NOTE 1 | FRAMEWORK FOR PREPARING THE CONSOLIDATED STATEMENTS

(1) Basis of presentation

The accompanying consolidated financial statements of Odakyu Electric Railway Co., Ltd. (the "Company") and consolidated subsidiaries (together, the "Group") are prepared on the basis of accounting principles generally accepted in Japan, which differ in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

(2) U.S. dollar amounts

The Company and its domestic consolidated subsidiaries and affiliates maintain their books of account and other records in yen. The U.S. dollar amounts are included solely for convenience and are stated as a matter of arithmetical computation only at U.S.$1.00=¥112.51, the approximate exchange rate prevailing on March 31, 2016. This translation should not be construed as a representation that the yen amounts actually represent, or have been, or could be, converted into U.S. dollars at the above or any other rate.

NOTE 2 | BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

(1) Scope of consolidation

(a) Number of consolidated subsidiaries: 44
Primary consolidated subsidiaries include Odakyu Department Store Co., Ltd., Odakyu Shoji Co., Ltd. and Odakyu Real Estate Co., Ltd.

Odakyu Life Associate Co., Ltd. (changed its name from Keiyo Meiwa Service Co., Ltd.) has been included in the scope of consolidation in the fiscal year ended March 31, 2016 due to an increased materiality of the business by taking over the nursing care business from the former Odakyu Life Associate Co., Ltd. on October 1, 2015.

The former Odakyu Life Associate Co., Ltd. has been excluded from the scope of consolidation because the sale of its stock resulted in the loss of its status as a subsidiary on October 1, 2015. The statements of income of the company were consolidated until exclusion from the scope of consolidation.

(b) Name of major non-consolidated subsidiaries
Fuji Oyama Golf Club Co., Ltd.

The non-consolidated subsidiaries are all small in scale and not material when measured by the impact of total amounts of assets, net sales, net income attributable to owners of the parent, and retained earnings (based on the Company's ownership percentage) of these companies in the consolidated financial statements. They have therefore been excluded from the scope of consolidation.

(2) Application of the equity method

(a) Number of non-consolidated subsidiaries accounted for under the equity method: 1
Kanagawa Chuo Kotsu Co., Ltd.

(b) Oyama Kanko Dentetsu Co., Ltd. and other non-consolidated subsidiaries and other affiliated company have not been accounted for under the equity method because the impact of net income and retained earnings (based on the Company's ownership percentage) of these companies are all small amounts and not material proportionate to the net income attributable to owners of the parent and consolidated retained earnings.

(3) Fiscal year-end of consolidated subsidiaries

The fiscal year-end of six consolidated subsidiaries differs from that of the Company. The fiscal year-end of UDS Co., Ltd. is the end of December, and that of Odakyu Department Store Co., Ltd., Odakyu Shoji Co., Ltd., Odakyu Shokuhin Co., Ltd., Hokuo Tokyo Co., Ltd. and Odakyu Department Service Co., Ltd. is the end of February. The financial statements of these subsidiaries have been consolidated with appropriate adjustments for the intervening transactions and events between the end of the fiscal years of these subsidiaries and the end of the consolidated fiscal year.

(4) Summary of significant account policies

(a) Valuation standards and methods for significant assets

(I) Securities

① Held-to-maturity debt securities
Held-to-maturity debt securities are stated at amortized cost (straight-line method).

② Other securities
Marketable available-for-sale securities
Marketable available-for-sale securities are stated at market value based on market prices, etc. (unrealized valuation gains or losses are calculated by directly charged or credited method to net assets, while the cost of securities sold is calculated by the moving average method).
Non-marketable available-for-sale securities
Non-marketable available-for-sale securities are stated at cost using moving average method.

The Company records investments in limited liability investment partnerships, which are deemed "investments securities" under the provisions set forth in Article 2-2 of the Financial Instruments and Exchange Act of Japan, at the amount equivalent to its own percentage in the assets of such partnerships, based on the most recent financial statements available depending on the report date stipulated in the partnership agreement.

(II) Inventories
Inventories are stated at cost using (the balance-sheet value is calculated reflecting the write-down due to a decline in profitability).

Real estate development for sale,
work in progress............The identified cost method
Other inventories..............Principally, the retail cost method

(b) Depreciation and amortization methods for significant depreciable assets

(I) Property and equipment (excluding lease assets)

Property and equipment is stated generally at cost. Depreciation is calculated primarily by the declining-balance method except for buildings (excluding ancillary facilities) for which depreciation is calculated principally based on the straight-line method.

Principle useful lives of depreciable assets are as follows:

Buildings and structures	3 to 60 years
Machinery, equipment, rolling stock, and other vehicles	3 to 17 years

(II) Intangible fixed assets (excluding lease assets)

Intangible assets are amortized by the straight-line method.

