CP	January 19, 2022	July 15, 2022	0.00		–	62,863	–
Central Nippon Expressway Company Limited Issue of Series 13 EUR300,000,000 CP	January 19, 2022	October 18, 2022	0.00		–	39,333	–
Central Nippon Expressway Company Limited Issue of Series 11 U.S.\$178,000,000 CP	January 19, 2022	July 15, 2022	0.00		–	20,643	–
Central Nippon Expressway Company Limited Issue of Series 41 U.S.\$100,000,000 2.378 per cent. Notes due 2027	February 28, 2022	February 26, 2027	2.38		11,544	11,544	86,452

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

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

Bonds for road construction and other bonds as of March 31, 2023 and 2022 are summarized as follows: (continued)

	Issue date	Maturity date	Interest rate (%)	Note	Millions of yen		Thousands of U.S. dollars
					2023	2022	2023
No.93 Bond of Central Nippon Expressway Company Limited	March 18, 2022	March 18, 2027	0.13		¥ 70,000	¥ 70,000	\$ 524,227
No.94 Bond of Central Nippon Expressway Company Limited	August 18, 2022	August 18, 2027	0.17		60,000	–	449,337
No.95 Bond of Central Nippon Expressway Company Limited	September 22, 2022	September 22, 2027	0.25		30,000	–	224,669
No.96 Bond of Central Nippon Expressway Company Limited	December 13, 2022	December 13, 2027	0.44		75,000	–	561,672
No.97 Bond of Central Nippon Expressway Company Limited	January 23, 2023	January 21, 2028	0.63		45,000	–	337,003
No.98 Bond of Central Nippon Expressway Company Limited	February 21, 2023	February 21, 2028	0.51		45,000	–	337,003
No.99 Bond of Central Nippon Expressway Company Limited	March 28, 2023	March 28, 2028	0.44		30,000	–	224,669
Central Nippon Expressway Company Limited Issue of Series 42 CNY250,000,000 3.13 per cent. Notes due 2024	February 13, 2023	February 8, 2024	3.13		4,823	–	36,119
				Total	¥ 1,109,182	¥ 1,600,650	\$ 8,306,613

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

** The interest rates are those as of March 31, 2023.

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

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

The aggregate annual maturities of short-term debt and long-term debt subsequent to March 31, 2023 are summarized as follows:

Years ending March 31,	<i>Millions of yen</i>				
	Bonds for road construction	Other bonds	Short-term loans	Long-term loans for road construction	Other long- term loans
2024	¥ –	¥ 4,823	¥ 106,000	¥ 1,253	¥ 110
2025	10,870	–	–	105	100
2026	261,789	–	–	55,302	421
2027	546,700	–	–	60,204	10,000
2028 and thereafter	285,000	–	–	53,424	40,000
	¥ 1,104,359	¥ 4,823	¥ 106,000	¥ 170,288	¥ 50,631

Years ending March 31,	<i>Thousands of U.S. dollars</i>				
	Bonds for road construction	Other bonds	Short-term loans	Long-term loans for road construction	Other long- term loans
2024	\$ –	\$ 36,119	\$ 793,829	\$ 9,384	\$ 824
2025	81,405	–	–	786	749
2026	1,960,526	–	–	414,154	3,153
2027	4,094,211	–	–	450,865	74,889
2028 and thereafter	2,134,352	–	–	400,090	299,558
	\$ 8,270,494	\$ 36,119	\$ 793,829	\$ 1,275,279	\$ 379,173

The aggregate annual maturities of lease obligations subsequent to March 31, 2023 are summarized as follows:

Years ending March 31,	<i>Thousands of</i>	
	<i>Millions of yen</i>	<i>U.S. dollars</i>
	Lease obligations	
2024	¥ 1,566	\$ 11,728
2025	1,093	8,186
2026	688	5,152
2027	475	3,557
2028 and thereafter	1,656	12,402
	¥ 5,478	\$ 41,025

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

11. Pledged Assets

At March 31, 2023 and 2022, the total assets of the Company were pledged as collateral for the following bonds pursuant to Article 8 of the Act on Expressway Companies of Japan.

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2023	2022	2023
Bonds for road construction			
Carrying value	¥ 1,104,359	¥ 1,480,979	\$ 8,270,494
Face value	1,104,359	1,480,979	8,270,494
Other bonds			
Carrying value	¥ 4,823	¥ 119,671	\$ 36,119
Face value	4,823	119,671	36,119

In addition, at March 31, 2023 and 2022, the total assets of the Company were also pledged as collateral for bonds in the amounts of ¥714,163 million (\$5,348,334 thousand) and ¥604,121 million at March 31, 2023 and 2022, respectively, assumed by JEHDRA pursuant to Article 15 of the JEHDRA Act.

At March 31, 2023 and 2022, the following assets, other than pledged assets outlined above under requirement of the Act on Expressway Companies of Japan and the JEHDRA Act, were pledged.

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2023	2022	2023
Buildings	¥ 617	¥ -	\$ 4,621
Structures	36	-	270
Tools, furniture and fixtures	12	-	90
Land	235	-	1,760
Investments in securities	4	17	30
Others in Investments and other assets	25	25	187

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

12. Income Taxes

The Company and its domestic subsidiaries are subject to several taxes based on income which, in the aggregate, resulted in a statutory tax rate of approximately 30.4% for the years ended March 31, 2023 and 2022.

A reconciliation of the statutory tax rate and the effective tax rate for the year ended March 31, 2023 is omitted, as the difference was less than 5% of statutory tax rate.

The effective tax rate reflected in the accompanying consolidated statements of operations for the year ended March 31, 2022, differs from the above statutory tax rate for the following reasons:

	2022
Statutory tax rate	<u>30.4%</u>
Adjustments:	
Valuation allowance	21.3
Amortization of negative goodwill	(3.2)
Equity in earnings of affiliates	(6.3)
Inhabitants' per capita taxes	3.9
Other	(0.6)
Effective tax rate	<u>45.5%</u>

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

12. Income Taxes (continued)

The significant components of the Group's deferred tax assets and liabilities at March 31, 2023 and 2022 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2023	2022	2023
Deferred tax assets:			
Tax loss carried forward (*2)	¥ 3,091	¥ 3,314	\$ 23,148
Allowance for doubtful accounts	30	25	225
Contract liabilities	2,653	2,547	19,868
Accrued employees' bonuses	1,508	1,439	11,293
Liabilities for retirement benefits	18,868	18,798	141,302
Other	4,119	4,094	30,847
Gross deferred tax assets	<u>30,269</u>	<u>30,217</u>	<u>226,683</u>
Valuation allowance for tax loss carried forward (*2)	(2,946)	(3,202)	(22,062)
Valuation allowance for total deductible temporary differences and others	<u>(22,904)</u>	<u>(22,730)</u>	<u>(171,527)</u>
Valuation allowance subtotal (*1)	<u>(25,850)</u>	<u>(25,932)</u>	<u>(193,589)</u>
Total deferred tax assets	<u>4,419</u>	<u>4,285</u>	<u>33,094</u>
Deferred tax liabilities:			
Other	<u>(916)</u>	<u>(868)</u>	<u>(6,860)</u>
Total deferred tax liabilities	<u>(916)</u>	<u>(868)</u>	<u>(6,860)</u>
Net deferred tax assets	<u>¥ 3,503</u>	<u>¥ 3,417</u>	<u>\$ 26,234</u>

(*1) As a result that the Group revised the realizability of deferred tax assets, valuation allowance decreased by ¥82 million (\$614 thousand) and increased by ¥193 million for the years ended March 31, 2023 and 2022, respectively.