Software for internal use is amortized by the straight-line method over their estimated internal useful lives (five years for the cost of software).

(III) Lease assets

Lease assets pertaining to finance lease transactions other than those where leases are deemed to transfer ownership of leased property to the lessee are valued by the straight-line method with the zero residual value over the term of the lease, which is deemed the useful life.

(c) Accounting standards for significant allowances and provisions

(I) Allowance for doubtful accounts

An allowance for doubtful accounts is provided based on the Company's and its consolidated subsidiaries' historical experience with respect to write-offs and based on an estimate of the amount of specific uncollectible accounts.

(II) Provision for bonuses

The Company provides for allowance for bonus based on the estimated amount of the payment for employees.

(III) Allowance for unredeemed gift certificates and others

The Company books expected use of unredeemed gift certificates and travel coupons, etc., to an allowance for unredeemed gift certificates and coupons, etc.

(d) Method of railway business construction fund

The Group receives a portion of the construction costs applicable to work undertaken to elevate railway lines and crossings and for the improvement of grade crossings in the form of a construction fund provided by local and other public authorities.

Upon completion of construction, an amount equivalent to the construction fund is recorded as a deduction from the acquisition costs of the property and equipment purchased.

In addition, the construction fund portion received is recorded in extraordinary income as "gain on railway business construction fund" in the consolidated statements of income. The corresponding amount recorded as a deduction from the acquisition costs of property and equipment purchased is posted to extraordinary losses in the accompanying consolidated statements of income.

(e) Method of accounting for retirement benefits

(I) Attribution of estimated retirement benefits

To calculate benefit liabilities, the estimated amount of retirement benefits is attributed to the consolidated fiscal year based on the straight-line attribution method.

(II) Treatment of unrecognized actuarial differences and past service costs

Past service costs are posted in expenses based on the straight-line method for a fixed period of years (10 years) within the average remaining service years of employees when costs accrue from their service.

Actuarial differences are posted in expenses after the consolidated fiscal year following their accruals based on the declining-balance method for a fixed period of years (10 years) within the average remaining service years of employees.

(f) Accounting standards for revenue and expenses

(I) Finance lease revenue

Finance lease revenue and related expenses of revenue are recorded when the lease payment is received.

(II) Completed construction

With regard to the accounting standard for construction revenue and construction costs, the percentage-of-completion method (the rate of completion of a construction project is estimated using the cost-comparison method) is applied to a construction work if the outcome of the construction activity is deemed certain for the progress made by the end of the year otherwise the completed-contract method is applied.

(g) Principal methods of hedge accounting

(I) Method of hedge accounting

Hedging activities are principally accounted for under the deferral hedge accounting. Exceptional accounting is applied for interest-rate swaps that meet their respective requirements.

(II) Hedging instruments and hedged items

① Hedging instruments: Interest-rate swap agreements

② Hedged items: Interest expense on borrowings

(III) Hedge policy

The derivative transactions are executed in accordance with the resolution of the Fund Handling Department upon receiving approval from the individual responsible for settlements.

(IV) Method for evaluation of hedge effectiveness

The Company evaluates hedge effectiveness by comparing the cumulative changes in cash flows or changes in the fair value of the hedged items, and the cumulative changes in cash flows or the changes in fair value of hedging instruments during the period from commencement of hedging to the point of evaluating effectiveness, based on changes in both amount and others. As for interest-rate swap agreements meeting the requirement for certain hedging criteria, the evaluation of hedge effectiveness is omitted as changes in the cash flow from fluctuation in interest rates are expected to be completely offset.

(h) Method and term of amortization of goodwill

Goodwill is amortized over period of mainly five years on a straight-line basis.

(i) Scope of cash and cash equivalents in the consolidated statements of cash flows

Cash and cash equivalents consist of cash on hand, demand deposits, and short-term, highly liquid investments with maturities of three months and minimal risk of change in value.

(j) Other basic significant matters for preparation of consolidated financial statements

(I) Accounting for consumption taxes

Accounting for consumption tax is based on the tax exclusion method.

(II) Method of including interest expenses in acquisition cost

Interest expenses related to certain long-term and large-scale real estate development for sale are included in acquisition cost. There are no transactions to be applied in the fiscal year ended March 31, 2016.