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Notes to Consolidated Financial Statements (continued)

12. Income Taxes (continued)

(*2) Tax loss carried forward and related deferred tax assets as of March 31, 2023, will expire as follows:

Years ending March 31,	<i>Millions of yen</i>		
	Tax loss carried forward (*a)	Valuation allowance for tax loss carried forward	Deferred tax assets related to tax loss carried forward (*b)
2024	¥ 151	¥ (151)	¥ –
2025	46	(46)	–
2026	39	(23)	16
2027	12	(12)	–
2028	–	–	–
2029 and thereafter	2,843	(2,714)	129
	¥ 3,091	¥ (2,946)	¥ 145

Years ending March 31,	<i>Thousands of U.S. dollars</i>		
	Tax loss carried forward (*a)	Valuation allowance for tax loss carried forward	Deferred tax assets related to tax loss carried forward (*b)
2024	\$ 1,131	\$ (1,131)	\$ –
2025	344	(344)	–
2026	292	(172)	120
2027	90	(90)	–
2028	–	–	–
2029 and thereafter	21,291	(20,325)	966
	\$ 23,148	\$ (22,062)	\$ 1,086

(*a) Tax loss carried forward in the above table is measured using the statutory tax rate.

(*b) Deferred tax assets related to tax loss carried forward in the amounts of ¥145 million (\$1,086 thousand) are appropriated in accordance with tax loss carried forward in the amounts of ¥3,091 million (\$23,148 thousand) which is measured using the statutory tax rate. The Group regards of tax loss carried forward which described deferred tax assets as realizable based on future taxable income.

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

13. Retirement Benefits

1. Overview

The Company and its consolidated subsidiaries have defined benefit plans, which include both unfunded severance indemnity plans and funded lump-sum severance indemnity plans and a defined contribution plan. The defined benefit pension plans, include corporate pension plans and welfare pension fund plans (“WFPF”) covering substantially all employees who are entitled to lump-sum or annuity payments, the amounts of which are determined by reference to basic rates of pay, length of service, and the conditions under which termination occurs.

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

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

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Notes to Consolidated Financial Statements (continued)

13. Retirement Benefits (continued)

2. Defined benefit plans

The changes in retirement benefit obligation for the years ended March 31, 2023 and 2022 are as follows (excluding defined benefit plans based on the simplified method):

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<u>2023</u>	<u>2022</u>	<u>2023</u>
Beginning balance of retirement benefit obligation	¥ 94,037	¥ 92,846	\$ 704,239
Service cost	4,001	3,945	29,963
Interest cost	444	426	3,325
Actuarial gain or loss	210	524	1,573
Benefit paid	(3,767)	(3,704)	(28,211)
Prior service cost	(10)	-	(75)
Ending balance of retirement benefit obligation	<u>¥ 94,915</u>	<u>¥ 94,037</u>	<u>\$ 710,814</u>

The changes in plan assets at fair value for the years ended March 31, 2023 and 2022 are as follows (excluding retirement defined benefit plans based on the simplified method):

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<u>2023</u>	<u>2022</u>	<u>2023</u>
Beginning balance of plan assets at fair value	¥ 36,875	¥ 34,625	\$ 276,155
Expected return on plan assets	1,576	1,470	11,803
Actuarial gain or loss	(1,900)	(597)	(14,229)
Contributions by the employers	2,948	2,982	22,077
Benefit paid	(1,804)	(1,798)	(13,510)
Other	195	193	1,460
Ending balance of plan assets at fair value	<u>¥ 37,890</u>	<u>¥ 36,875</u>	<u>\$ 283,756</u>

The changes in liabilities for retirement benefit under the simplified method for the years ended March 31, 2023 and 2022 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<u>2023</u>	<u>2022</u>	<u>2023</u>
Beginning balance of liabilities for retirement benefit	¥ 1,760	¥ 1,616	\$ 13,181
Service cost	447	468	3,348
Benefit paid	(179)	(193)	(1,341)
Payment for the plan	(154)	(152)	(1,154)
Increase due to newly consolidated subsidiary	-	21	-
Ending balance of liabilities for retirement benefit	<u>¥ 1,874</u>	<u>¥ 1,760</u>	<u>\$ 14,034</u>

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

13. Retirement Benefits (continued)

2. Defined benefit plans (continued)

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheets as of March 31, 2023 and 2022 for the Company's and the consolidated subsidiaries' defined benefit plans:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2023	2022	2023
Funded retirement benefit obligation	¥ 63,037	¥ 62,484	\$ 472,081
Plan assets at fair value	(38,893)	(37,824)	(291,268)
	24,144	24,660	180,813
Unfunded retirement benefit obligation	34,755	34,262	260,279
Net amounts of liabilities and assets recognized in consolidated balance sheets	58,899	58,922	441,092
Liabilities for retirement benefits	60,003	59,987	449,360
Asset for retirement benefits	(1,104)	(1,065)	(8,268)
Net amounts of liabilities recognized in consolidated balance sheets	¥ 58,899	¥ 58,922	\$ 441,092

The components of retirement benefit expenses for the years ended March 31, 2023 and 2022 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2023	2022	2023
Service cost	¥ 3,806	¥ 3,752	\$ 28,503
Interest cost	444	426	3,325
Expected return on plan assets	(1,576)	(1,470)	(11,803)
Amortization:			
Actuarial gain or loss	1,946	2,020	14,574
Prior service cost	11	12	82
Retirement benefit expenses under the simplified method	447	468	3,348
Other	(159)	(130)	(1,191)
Retirement benefit expenses	¥ 4,919	¥ 5,078	\$ 36,838

The components of retirement benefits liability adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2023 and 2022 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2023	2022	2023
Prior service cost	¥ (21)	¥ (12)	\$ (157)
Actuarial gain or loss	164	(899)	1,228
Total	¥ 143	¥ (911)	\$ 1,071

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

13. Retirement Benefits (continued)

2. Defined benefit plans (continued)

The components of retirement benefits liability adjustments included in accumulated other comprehensive loss (before tax effect) as of March 31, 2023 and 2022 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2023	2022	2023
Unrecognized prior service cost	¥ 76	¥ 97	\$ 569
Unrecognized actuarial gain or loss	9,651	9,487	72,276
Total	<u>¥ 9,727</u>	<u>¥ 9,584</u>	<u>\$ 72,845</u>

The fair value of plans assets, by major category, as a percentage of total assets as of March 31, 2023 and 2022 are as follows:

	2023	2022
Bonds	28.9%	29.8%
Stocks	30.3	31.3
Cash and deposits	0.7	0.7
General accounts at life insurance companies	20.7	19.9
Short-term financial assets	0.8	0.7
Other	18.6	17.6
Total	<u>100.0%</u>	<u>100.0%</u>

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

The assumptions used in accounting for the defined benefit plans for the years ended March 31, 2023 and 2022 are as follows:

	2023	2022
Discount rates	(0.1)-1.0%	(0.1)-1.0%
Expected long-term rates of return on plan assets	1.0-8.4%	1.0-8.0%
Rates of salary increase	0.0-7.5%	0.0-7.5%

3. Defined contribution plans

The required contributions to defined contribution plans, including the multi-employer welfare defined benefit pension plans which are accounted as well as defined contributions plans, are ¥123 million (\$921 thousand) and ¥124 million for the years ended March 31, 2023 and 2022, respectively.