NOTE 3 | CHANGES IN ACCOUNTING POLICIES

Application of Accounting Standard for Business Combinations

The Company and its domestic subsidiaries adopted "Revised Accounting Standard for Business Combinations" [ASBJ Statement No. 21, September 13, 2013 (hereinafter, "Statement No. 21")], "Revised Accounting Standard for Consolidated Financial Statements" [ASBJ Statement No. 22, September 13, 2013 (hereinafter, "Statement No. 22")] and "Revised Accounting Standard for Business Divestitures" [ASBJ Statement No. 7, September 13, 2013 (hereinafter, "Statement No. 7")] (together, the "Business Combination Accounting Standards"), from the current fiscal year. As a result, the Company changed its accounting policies to recognize in capital surplus the differences arising from the changes in the Company's ownership interest of subsidiaries over which the Company continues to maintain control and to record acquisition related costs as expenses in the fiscal year in which the costs are incurred. In addition, the Company changed its accounting policy for the reallocation of acquisition costs due to the completion following provisional accounting to reflect such reallocation in the consolidated financial statements for the fiscal year in which the business combination took place. The Company also changed the presentation of net income and the term "non-controlling interests" is used instead of "minority interests". Certain amounts in the prior year comparative information were reclassified to conform to such changes in the current year presentation.

With regard to the application of the Business Combination Accounting Standards, the Company followed the provisional treatments in article 58-2 (4) of Statement No. 21, article 44-5 (4) of Statement No. 22 and article 57-4 (4) of Statement No. 7 with application from the beginning of the current fiscal year prospectively.

There was no impact on the consolidated financial statements as a result of this change for the fiscal year ended March 31, 2016.

NOTE 4 | ACCOUNTING STANDARDS NOT YET APPLIED

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

(1) Outline

Regarding the treatment of the recoverability of deferred tax assets, when the accounting and auditing treatment on tax-effect accounting of The Japanese Institute of Certified Public Accountants (the section relating to accounting treatment) was transferred to the Accounting Standards Board of Japan, a necessary review was conducted into certain of the classification requirements and treatments of the recorded amounts of deferred tax assets which resulted in the compilation of the Implementation Guidance on Recoverability of Deferred Tax Assets. Among the practical guidelines examined, the review was focused mainly on the guidance on recoverability of deferred tax assets prescribed in the Audit Treatment of Judgments with Regard to Recoverability of Deferred Tax Assets (Report No. 66, the Auditing Committee of The Japanese Institute of Certified Public Accountants). The review basically followed a framework of treatment under which companies are classified into five categories and deferred tax assets are estimated in accordance with the appropriate classification. This guidance is intended for use when applying the Accounting Standards for Tax Effect Accounting (Business Accounting Council) in assessing the recoverability of deferred tax assets.

(Revision of classification requirements and treatment of deferred tax asset recording)

- Treatment of companies that do not satisfy any of the category requirements for (Category 1) through (Category 5)
- Category requirements for (Category 2) and (Category 3)
- Treatment related to future deductible temporary differences which cannot be scheduled in companies that qualify as (Category 2)
- Treatment related to the reasonable estimable period of future pre-adjusted taxable income in companies that qualify as (Category 3)
- Treatment in cases that companies that satisfy the category requirements for (Category 4) but qualify as (Category 2) or (Category 3)

(2) Adoption date

This accounting standard has been adopted from the start of the consolidated fiscal year beginning April 1, 2016.

(3) Impact of adoption

As of the time of the preparation of these consolidated financial statements, the impact of the adoption of the Implementation Guidance on Recoverability of Deferred Tax Assets is under evaluation.

NOTE 5 | CHANGES IN PRESENTATION METHODS

Consolidated Statements of Income

(a) "Compensation for transfer," which was included in "Miscellaneous expenses" under "Non-Operating Expenses" in the previous consolidated fiscal year, became more than 10% of the total amount of "Non-Operating Expenses" and thus is presented as a separate line item under "Non-Operating Expenses" from the year ended March 31, 2016. Figures for the year ended March 31, 2015 are reclassified to reflect this change in presentation method.

As a result, ¥1,912 million presented in "Miscellaneous expenses" under "Non-Operating Expenses" has been restated as entries of ¥169 million in "Compensation for transfer" and ¥1,743 million in "Miscellaneous expenses."

(b) "Gain on sale of investment securities," which was included in "Other" under "Extraordinary Income" in the previous consolidated fiscal year, became more than 10% of the total amount of "Extraordinary Income" and thus is presented as a separate line item under "Extraordinary Income" from the year ended March 31, 2016. Figures for the year ended March 31, 2015 are reclassified to reflect this change in presentation method.

As a result, ¥409 million presented in "Other" under "Extraordinary Income" has been restated as entries of ¥130 million in "Gain on sale of investment securities" and ¥279 million in "Other."

(c) "Gain on sales of subsidiaries and affiliates' stocks," which was presented as a separate line item under "Extraordinary Income" in the previous consolidated fiscal year, became less than 10% of the total amount of "Extraordinary Income" and thus is included in "Other" under "Extraordinary Income" from the year ended March 31, 2016. Figures for the year ended March 31, 2015 are reclassified to reflect this change in presentation method.

As a result, ¥1,150 million presented in "Gain on sales of subsidiaries and affiliates' stocks" under "Extraordinary Income" has been restated as entry in "Other."

NOTE 6 | CONSOLIDATED BALANCE SHEETS

(1) Accumulated depreciation and amortization of property and equipment is as follows:

Millions of yen		Thousands of U.S. dollars
2015	2016	2016
¥813,472	**¥842,953**	**$7,492,248**

(2) Investment securities relating to non-consolidated subsidiaries and affiliates are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Investment securities (shares of stock)	¥9,806	**¥10,398**	**$92,415**

(3) Pledged Assets as collateral are as follows:

	Millions of yen				Thousands of U.S. dollars	
	2015		2016		2016	
Buildings and structures	¥289,202	[¥280,553]	**¥264,401**	**[¥259,961]**	**$2,350,022**	**[$2,310,562]**
Machinery, equipment, rolling stock, and other vehicles	40,637	[40,626]	**41,261**	**[41,252]**	**366,727**	**[366,647]**
Land	220,613	[187,763]	**214,640**	**[181,790]**	**1,907,744**	**[1,615,766]**
Other in property and equipment	2,718	[2,628]	**2,012**	**[1,950]**	**17,883**	**[17,334]**
Total	¥553,170	[¥511,570]	**¥522,314**	**[¥484,953]**	**$4,642,376**	**[$4,310,309]**

Secured liabilities relating to the pledged assets as collateral above are as follows:

	Millions of yen				Thousands of U.S. dollars	
	2015		2016		2016	
Long-term loans (including current portion of long-term debts)	¥120,629	[¥117,792]	**¥115,134**	**[¥113,193]**	**$1,023,321**	**[$1,006,069]**
Long-term liabilities incurred for purchase of rail way transport facilities (including its repayments due within one year)	120,694	[120,694]	**110,842**	**[110,842]**	**985,177**	**[985,177]**
Other in long-term liabilities	216		**193**		**1,715**	
Total	¥241,539	[¥238,486]	**¥226,169**	**[¥224,035]**	**$2,010,213**	**[$1,991,246]**

Note: The amounts in brackets are the amounts for the Railway Foundation within the total of each category.

(4) Contingent liabilities are as follows:

(a) The Group provides debt guaranty to the borrowings from financial institutions

	Millions of yen		Thousands of U.S. dollars
	2015	**2016**	**2016**
Employees' housing loan	¥ 649	**¥ 509**	**$ 4,526**
Alliance mortgage	546	**2,050**	**18,222**
Total	¥1,195	**¥2,559**	**$22,748**

(b) Contingent liabilities related to debt assumption of bonds

	Millions of yen		Thousands of U.S. dollars
	2015	**2016**	**2016**
22nd unsecured bonds	¥20,000	**¥20,000**	**$177,762**

(5) Reclassification due to a change in the purpose of the assets is as follows:

(a) Amount to be reclassified from noncurrent assets to real estate developments for sale

Millions of yen		Thousands of U.S. dollars
2015	**2016**	**2016**
¥586	**¥1,830**	**$16,264**

(b) Amount to be reclassified from real estate developments for sale to noncurrent assets

Millions of yen		Thousands of U.S. dollars
2015	**2016**	**2016**
¥—	**¥155**	**$1,377**

(6)(a) Accumulated construction fund directly deducted from the acquisition cost of noncurrent assets

Millions of yen		Thousands of U.S. dollars
2015	**2016**	**2016**
¥213,443	**¥214,408**	**$1,905,678**

(6)(b) Amount of advanced depreciation of substituted assets transferred due to expropriation

Millions of yen		Thousands of U.S. dollars
2015	**2016**	**2016**
¥625	**¥—**	**$—**

(7) Reserve for land revaluation

Two consolidated subsidiaries, Odakyu Real Estate Co., Ltd. and Odakyu Shoji Co., Ltd., revaluated land for business use based on the Law Concerning Revaluations of Land (Law No. 34, promulgated on March 31, 1998 and Law No. 24, promulgated on March 31, 1999). Of the valuation differences identified as a result of this, the consolidated subsidiaries recorded the amount corresponding to the taxes on the valuation difference in the liability section as "Deferred tax liabilities related to land revaluation." The amount remaining after subtracting these was recorded in the net assets section as "Reserve for land revaluation."

(a) Odakyu Real Estate Co., Ltd.