The details and description of multi-employer welfare pension plans, in which contributions to the fund are charged to expense when paid are omitted due to their immateriality.

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

14. Contingent Liabilities

At March 31, 2023 and 2022, the Company provides the following debt guarantees:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2023	2022	2023
JEHDRA	¥ 290,000	¥ 431,000	\$ 2,171,797
W-NEXCO	2	2	15
	¥ 290,002	¥ 431,002	\$ 2,171,812

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 and disaster recovery.

At March 31, 2023 and 2022, the Company is jointly and severally liable with JEHDRA for the bonds and loans of JEHDRA transferred by the Company, which were originally financed by the Company, as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2023	2022	2023
JEHDRA	¥ 744,163	¥ 641,271	\$ 5,573,002

As a result of these transfers listed above, bonds for road construction decreased by ¥430,042 million (face value) (\$3,220,565 thousand) and long-term loans for road construction decreased by ¥17,850 million (\$133,678 thousand) for the year ended March 31, 2023.

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

15. Shareholder's Equity

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

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

16. Research and Development Cost

Research and development cost included in cost of sales and administrative expenses for expressway business operations and selling, general and administrative expenses amounted to ¥2,110 million (\$15,802 thousand) and ¥2,034 million for the years ended March 31, 2023 and 2022, respectively.

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

17. Leases

Future minimum lease payments subsequent to March 31, 2023 under non-cancellable operating leases related to road assets are summarized as follows:

<u>Years ending March 31,</u>	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
2024	¥ 384,990	\$ 2,883,172
2025 and thereafter	15,245,168	114,170,359
	<u>¥ 15,630,158</u>	<u>\$ 117,053,531</u>

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

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

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

Future minimum lease payments subsequent to March 31, 2023 under non-cancellable operating leases other than road assets are summarized as follows:

<u>Years ending March 31,</u>	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
2024	¥ 1,532	\$ 11,473
2025 and thereafter	2,191	16,408
	<u>¥ 3,723</u>	<u>\$ 27,881</u>

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

18. Amounts per Share

Per share amounts as of and for the years ended March 31, 2023 and 2022 are as follows:

	<i>Yen</i>		<i>U.S. dollars</i>
	2023	2022	2023
Profit attributable to owner of parent:			
Basic	¥ 24.22	¥ 13.65	\$ 0.18
Net assets	1,976.56	1,953.00	14.80

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

Diluted profit per share has not been presented because there were no potentially dilutive shares of common stock for the years ended March 31, 2023 and 2022.

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

As described in Note 3 “Accounting Changes,” the Group adopted “Accounting Standard for Revenue Recognition” (ASBJ Statement No.29 issued on March 31, 2020) and others from the beginning of the year ended March 31, 2022, and applies the transitional treatment provisions of Paragraph 84 of this standard.

The financial data used in the computation of basic profit attributable to owner of parent per share for the years ended March 31, 2023 and 2022 is summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2023	2022	2023
Profit attributable to owner of parent	¥ 3,149	¥ 1,775	\$ 23,583
Adjusted profit attributable to owner of parent	¥ 3,149	¥ 1,775	\$ 23,583
	<i>Thousands of shares</i>		
	2023	2022	
Weighted-average number of shares of common stock outstanding	130,000	130,000	

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

18. Amounts per Share (continued)

The financial data used in the computation of net assets per share as of March 31, 2023 and 2022 is summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2023	2022	2023
Total net assets	¥ 257,223	¥ 254,150	\$ 1,926,331
Deduction from total net assets:			
Non-controlling interests	270	260	2,022
Total net assets available to common shares	¥ 256,953	¥ 253,890	\$ 1,924,309
	<i>Thousands of shares</i>		
	2023	2022	
Number of shares of common stock used in the calculation of net assets per share	130,000	130,000	

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

19. Supplemental Information on Consolidated Statements of Cash Flows

Reconciliations of cash and deposits at March 31, 2023 and 2022 and cash and cash equivalents in the consolidated statements of cash flows for the years then ended are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	At March 31,		
	2023	2022	2023
Cash and deposits	¥ 125,790	¥ 451,863	\$ 942,035
Deposits over three months	(515)	(490)	(3,856)
Cash and cash equivalents	¥ 125,275	¥ 451,373	\$ 938,179

During the year ended March 31, 2022, the Company purchased shares of OASIS PARK 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 payment for acquisition:

	<i>Millions of yen</i>
	2022
Current assets	¥ 542
Non-current assets	174
Current liabilities	(48)
Non-current liabilities	(110)
Negative goodwill	(42)
Non-controlling interests	(255)
Acquisition cost	261
Cash and cash equivalents	(48)
Net payment for acquisition	¥ 213

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

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

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

For the years ended March 31, 2023 and 2022, expressway assets constructed by the Company in the amounts of ¥432,075 million (\$3,235,790 thousand) and ¥421,476 million, respectively, were transferred to JEHDRA pursuant to Article 51.2 through 51.4 of the Special Measures Act and, concurrently, the long-term loans of ¥19,842 million (\$148,596 thousand) related to ¥19,977 million (\$149,607 thousand) and ¥38,382 million for the years ended March 31, 2023 and 2022, and bonds for road construction of ¥430,042 million (\$3,220,565 thousand) related to ¥694,597 million (\$5,201,805 thousand) and ¥466,249 million for the years ended March 31, 2023 and 2022, respectively, were assumed by JEHDRA pursuant to Article 15.1 of the JEHDRA Act.

Non-cash transactions outlined above are recognized and included in increase in inventories, repayments of long-term loans and redemption of bonds for road construction in the consolidated statements of cash flows for the years ended March 31, 2023 and 2022.

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

20. Financial Instruments and Related Disclosures

Status of financial instruments

(1) Policy for financial instruments

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

(2) Types of financial instruments and related risk

Accounts receivable due from expressway business operations, other accounts receivable and contract assets are exposed to credit risk in relation to customers.

Marketable securities and investments in securities are mainly stocks held by certain consolidated subsidiaries and these are exposed to price fluctuation 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 for the purpose of financing construction contracts commissioned from the Japanese government and capital investments by the Company.

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

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

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

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

20. Financial Instruments and Related Disclosures (continued)

Status of financial instruments (continued)

(3) Risk management for financial instruments

(a) Monitoring of credit risk

For managing credit risks arising from accounts receivable due from expressway business operations, other accounts receivable and contract assets, 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.

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

(b) Monitoring of market risk

Marketable securities and investments in securities are regularly reviewed to assess their fair value and the financial condition of the issuer.

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

(c) Monitoring of liquidity risk

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

(d) Derivative transactions

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

(4) Supplementary explanation about fair value of financial instruments

Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in a different fair value.

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

20. Financial Instruments and Related Disclosures (continued)

Fair value of financial instruments

The carrying value of financial instruments on the accompanying consolidated balance sheet as of March 31, 2023 and 2022 and their estimated fair value are shown in the following table.