(i) Revaluation method

The Revaluation was performed by adjusting the road rating pursuant to Article 2, Paragraph 4 of the Enforcement Ordinance for the Law Concerning Revaluation Reserve for Land (Law No. 119, proclaimed on March 31, 1998). Where the road rating is not provided, adjusted valuation of real estate tax prescribed in Article 2, Paragraph 5 of the Law was used.

(ii) Date of revaluation: March 31, 2000.

(b) Odakyu Shoji Co., Ltd.

(i) Revaluation method

The Revaluation was performed by adjusting the road rating pursuant to Article 2, Paragraph 4 of the Enforcement Ordinance for the Law Concerning Revaluation Reserve for Land (Law No. 119, proclaimed on March 31, 1998).

(ii) Date of revaluation: February 28, 2002.

	Millions of yen		Thousands of U.S. dollars
	2015	**2016**	**2016**
Difference between market value of relevant land and its book value after revaluation	¥(159)	**¥(154)**	**$(1,367)**
Difference related to leasing real estate of the above amount	(100)	**(85)**	**(755)**

NOTE 7 | CONSOLIDATED STATEMENTS OF INCOME

(1) Provision for bonuses and employees' retirement benefit expenses are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	**2016**	**2016**
Provision for bonuses	¥7,134	**¥7,522**	**$66,852**
Net periodic benefit cost	3,101	**1,353**	**12,023**

(2) Write-downs in inventories due to decline in profitability included in operating expenses and cost of sales of transportation are as follows:

Millions of yen		Thousands of U.S. dollars
2015	**2016**	**2016**
¥177	**¥351**	**$3,119**

(3) Major components of selling, general and administrative expenses are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	**2016**	**2016**
Personnel expenses	¥41,289	**¥42,656**	**$379,127**
Expenses	34,528	**34,923**	**310,402**
Taxes	1,903	**2,170**	**19,291**
Depreciation and amortization	4,830	**5,271**	**46,848**
Amortization of goodwill	54	**175**	**1,556**

(4) Details of gain on sales of noncurrent assets are as follows:

Millions of yen		Thousands of U.S. dollars
2015	**2016**	**2016**
Land and buildings	Vehicles	Vehicles
¥212	**¥85**	**$754**

(5) Details of loss on sales of noncurrent assets are as follows:

Millions of yen		Thousands of U.S. dollars
2015	**2016**	**2016**
Land and buildings	Land and buildings	Land and buildings
¥576	**¥85**	**$760**

(6) Loss on impairment of fixed assets are as follows:

(a) The Group recorded a loss on impairment of fixed assets for the following asset groups.

Year ended March 31, 2015

Usage for	Location	Type	Millions of yen
Properties of store business, etc	Odawara-shi, Kanagawa Prefecture, etc.	Buildings and structures	¥206
		"Other" in property and equipment	129
		Other	2
Sports facilities	Sakura-shi, Chiba Prefecture	Land	161
		Other	29
Facilities for after-school care for children	Setagaya-ku, Tokyo, etc.	Buildings and structures	153
		Other	10
Other	—	Buildings and structures	134
		Other	20
Total	—	—	¥844

Year ended March 31, 2016

Usage for	Location	Type	Millions of yen	Thousands of U.S. dollars
Properties of store business, etc	Zama-shi, Kanagawa Prefecture, etc.	Buildings and structures	¥ 349	$ 3,098
		Machinery, equipment, rolling stock, and other vehicles	131	1,167
		"Other" in property and equipment	121	1,078
		Other	44	395
Properties of department store business	Fujisawa-shi, Kanagawa Prefecture	Buildings and structures	488	4,339
		Other	37	333
Properties of real estate leasing business	Higashiizu-cho, Kamo-gun, Shizuoka Prefecture	Land	424	3,765
Properties of real estate sale business	Setagaya-ku, Tokyo, etc.	Buildings and structures	176	1,564
		"Other" in property and equipment	57	503
		Other	11	94
Properties of tourism business	Atsugishi-shi, Kanagawa Prefecture, etc.	Buildings and structures	93	830
		"Other" in property and equipment	59	527
		Intangible fixed assets:	62	547
		Other	2	18
Other	—	Buildings and structures	202	1,797
		Land	82	727
		"Other" in property and equipment	73	649
		Other	39	349
Total	—	—	¥2,450	$21,780

(b) Background to the recognition of a loss on impairment of fixed assets
The fixed assets groups that are no longer expected earnings as initial projected or for which a decision for dismantlement has been taken, are recognized as a loss on impairment of fixed assets.

(c) Method of grouping assets
The Group bases its grouping for assessing impairment losses on its business segments or on an individual property and store basis.

(d) Method of determining the recoverable value
The recoverable values of assets are measured at their estimated selling value, which is principally equivalent to the valuation submitted by real estate appraisers. When the recoverable values are measured at their value in use, a discount rate of 4.0% is used for the computation of present value of future cash flows for the assets.