	<i>Millions of yen</i>					
	March 31, 2023			March 31, 2022		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Assets:						
Marketable securities and investments in securities (*2):	¥ 272	¥ 272	¥ -	¥ 360	¥ 360	¥ 0
Total assets	<u>¥ 272</u>	<u>¥ 272</u>	<u>¥ -</u>	<u>¥ 360</u>	<u>¥ 360</u>	<u>¥ 0</u>
Liabilities:						
Bonds for road construction (*4)	¥ 1,104,359	¥ 1,101,460	¥ (2,899)	¥ 1,480,979	¥ 1,477,132	¥ (3,847)
Other bonds (*4)	4,823	4,828	5	119,671	119,610	(61)
Long-term loans for road construction (*4)	170,288	161,146	(9,142)	104,028	101,785	(2,243)
Other long-term loans (*4)	50,631	49,590	(1,041)	50,370	50,190	(180)
Total liabilities	<u>¥ 1,330,101</u>	<u>¥ 1,317,024</u>	<u>¥ (13,077)</u>	<u>¥ 1,755,048</u>	<u>¥ 1,748,717</u>	<u>¥ (6,331)</u>

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

20. Financial Instruments and Related Disclosures (continued)

Fair value of financial instruments (continued)

	<i>Thousands of U.S. dollars</i>		
	March 31, 2023		
	Carrying value	Fair value	Difference
Assets :			
Marketable securities and investments in securities (*2):	\$ 2,037	\$ 2,037	\$ -
Total assets	<u>\$ 2,037</u>	<u>\$ 2,037</u>	<u>\$ -</u>
Liabilities :			
Bonds for road construction	\$ 8,270,494	\$ 8,248,783	\$ (21,711)
Other bonds (*4)	36,119	36,157	38
Long-term loans for road construction (*4)	1,275,279	1,206,815	(68,464)
Other long-term loans (*4)	379,173	371,377	(7,796)
Total liabilities	<u>\$ 9,961,065</u>	<u>\$ 9,863,132</u>	<u>\$ (97,933)</u>

- *1 Cash and deposits have not been presented due to the fact that the fair value of cash and deposits approximates the carrying value since cash has characteristic of cash and deposits are settled in a short period of time. In addition, accounts receivable due from expressway business operations, other accounts receivable and contract assets, accounts payable due to expressway business operations, short-term loans, other accounts payable and income and other taxes payable have not been presented due to the fact that the fair value of these items approximates the carrying value since these items are settled in a short period of time.
- *2 Financial instruments such as stocks with no market price as of March 31, 2023 and 2022 are not included above tables, and are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2023	March 31, 2022	March 31, 2023
Unlisted stocks:			
Investments in securities	¥ 8,071	¥ 7,862	\$ 60,444

- *3 Please refer to Note 21 “Derivative Financial Instruments and Hedging Activities” for information on derivative transactions.
- *4 Bonds for road construction, other bonds, long-term loans for road construction and other long-term loans include both current and non-current balances.

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

20. Financial Instruments and Related Disclosures (continued)

Fair value of financial instruments (continued)

The redemption schedule for cash and deposits, accounts receivable due from expressway business operations and other accounts receivable and contract assets at March 31, 2023 are as follows:

	<i>Millions of yen</i>			
	2023			
	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	¥ 125,790	¥ –	¥ –	¥ –
Accounts receivable due from expressway business operations	98,991	–	–	–
Other accounts receivable and contract assets	9,178	11,128	–	–
Total	¥ 233,959	¥ 11,128	¥ –	¥ –

	<i>Thousands of U.S. dollars</i>			
	2023			
	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	\$ 942,035	\$ –	\$ –	\$ –
Accounts receivable due from expressway business operations	741,339	–	–	–
Other accounts receivable and contract assets	68,734	83,337	–	–
Total	\$ 1,752,108	\$ 83,337	\$ –	\$ –

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

20. Financial Instruments and Related Disclosures (continued)

Breakdown of fair value of financial instruments by hierarchy level

Fair value of financial instruments is categorized into the following three hierarchy levels according to the observability and materiality of the inputs used to calculate the fair value.

Level 1 fair value : Fair value calculated based on quoted market prices in active markets for the assets or liabilities, which are among the inputs to calculate observable fair value.

Level 2 fair value : Fair value calculated using inputs to calculate observable fair value other than that used in the calculation of Level 1 fair value.

Level 3 fair value : Fair value calculated using inputs related to calculate the unobservable fair value.

When more than one input is used in the calculation of fair value, the fair value is classified based on the lowest level of input that is significant to the fair value measurement as a whole.

Financial instruments recorded at fair value at March 31, 2023 and 2022 in the consolidated balance sheet are as follows:

<i>Millions of yen</i>				
2023				
	Level 1	Level 2	Level 3	Total
Assets:				
Investments in securities:				
Other securities				
Stocks	¥ 272	¥ –	¥ –	¥ 272
Total assets	¥ 272	¥ –	¥ –	¥ 272
 <i>Millions of yen</i>				
2022				
	Level 1	Level 2	Level 3	Total
Assets:				
Marketable securities and investments in securities:				
Other securities				
Stocks	¥ 260	¥ –	¥ –	¥ 260
Total assets	¥ 260	¥ –	¥ –	¥ 260
 <i>Thousands of U.S. dollars</i>				
2023				
	Level 1	Level 2	Level 3	Total
Assets:				
Investments in securities:				
Other securities				
Stocks	\$ 2,037	\$ –	\$ –	\$ 2,037
Total assets	\$ 2,037	\$ –	\$ –	\$ 2,037

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

20. Financial Instruments and Related Disclosures (continued)

Breakdown of fair value of financial instruments by hierarchy level (continued)

Financial instruments other than those recorded at fair value at March 31, 2023 and 2022 in the consolidated balance sheet are as follows:

<i>Millions of yen</i>				
2023				
	Level 1	Level 2	Level 3	Total
Liabilities:				
Bonds for road construction	¥ –	¥ 1,101,460	¥ –	¥ 1,101,460
Other bonds (*)	–	4,828	–	4,828
Long-term loans for road construction (*)	–	161,146	–	161,146
Other long-term loans (*)	–	49,590	–	49,590
Total liabilities	¥ –	¥ 1,317,024	¥ –	¥ 1,317,024

<i>Millions of yen</i>				
2022				
	Level 1	Level 2	Level 3	Total
Assets:				
Marketable securities and investments in securities:				
Held-to-maturity debt securities				
National and local government bonds	¥ 100	¥ –	¥ –	¥ 100
Total assets	¥ 100	¥ –	¥ –	¥ 100

Liabilities:				
Bonds for road construction (*)	¥ –	¥ 1,477,132	¥ –	¥ 1,477,132
Other bonds (*)	–	119,610	–	119,610
Long-term loans for road construction (*)	–	101,785	–	101,785
Other long-term loans (*)	–	50,190	–	50,190
Total liabilities	¥ –	¥ 1,748,717	¥ –	¥ 1,748,717

<i>Thousands of U.S. dollars</i>				
2023				
	Level 1	Level 2	Level 3	Total
Liabilities:				
Bonds for road construction	\$ –	\$ 8,248,783	\$ –	\$ 8,248,783
Other bonds (*)	–	36,157	–	36,157
Long-term loans for road construction (*)	–	1,206,815	–	1,206,815
Other long-term loans (*)	–	371,377	–	371,377
Total liabilities	\$ –	\$ 9,863,132	\$ –	\$ 9,863,132

* Bonds for road construction, other bonds, long-term loans for road construction and other long-term loans include both current and non-current balances.

Central Nippon Expressway Company Limited and
its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

20. Financial Instruments and Related Disclosures (continued)

Breakdown of fair value of financial instruments by hierarchy level (continued)

Explanation of valuation methods used to calculate fair value and inputs used to calculate fair value is as follows:

Marketable securities and investments in securities

Fair value of listed stocks and national government bonds is measured using quoted market prices. As they are traded in an active market, they are classified as Level 1 fair value.

Bonds for road construction and other bonds

Fair value of bonds is calculated mainly based on market prices. As they are traded infrequently in the market and are not considered to be quoted market prices in an active market, they are classified as Level 2 fair value.

Long-term loans for road construction and other long-term loans

Fair value of long-term loans with floating interest rates is measured based on the carrying value, since these items reflect market interest rates in the short term and there have been no significant changes in the Company's financial condition that would negatively impact its credit status after execution. Fair value of long-term loans with fixed interest rates is calculated 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. As they are not considered to be quoted market prices in an active market, they are classified as Level 2 fair value.

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

21. Derivative Financial Instruments and Hedging Activities

The contract amount and the fair value of the derivative instruments outstanding which qualified for hedge accounting at March 31, 2023 and 2022 are as follows:

Hedge accounting method	Hedging instrument	Main hedged item	<i>Millions of yen</i>		
			2023		Fair value
			Contract amount	Contract amount over one year	
Allocation method for currency swaps	Currency swaps	Bonds for road construction	¥ 113,490	¥ 113,490	*1
Allocation method for currency swaps	Currency swaps	Other bonds	4,823	—	*2
Integrated treatment of interest rate and currency swaps (special treatment, allocation method)	Currency swaps including interest-rate swaps	Bonds for road construction	10,870	10,870	*3
Total			<u>¥ 129,183</u>	<u>¥ 124,360</u>	

Hedge accounting method	Hedging instrument	Main hedged item	<i>Millions of yen</i>		
			2022		Fair value
			Contract amount	Contract amount over one year	
Allocation method for currency swaps	Currency swaps	Bonds for road construction	¥ 395,109	¥ 163,532	*1
Allocation method for currency swaps	Currency swaps	Other bonds	119,671	—	*2
Integrated treatment of interest rate and currency swaps (special treatment, allocation method)	Currency swaps including interest-rate swaps	Bonds for road construction	10,870	10,870	*3
Total			<u>¥ 525,650</u>	<u>¥ 174,402</u>	

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

21. Derivative Financial Instruments and Hedging Activities (continued)

Hedge accounting method	Hedging instrument	Main hedged item	<i>Thousands of U.S. dollars</i>		
			2023		
			Contract amount	Contract amount over one year	Fair value
Allocation method for currency swaps	Currency swaps	Bonds for road construction	\$ 849,921	\$ 849,921	*1
Allocation method for currency swaps	Currency swaps	Other bonds	36,119	–	*2
Integrated treatment of interest rate and currency swaps (special treatment, allocation method)	Currency swaps including interest-rate swaps	Bonds for road construction	81,405	81,405	*3
Total			\$ 967,445	\$ 931,326	

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

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

22. Business Combinations

Acquisition of OASIS PARK Co., Ltd.

On April 1, 2021, the Company acquired 5,140 shares of OASIS PARK Co., Ltd. at a cost of ¥261 million. As a result, OASIS PARK Co., Ltd., for which the percentage of voting rights acquired equals 54.3%, became a consolidated subsidiary of the Company.

As a result, ¥42 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 cost, which was credited to income for the year ended March 31, 2022.

The assets and liabilities of OASIS PARK Co., Ltd. on the date of the business combination are as follows:

April 1, 2021	<i>Millions of yen</i>
Current assets	¥542
Non-current assets	174
Total assets	¥716
Current liabilities	¥ 48
Non-current liabilities	110
Total liabilities	¥158

OASIS PARK Co., Ltd. has been engaged in the park management as designated managing operations in the Gifu World Fresh Water Aquarium operated by Gifu Prefecture, except for World Freshwater Aquarium, called “Aquatotto Gifu,” implementation of planning, development, management, and operations related to commercial facilities in Kawashima parking area on Tokai-Hokuriku Expressway, and planning and organizing various events.

The purpose of this acquisition is to ensure the improvement in service of rest area business adjacent to expressways.

OASIS PARK Co., Ltd. has a fiscal year end of March 31 and its operating results from April 1, 2021 to March 31, 2022 have been included in the consolidated financial statements.

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

23. Revenue Recognition

Revenues from contracts with customers

In operating revenues, the Group does not separately present revenues from contracts with customers and other revenues.

Disaggregation of revenues from contracts with customers by segment

A disaggregation of revenues from contracts with customers for the years ended March 31, 2023 and 2022 is as follows:

	<i>Millions of yen</i>			
	2023			
	Reportable segments			
	Expressway business	Rest area business	Other related business	Total
Toll fee	¥ 655,512	¥ –	¥ –	¥ 655,512
Completion of road assets	432,075	–	–	432,075
Revenues in commissioned business	0	–	29,080	29,080
Others	1,994	8,555	6,895	17,444
Revenues from contracts with customers	<u>1,089,581</u>	<u>8,555</u>	<u>35,975</u>	<u>1,134,111</u>
Other revenues	3	20,321	517	20,841
Sales to third parties	<u>¥ 1,089,584</u>	<u>¥ 28,876</u>	<u>¥ 36,492</u>	<u>¥ 1,154,952</u>
	<i>Millions of yen</i>			
	2022			
	Reportable segments			
	Expressway business	Rest area business	Other related business	Total
Toll fee	¥ 615,852	¥ –	¥ –	¥ 615,852
Completion of road assets	421,476	–	–	421,476
Revenues in commissioned business	2	–	30,451	30,453
Others	904	7,401	6,742	15,047
Revenues from contracts with customers	<u>1,038,234</u>	<u>7,401</u>	<u>37,193</u>	<u>1,082,828</u>
Other revenues	3	16,242	541	16,786
Sales to third parties	<u>¥ 1,038,237</u>	<u>¥ 23,643</u>	<u>¥ 37,734</u>	<u>¥ 1,099,614</u>

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

23. Revenue Recognition (continued)

Disaggregation of revenues from contracts with customers by segment (continued)

	<i>Thousands of U.S. dollars</i>			
	2023			
	Reportable segments			
	Expressway business	Rest area business	Other related business	Total
Toll fee	\$ 4,909,099	\$ –	\$ –	\$ 4,909,099
Completion of road assets	3,235,790	–	–	3,235,790
Revenues in commissioned business	0	–	217,779	217,779
Others	14,933	64,068	51,636	130,637
Revenues from contracts with customers	<u>8,159,822</u>	<u>64,068</u>	<u>269,415</u>	<u>8,493,305</u>
Other revenues	22	152,183	3,872	156,077
Sales to third parties	<u>\$ 8,159,844</u>	<u>\$ 216,251</u>	<u>\$ 273,287</u>	<u>\$ 8,649,382</u>

Information to provide a basis for understanding revenues from contracts with customers

The Group describes information to provide a basis for understanding revenues from contracts with customers in Note 1 (r) “Recognition of revenues and costs.”