NOTE 8 | CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

The amount of reclassification adjustment and tax effect relating to other comprehensive income are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	**2016**	**2016**
Unrealized gain on securities:			
Gain arising during the year	¥18,815	**¥ (5,520)**	**$ (49,067)**
Reclassification adjustments	(11)	**(1,368)**	**(12,156)**
Amount before income tax effect	18,804	**(6,888)**	**(61,223)**
Income tax effect	(4,783)	**2,952**	**26,238**
Subtotal	14,021	**(3,936)**	**(34,985)**
Reserve for land revaluation:			
Income tax effect	96	**59**	**521**
Remeasurements of defined benefit plans:			
Gain arising during the year	7,416	**(10,343)**	**(91,928)**
Reclassification adjustments	(409)	**(1,825)**	**(16,223)**
Amount before income tax effect	7,007	**(12,168)**	**(108,151)**
Income tax effect	(1,985)	**3,808**	**33,850**
Subtotal	5,022	**(8,360)**	**(74,301)**
Share of other comprehensive income of associates accounted for using equity method:			
Gain arising during the year	358	**(339)**	**(3,016)**
Reclassification adjustments	(3)	**(4)**	**(32)**
Share of other comprehensive income of associates accounted for using equity method	355	**(343)**	**(3,048)**
Total other comprehensive income	¥19,494	**¥(12,580)**	**$(111,813)**

NOTE 9 | CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Year ended March 31, 2015

(1) Class and total number of issued shares and class and number of treasury shares

Class	Number of shares at beginning of the fiscal year (shares)	Number of shares increased during the fiscal year (shares)	Number of shares decreased during the fiscal year (shares)	Number of shares at the end of the fiscal year (shares)
Common stock	736,995,435	—	—	736,995,435
Treasury stock (Note)	15,689,121	224,849	2,745	15,911,225

Note: The increase of treasury stock includes an increase of 182,412 shares in purchase of shares which were less than a share-trading unit, an increase of 29,509 shares in purchase of the Company's treasury stock from the subsidiaries, and an increase of 12,928 shares due to the change of interest for equity-method affiliates. The decrease of 2,745 shares of treasury stock is due to the sale of odd-lot shares.

(2) Matters regarding subscription rights to shares

Not applicable

(3) Dividends

(a) Dividend payments

Resolution	Class of shares	Total amount of dividends	Dividend amount per share	Record date	Effective date
		Millions of yen	Yen		
General meeting of shareholders on June 27, 2014	Common stock	¥2,901	¥4.00	March 31, 2014	June 30, 2014
Board of Directors' meeting on October 30, 2014	Common stock	2,900	4.00	September 30, 2014	December 5, 2014

(b) Of dividends with a record date falling in the fiscal year, those with an effective date falling in the following fiscal year

Resolution	Class of shares	Dividend resource	Total amount of dividends	Dividend amount per share	Record date	Effective date
			Millions of yen	Yen		
General meeting of shareholders on June 26, 2015	Common stock	Retained earnings	¥3,262	¥4.50	March 31, 2015	June 29, 2015

Year ended March 31, 2016

(1) Class and total number of issued shares and class and number of treasury shares

Class	Number of shares at beginning of the fiscal year (shares)	Number of shares increased during the fiscal year (shares)	Number of shares decreased during the fiscal year (shares)	Number of shares at the end of the fiscal year (shares)
Common stock	**736,995,435**	**—**	**—**	**736,995,435**
Treasury stock (Note)	**15,911,225**	**114,286**	**2,956**	**16,022,555**

Note: The increase of treasury stock includes an increase of 113,815 shares in purchase of shares which were less than a share-trading unit, and an increase of 471 shares due to the change of interest for equity-method affiliates. The decrease of 2,956 shares of treasury stock is due to the sale of odd-lot shares.

(2) Matters regarding subscription rights to shares

Not applicable

(3) Dividends

(a) Dividend payments

Resolution	Class of shares	Total amount of dividends		Dividend amount per share		Record date	Effective date
		Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars		
General meeting of shareholders on June 26, 2015	Common stock	**¥3,262**	**$28,996**	**¥4.50**	**$0.04**	March 31, 2015	June 29, 2015
Board of Directors' meeting on October 29, 2015	Common stock	**3,262**	**28,993**	**4.50**	**0.04**	September 30, 2015	December 4, 2015

(b) Of dividends with a record date falling in the fiscal year, those with an effective date falling in the following fiscal year

Resolution	Class of shares	Dividend resource	Total amount of dividends		Dividend amount per share		Record date	Effective date
			Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars		
General meeting of shareholders on June 29, 2016	Common stock	Retained earnings	**¥3,262**	**$28,991**	**¥4.50**	**$0.04**	March 31, 2016	June 30, 2016