Information on the relationship between satisfying performance obligations based on contracts with customers and cash flows arising from the contracts, and the amounts and terms of revenues projected to be recognized subsequent to the balance sheet date from contracts with customers at the fiscal year end

(1) Balances of contract assets, contract liabilities and others

Beginning and ending balances of accounts receivable from contracts with customers, contract assets and contract liabilities for the fiscal years ended March 31, 2023 and 2022 are as follows:

	<i>Millions of yen</i>	
	<u>March 31, 2023</u>	<u>April 1, 2022</u>
Accounts receivable from contracts with customers	¥ 103,201	¥ 75,525
Contract assets	11,755	2,915
Contract liabilities	29,874	27,574

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

23. Revenue Recognition (continued)

Information on the relationship between satisfying performance obligations based on contracts with customers and cash flows arising from the contracts, and the amounts and terms of revenues projected to be recognized subsequent to the balance sheet date from contracts with customers at the fiscal year end (continued)

(1) Balances of contract assets, contract liabilities and others (continued)

	<i>Millions of yen</i>	
	<u>March 31, 2022</u>	<u>April 1, 2021</u>
Accounts receivable from contracts with customers	¥ 75,525	¥ 117,499
Contract assets	2,915	1,387
Contract liabilities	27,574	28,944

	<i>Thousands of U.S. dollars</i>	
	<u>March 31, 2023</u>	<u>April 1, 2022</u>
Accounts receivable from contracts with customers	\$ 772,868	\$ 565,603
Contract assets	88,033	21,830
Contract liabilities	223,725	206,500

Contract assets are mainly unbilled receivables related to recognized revenues based on measurement about the percentage of completion at the ending balance for construction contracts related to commissioned business and the Company's rights for consideration of construction. Contract assets are transferred to accounts receivable from contracts with customers when the Company's rights for consideration of construction are without condition.

Contract liabilities are mainly allowance for ETC mileage program which 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 and advances received from customers in commissioned business. Contract liabilities are reversed according to revenue recognition.

The amounts of recognized revenues, which is included in the beginning balance of contract liabilities are immaterial for the years ended March 31, 2023 and 2022.

Fluctuation of balances of contract assets and contract liabilities are immaterial. In addition, recognized revenues from performance obligations that have been satisfied or partially satisfied in the previous year are immaterial for the years ended March 31, 2023 and 2022.

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

23. Revenue Recognition (continued)

Information on the relationship between satisfying performance obligations based on contracts with customers and cash flows arising from the contracts, and the amounts and terms of revenues projected to be recognized subsequent to the balance sheet date from contracts with customers at the fiscal year end (continued)

(2) Transaction price allocated to residual performance obligations

During the years ended March 31, 2023 and 2022, total transaction price allocated to unsatisfied performance obligations for ETC mileage program and construction contracts related to commissioned business is ¥312,582 million (\$2,340,912 thousand) and ¥330,412 million.

The residual performance obligations are expected to be recognized as revenues, as the points for the ETC mileage program are granted and the performance obligations due to the progress of construction for advances received from customers in commissioned business.

The Group applies the practical expedient about note of transaction price allocated to residual performance obligations and therefore the contracts which set original expected contract terms within one year are not included in the notes.

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

24. Segment Information

(1) Outline of reporting segments

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

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

Details on the reportable segments are as follows:

- Expressway business : Construction, reconstruction, maintenance, repairs, disaster recovery, and other management activities involving the expressway business
- Rest area business : Construction, management and operations of rest area businesses adjacent to expressways
- Other related business : Commissioned business, truck terminal business, facilities utilization business, retail business and other related business

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

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

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

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

Intersegment sales are determined in reference to market actual value.

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

24. Segment Information (continued)

Information on net sales, segment income or loss, segment assets and liabilities and other items by each reportable segment as of and for the years ended March 31, 2023 and 2022 is outlined as follows:

<i>Millions of yen</i>						
2023						
	Reportable segments			Total	Adjustments	Consolidated
	Expressway business	Rest area business	Other related business			
Sales to third parties	¥ 1,089,584	¥ 28,876	¥ 36,492	¥ 1,154,952	¥ –	¥ 1,154,952
Intersegment sales and transfers	21	24	24	69	(69)	–
Net sales	1,089,605	28,900	36,516	1,155,021	(69)	1,154,952
Segment (loss) income	¥ (1,409)	¥ 3,994	¥ 1,137	¥ 3,722	¥ 5	¥ 3,727
Segment assets	¥ 1,645,130	¥ 171,547	¥ 19,174	¥ 1,835,851	¥ 199,913	¥ 2,035,764
Segment liabilities	1,385,470	–	50,631	1,436,101	342,440	1,778,541
Other items:						
Depreciation and amortization	24,619	3,378	258	28,255	–	28,255
Investments in affiliates	5,886	–	2,153	8,039	–	8,039
Increase in property and equipment and intangible fixed assets	15,394	4,127	842	20,363	1,908	22,271

<i>Millions of yen</i>						
2022						
	Reportable segments			Total	Adjustments	Consolidated
	Expressway business	Rest area business	Other related business			
Sales to third parties	¥ 1,038,237	¥ 23,643	¥ 37,734	¥ 1,099,614	¥ –	¥ 1,099,614
Intersegment sales and transfers	21	13	2	36	(36)	–
Net sales	1,038,258	23,656	37,736	1,099,650	(36)	1,099,614
Segment income (loss)	¥ 1,628	¥ (851)	¥ 820	¥ 1,597	¥ 4	¥ 1,601
Segment assets	¥ 1,600,554	¥ 168,518	¥ 14,996	¥ 1,784,068	¥ 523,097	¥ 2,307,165
Segment liabilities	1,704,678	–	50,370	1,755,048	297,967	2,053,015
Other items:						
Depreciation and amortization	24,108	3,449	334	27,891	–	27,891
Investments in affiliates	5,792	–	2,025	7,817	–	7,817
Increase in property and equipment and intangible fixed assets	24,653	2,449	340	27,442	2,125	29,567

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Notes to Consolidated Financial Statements (continued)

24. Segment Information (continued)

	<i>Thousands of U.S. dollars</i>					
	2023					
	Reportable segments					
	Expressway business	Rest area business	Other related business	Total	Adjustments	Consolidated
Sales to third parties	\$ 8,159,844	\$ 216,251	\$ 273,287	\$ 8,649,382	\$ –	\$ 8,649,382
Intersegment sales and transfers	157	180	180	517	(517)	–
Net sales	<u>8,160,001</u>	<u>216,431</u>	<u>273,467</u>	<u>8,649,899</u>	<u>(517)</u>	<u>8,649,382</u>
Segment (loss) income	<u>\$ (10,552)</u>	<u>\$ 29,911</u>	<u>\$ 8,515</u>	<u>\$ 27,874</u>	<u>\$ 37</u>	<u>\$ 27,911</u>
Segment assets	<u>\$12,320,303</u>	<u>\$ 1,284,708</u>	<u>\$ 143,593</u>	<u>\$13,748,604</u>	<u>\$ 1,497,139</u>	<u>\$15,245,743</u>
Segment liabilities	10,375,721	–	379,174	10,754,895	2,564,517	13,319,412
Other items:						
Depreciation and amortization	184,371	25,298	1,931	211,600	–	211,600
Investments in affiliates	44,080	–	16,124	60,204	–	60,204
Increase in property and equipment and intangible fixed assets	115,285	30,907	6,305	152,497	14,289	166,786

Adjustments in the above tables:

The adjustments of segment income (loss) in the amounts of ¥5 million (\$37 thousand) and ¥4 million for the years ended March 31, 2023 and 2022, respectively, are eliminations of intersegment transactions.

The adjustments of segment assets in the amounts of ¥199,913 million (\$1,497,139 thousand) and ¥523,097 million at March 31, 2023 and 2022, respectively, include corporate assets not allocated to reportable segments, mainly consisting of cash, deposits and assets related common departments in the Company.

The adjustments of segment liabilities in the amounts of ¥342,440 million (\$2,564,517 thousand) and ¥297,967 million at March 31, 2023 and 2022, respectively, include corporate liabilities not allocated to reportable segments, principally consisting of other accounts payable and liabilities for retirement benefits.

The adjustments of property and equipment and intangible fixed assets in the amounts of ¥1,908 million (\$14,289 thousand) and ¥2,125 million for the years ended March 31, 2023 and 2022, respectively, include corporate assets not allocated to reportable segments, principally consisting of system development by the Company.

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

24. Segment Information (continued)

Information on each product and service for the years ended March 31, 2023 and 2022 is analyzed as follows:

		<i>Millions of yen</i>			
		2023			
		Toll fee	Completion of road assets	Other	Total
Sales to third parties		¥ 655,512	¥ 432,075	¥ 67,365	¥ 1,154,952
		<i>Millions of yen</i>			
		2022			
		Toll fee	Completion of road assets	Other	Total
Sales to third parties		¥ 615,852	¥ 421,476	¥ 62,286	¥ 1,099,614
		<i>Thousands of U.S. dollars</i>			
		2023			
		Toll fee	Completion of road assets	Other	Total
Sales to third parties		\$ 4,909,099	\$ 3,235,790	\$ 504,493	\$ 8,649,382

As more than 90% of the consolidated net sales for the years ended March 31, 2023 and 2022 were made in Japan, the disclosure of geographical segment information has been omitted.

As more than 90% of property and equipment in the consolidated balance sheets as of March 31, 2023 and 2022 are located in Japan, the disclosure of information on property and equipment by country or geographic region has been omitted.

Sales to JEHDRA amounted to ¥433,202 million (\$3,244,230 thousand) and ¥421,478 million by the expressway business segment for the years ended March 31, 2023 and 2022, respectively.

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

24. Segment Information (continued)

Information on loss on impairment of fixed assets by reportable segment for the years ended March 31, 2023 and 2022, respectively, is as follows:

<i>Millions of yen</i>						
2023						
	Expressway business	Rest area business	Other related business	Total	Adjustments (*)	Consolidated
Loss on impairment of fixed assets	¥ –	¥ 16	¥ 104	¥ 120	¥ 115	¥ 235
<i>Millions of yen</i>						
2022						
	Expressway business	Rest area business	Other related business	Total	Adjustments (*)	Consolidated
Loss on impairment of fixed assets	¥ –	¥ 9	¥ –	¥ 9	¥ 50	¥ 59
<i>Thousands of U.S. dollars</i>						
2023						
	Expressway business	Rest area business	Other related business	Total	Adjustments (*)	Consolidated
Loss on impairment of fixed assets	\$ –	\$ 120	\$ 779	\$ 899	\$ 861	\$ 1,760

(*) The adjustments of loss on impairment of fixed assets amounting to ¥115 million (\$861 thousand) and ¥50 million for the years ended March 31, 2023 and 2022, respectively, are attributable to corporate assets not allocated to reportable segments.

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

24. Segment Information (continued)

Information on amortization of goodwill and the remaining balance by reportable segment as of and for the years ended March 31, 2023 and 2022, respectively, is as follows:

<i>Millions of yen</i>						
2023						
	Expressway business	Rest area business	Other related business	Total	Adjustments	Consolidated
Amortization of goodwill	¥ 60	¥ –	¥ –	¥ 60	¥ –	¥ 60
Remaining balance	117	–	–	117	–	117
<i>Millions of yen</i>						
2022						
	Expressway business	Rest area business	Other related business	Total	Adjustments	Consolidated
Amortization of goodwill	¥ 76	¥ –	¥ –	¥ 76	¥ –	¥ 76
Remaining balance	123	–	–	123	–	123
<i>Thousands of U.S. dollars</i>						
2023						
	Expressway business	Rest area business	Other related business	Total	Adjustments	Consolidated
Amortization of goodwill	\$ 449	\$ –	\$ –	\$ 449	\$ –	\$ 449
Remaining balance	876	–	–	876	–	876

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Notes to Consolidated Financial Statements (continued)

24. Segment Information (continued)

Information on amortization of negative goodwill arising from business combinations before April 1, 2010 and the remaining balance by reportable segment as of and for the years ended March 31, 2023 and 2022 is as follows:

<i>Millions of yen</i>						
2023						
	Expressway business	Rest area business	Other related business	Total	Adjustments	Consolidated
Amortization of negative goodwill	¥ –	¥ –	¥ –	¥ –	¥ 342	¥ 342
Remaining balance	–	–	–	–	1,790	1,790
<i>Millions of yen</i>						
2022						
	Expressway business	Rest area business	Other related business	Total	Adjustments	Consolidated
Amortization of negative goodwill	¥ –	¥ –	¥ –	¥ –	¥ 342	¥ 342
Remaining balance	–	–	–	–	2,132	2,132
<i>Thousands of U.S. dollars</i>						
2023						
	Expressway business	Rest area business	Other related business	Total	Adjustments	Consolidated
Amortization of negative goodwill	\$ –	\$ –	\$ –	\$ –	\$ 2,561	\$ 2,561
Remaining balance	–	–	–	–	13,405	13,405

Gain on negative goodwill amounted to ¥42 million in rest area business for the year ended March 31, 2022, due to the share acquisition of OASIS PARK Co., Ltd. by the Company.

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Notes to Consolidated Financial Statements (continued)

25. Related Party Transactions

Principal transactions during the year ended March 31, 2023 between the Company and the Ministry of Finance (Minister of Finance) of Japan, which is the exclusive shareholder of the Company are summarized as follows:

		2023				
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)
Financing funds and others	Financing funds (*1)	¥ —	\$ —	Long-term loans for road construction	¥ 53,000	\$ 396,915
	Interest expenses (*1)	25	187	Other long-term loans Other current liabilities	50,000 7	374,448 52
		2022				
Relationship with the related party	Nature of transaction	Transaction amount (Millions of yen)	Account name	Carrying amount (Millions of yen)		
Financing funds and others	Financing funds (*1)	¥ —	Long-term loans for road construction	¥ 53,000		
	Interest expenses (*1)	25	Other long-term loans Other current liabilities	50,000 7		

The Ministry of Finance of Japan, which is located in the city of Chiyoda in Tokyo, is a Japanese government ministry conducting financial operations.

(*1) Interest rates are qualified for Fiscal Investment and Loan Program of the Ministry of Finance of Japan. No assets of the Company have been pledged as collateral.