NOTE 10 | CONSOLIDATED STATEMENTS OF CASH FLOWS

(1) The following table represents a reconciliation of cash and cash equivalents and cash and time deposits in the consolidated balance sheets:

	Millions of yen		Thousands of U.S. dollars
	2015	**2016**	**2016**
Cash and time deposits	¥19,466	**¥27,394**	**$243,484**
Time deposits with a maturity of more than three months	(94)	**(68)**	**(605)**
Cash and cash equivalents	¥19,372	**¥27,326**	**$242,879**

NOTE 11 | LEASE TRANSACTIONS

(As lessee)

(1) Finance lease transactions

The description on the financial lease transactions is omitted because it is immaterial.

(2) Operating lease transactions

Future minimum lease payments for only non-cancelable contracts of operating lease transactions:

	Millions of yen		Thousands of U.S. dollars
	2015	**2016**	**2016**
Due within one year	¥1,614	**¥1,534**	**$13,637**
Due after one year	3,786	**5,426**	**48,223**
Total	¥5,400	**¥6,960**	**$61,860**

Note: Estimated amounts are used for transactions in which the lease amount is not finalized.

(As lessor)

(1) Finance lease transactions

The description on the financial lease transactions is omitted because it is immaterial.

(2) Operating lease transactions

Future minimum lease payments for only non-cancelable contracts of operating lease transactions:

	Millions of yen		Thousands of U.S. dollars
	2015	**2016**	**2016**
Due within one year	¥1,100	**¥ 974**	**$ 8,657**
Due after one year	3,536	**3,180**	**28,265**
Total	¥4,636	**¥4,154**	**$36,922**

(3) Sub-lease transaction

With regard to sub-lease transaction, due to little material significance, information concerning finance lease transactions is omitted.

NOTE 12 | FINANCIAL INSTRUMENTS

(1) Matters regarding the conditions of financial instruments

(a) Policies on financial instruments

It is the policy of the Group to limit its fund management to safe and highly liquid deposits while raising funds primarily through loans from financial institutions and the issuance of corporate bonds in view of the market climate and interest-rate trends. Derivatives are utilized for hedging against the risks described below, not for speculative purposes.

(b) Qualitative information (risks and risk management system) on financial instruments

Trade receivables, which are operating receivables, are exposed to credit risk of customers. In regard to the credit risk, the business management departments of each business unit periodically monitor the status of collection of trade receivables by each customer, manage due dates and balances of trade receivables, and identify and mitigate the default risk of customers at an early stage.

Investment securities are mainly equities acquired in connection with business and are exposed to volatility risks of their market prices. The monitored fair values are reported periodically to the Board of Directors.

Accounts payable, which are operating liabilities, are mostly due within one year.

Borrowings and corporate bonds are intended to procure funds necessary mainly for capital investments and working capital. Borrowings with floating interest rates are exposed to interest-rate fluctuation risk. The long-term portions of borrowings are utilized as derivative transactions (interest-rate swaps) to hedge the risks. These derivative transactions are utilized for every individual agreement to convert variable interest rates on borrowings to fixed interest rates. As for interest-rate swap agreements meeting certain hedging criteria, the evaluation of hedge effectiveness is omitted.

In addition, the borrowings and account payable are exposed to liquidity risks. The Group manages liquidity risks in such a manner that each group company makes and updates its cash flow management plan on a monthly basis.

(c) Supplemental information on fair values

The fair values of financial instruments are calculated based on market prices, or by using reasonable estimates when market prices are no available. These estimates include variable factors, and are subject to fluctuation due to changes in the underlying assumptions. The contract amounts of the derivatives discussed in Note 14, "Derivative Financial Instruments" below are not an indicator of the market risk associated with derivative transactions.

(2) Matters regarding fair values of financial instruments

Book value, fair value and the differences between them as of the end of the previous fiscal year and fiscal year under review are as shown below. (It excludes those whose fair values were hard to determine. Please see Note 2.)