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Notes to Consolidated Financial Statements (continued)

25. Related Party Transactions (continued)

Principal transactions between the Company and JEHDRA for the years ended March 31, 2023 and 2022 are summarized as follows:

2023						
Relationship with the related party	Nature of transaction	Transaction amount (Millions of yen)	Transaction amount (Thousands of U.S. dollars)	Account name	Carrying amount (Millions of yen)	Carrying amount (Thousands of U.S. dollars)
Leasing of road assets	Road assets leasing expenses (*1)	¥ 474,319	\$ 3,552,153	Accounts payable due to expressway business operations	¥ 121,726	\$ 911,600
Transfer of road assets and loans and jointly and severally liable debts	Revenues from the transfer of road assets constructed by the Company (*1) Transfer of liabilities and guarantee of debts (*2)	432,075	3,235,790	Accounts receivable due from expressway business operations	34,439	257,912
Jointly and severally liable for debts	Guarantee of debts (*3) Guarantee of debts (*4)	447,892	3,354,243	-	-	-
		290,000	2,171,797	-	-	-
		376,271	2,817,876	-	-	-
2022						
Relationship with the related party	Nature of transaction	Transaction amount (Millions of yen)	Account name	Carrying amount (Millions of yen)		
Leasing of road assets	Road assets leasing expenses (*1)	¥ 430,986	Accounts payable due to expressway business operations	¥ 62,047		
Transfer of road assets and loans and jointly and severally liable debts	Revenues from the transfer of road assets constructed by the Company (*1) Transfer of liabilities and guarantee of debts (*2)	421,476	Accounts receivable due from expressway business operations	11,819		
Jointly and severally liable for debts	Guarantee of debts (*3) Guarantee of debts (*4)	503,399	-	-		
		431,000	-	-		
		137,872	-	-		

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

25. Related Party Transactions (continued)

The capital of JEHDRA is mainly provided by the Minister of Finance, which is the shareholder of the Company. JEHDRA's share capital at March 31, 2022 and 2021 amounted to ¥5,651,449 million (\$42,323,440 thousand) and ¥5,650,555 million, respectively.

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

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

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

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

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

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

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its Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

26. Other Comprehensive Income (Loss)

The following table presents an analysis of components of other comprehensive income (loss) for the years ended March 31, 2023 and 2022.

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2023	2022	2023
Net unrealized holding gain on securities:			
Amount arising during the year	¥ 11	¥ 39	\$ 82
Amount before tax effect	11	39	82
Tax effect	(4)	(13)	(29)
Net unrealized holding gain on securities	7	26	53
Translation adjustments:			
Amount arising during the year	12	17	90
Retirement benefits liability adjustments:			
Amount arising during the year	(2,102)	(1,106)	(15,742)
Reclassification adjustments for gain and loss included in profit	1,959	2,017	14,671
Amount before tax effect	(143)	911	(1,071)
Tax effect	19	(20)	142
Retirement benefits liability adjustments	(124)	891	(929)
Share of other comprehensive income of affiliates accounted for by the equity method:			
Amount arising during the year	19	76	142
Total other comprehensive (loss) income	¥ (86)	¥ 1,010	\$ (644)

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

27. Subsequent Events

Issuance of Corporate Bond and Commercial Paper

The Company issued commercial paper to finance funds pursuant to Article 5.1.1 and 5.1.2 of the Act on Expressway Companies of Japan. A statutory lien was pledged in accordance with the applicable law.

The details are as follows:

	<u>Total amount issued</u>	<u>Interest rate</u>	<u>Issue price</u>	<u>Issuance date</u>	<u>Redemption date</u>
Central Nippon Expressway Company Limited Issue of Series 18 U.S.\$30,000,000 CP	¥4,157 million (\$31,132 thousand)	0.000% per annum	95.890% of face value	May 26, 2023	February 26, 2024
Central Nippon Expressway Company Limited Issue of Series 19 U.S.\$90,000,000 CP	¥12,456 million (\$93,282 thousand)	0.000% per annum	97.217% of face value	May 26, 2023	November 27, 2023

In addition, the Company issued general corporate bond to finance funds pursuant to Article 5.1.1 and 5.1.2 of the Act on Expressway Companies of Japan. A statutory lien was pledged in accordance with the applicable law.

The details are as follows:

	<u>Total amount issued</u>	<u>Interest rate</u>	<u>Issue price</u>	<u>Issuance date</u>	<u>Redemption date</u>
No.100 Bond of Central Nippon Expressway Company Limited	¥100,000 million (\$748,895 thousand)	0.385% per annum	100% of face value	May 18, 2023	May 18, 2028

The following special provisions were attached to the bond.

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

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Notes to Consolidated Financial Statements (continued)

28. Significant Subsidiaries and Affiliates

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

Name	Ownership interest	Country of incorporation	Subsidiaries / affiliates
Central Nippon Exis Co., Ltd.	100.0%	Japan	Consolidated subsidiary
Central Nippon Extoll Yokohama Co., Ltd.	100.0	Japan	Consolidated subsidiary
Central Nippon Extoll Nagoya Co., Ltd.	100.0	Japan	Consolidated subsidiary
Central Nippon Highway Patrol Tokyo Co., Ltd.	100.0	Japan	Consolidated subsidiary
Central Nippon Highway Patrol Nagoya Co., Ltd.	100.0	Japan	Consolidated subsidiary
Central Nippon Highway Engineering Tokyo Co., Ltd.	100.0	Japan	Consolidated subsidiary
Central Nippon Highway Engineering Nagoya Co., Ltd.	100.0	Japan	Consolidated subsidiary
Central Nippon Highway Maintenance Tomei Co., Ltd.	100.0	Japan	Consolidated subsidiary
Central Nippon Highway Maintenance Chuoh Co., Ltd.	100.0	Japan	Consolidated subsidiary
Central Nippon Highway Maintenance Nagoya Co., Ltd.	100.0	Japan	Consolidated subsidiary
Central Nippon Highway Maintenance Hokuriku Co., Ltd.	100.0	Japan	Consolidated subsidiary
NEXCO Central Nippon Services Co., Ltd.	100.0	Japan	Consolidated subsidiary
Central-NEXCO Technical Marketing Co., Ltd.	100.0	Japan	Consolidated subsidiary
NEXCO Central Nippon Investment LLC	100.0	Japan	Consolidated subsidiary
NEXCO Highway Solutions of America Inc.	100.0	United States of America	Consolidated subsidiary
NEXCO-CENTRAL Philippines Inc.	100.0	Republic of the Philippines	Consolidated subsidiary
OASIS PARK Co., Ltd.	54.3	Japan	Consolidated subsidiary
Central Nippon Highway Retail Co., Ltd.	100.0	Japan	Consolidated subsidiary
Central Nippon Highway Advance Co., Ltd.	100.0	Japan	Consolidated subsidiary
Central Nippon Exis International Co., Ltd.	100.0	Taiwan	Consolidated subsidiary
Central-NEXCO Auto Service Co., Ltd.	100.0	Japan	Consolidated subsidiary
NEXCO Central Nippon Development Co., Ltd.	100.0	Japan	Consolidated subsidiary
Hakone Turnpike Limited	100.0	Japan	Consolidated subsidiary

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Notes to Consolidated Financial Statements (continued)

28. Significant Subsidiaries and Affiliates (continued)

Name	Ownership interest	Country of incorporation	Subsidiaries / affiliates
Hokuriku Highway Terminal Co., Ltd.	27.7%	Japan	Equity-method affiliate
NEXCO System Solutions 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
Nippon Expressway Toll Technology Co., Ltd.	30.3	Japan	Equity-method affiliate
Japan Expressway International Co., Ltd.	29.4	Japan	Equity-method affiliate
Central Nippon Farm Suzunari Co., Ltd.	39.0	Japan	Equity-method affiliate
Central Nippon Facilities Management Co., Ltd.	20.0	Japan	Equity-method affiliate
Deros Japan Co., Ltd.	30.3	Japan	Equity-method affiliate

On June 24, 2022, Nexco Systems Co., Ltd. changed its business name to NEXCO System Solutions Co., Ltd.

On June 24, 2022, HIGHWAY TOLL SYSTEMS Co., Ltd. changed its business name to Nippon Expressway Toll Technology Co., Ltd.