	Millions of yen						Thousands of U.S. dollars		
	2015			**2016**			**2016**		
	Book value	Fair value	Difference	Book value	Fair value	Difference	Book value	Fair value	Difference
(1) Cash and time deposits	¥ 19,466	¥ 19,466	¥ —	**¥ 27,394**	**¥ 27,394**	**¥ —**	**$ 243,484**	**$ 243,484**	**$ —**
(2) Notes and accounts receivable	22,488	22,488	—	**23,895**	**23,895**	**—**	**212,379**	**212,379**	**—**
(3) Investment securities									
(a) Held-to-maturity debt securities	31	32	1	**31**	**32**	**1**	**276**	**284**	**8**
(b) Available-for-sale securities	73,925	73,925	—	**67,200**	**67,200**	**—**	**597,280**	**597,280**	**—**
(4) Notes and accounts payable	(29,250)	(29,250)	—	**(28,769)**	**(28,769)**	**—**	**(255,706)**	**(255,706)**	**—**
(5) Short-term loans	(159,500)	(159,500)	—	**(157,710)**	**(157,710)**	**—**	**(1,401,742)**	**(1,401,742)**	**—**
(6) Corporate bonds*1	(190,000)	(194,696)	4,696	**(185,000)**	**(190,011)**	**5,011**	**(1,644,298)**	**(1,688,832)**	**44,534**
(7) Long-term loans*2	(260,181)	(274,496)	14,315	**(262,324)**	**(280,129)**	**17,805**	**(2,331,560)**	**(2,489,808)**	**158,248**
(8) Long-term liabilities incurred for purchase of railway transport facilities*3	(120,694)	(120,694)	—	**(110,842)**	**(110,842)**	**—**	**(985,177)**	**(985,177)**	**—**
(9) Derivative transactions	—	—	—	**—**	**—**	**—**	**—**	**—**	**—**

*1. Corporate bonds include its redemptions due within one year.

*2. Long-term loans include a current portion of long-term debts.

*3. Long-term liabilities incurred for purchase of railway transport facilities includes its repayments due within one year.

Note 1. Calculation method of fair values of financial instruments

(1) Cash and time deposits and (2) Notes and accounts receivable

The book values of cash and time deposits and trade receivables approximate fair value because of their short maturities.

(3) Investment securities

The fair values of stocks are determined using the quoted price at the stock exchange, while the fair values of receivables are determined using the quoted price at the stock exchange or the quoted price obtained from the financial institutions. Regarding notes to securities according to holding purposes, refer to Note 13, "Securities."

(4) Notes and accounts payable and (5) short-term loans

The book values of accounts payable and short-term loans approximate fair value because of their short maturities.

(6) Corporate bonds

The fair value of corporate bonds is based on the quoted market price.

(7) Long-term loans

For long-term loans, fair value is determined by discounting the total amount of principal and interest at the assumed interest rate on new loans of the same type. Long-term loans with floating interest rates are subject to interest-rate swap exceptional procedures, and, therefore, the fair value is determined by discounting the total amount of interest and principal together with the interest-rate swap at the interest rate assumed in a reasonable manner for new loans of the same type.

(8) Long-term liabilities incurred for purchase of railway transport facilities

The book value of long-term liabilities incurred for purchase of railway transport facilities approximates fair value because the fair values of floating-rate long-term debts reflect market interest rates within a short period of time.

(9) Derivatives

Please see Note 14, "Derivative Financial Instruments," for information on derivative transactions.

Note 2. The book value of financial instruments whose fair value is extremely difficult to ascertain

	Millions of yen		Thousands of U.S. dollars
	2015	**2016**	**2016**
Unlisted stocks	¥ 652	**¥ 696**	**$ 6,185**
Investment in limited partnerships and the like	1,652	**2,653**	**23,579**

These items are not included in "(b) Available-for-sale securities in (3) Investment securities," because it is very difficult to identify fair values.

Note 3. Redemption schedule for financial assets with maturities

Year ended March 31, 2015

	Millions of yen			
	Within one year	One to five years	Five to 10 years	After 10 years
Cash and time deposits	¥19,466	¥—	¥—	¥—
Trade receivables	22,488	—	—	—
Held-to-maturity debt securities:				
Government bonds	—	31	—	—
Total	¥41,954	¥31	¥—	¥—

Year ended March 31, 2016

	Millions of yen				Thousands of U.S. dollars			
	Within one year	One to five years	Five to 10 years	After 10 years	Within one year	One to five years	Five to 10 years	After 10 years
Cash and time deposits	**¥27,394**	**¥—**	**¥—**	**¥—**	**$243,484**	**$ —**	**$—**	**$—**
Trade receivables	**23,895**	**—**	**—**	**—**	**212,379**	**—**	**—**	**—**
Held-to-maturity debt securities:								
Government bonds	**—**	**31**	**—**	**—**	**—**	**276**	**—**	**—**
Total	**¥51,289**	**¥31**	**¥—**	**¥—**	**$455,863**	**$276**	**$—**	**$—**

Note 4. Redemption schedule for corporate bonds, long-term loans and long-term liabilities incurred for purchase of railway transport facilities after the consolidated closing date

Year ended March 31, 2015

	Millions of yen					
	Within one year	One to two years	Two to three years	Three to four years	Four to five years	Over five years
Corporate bonds*[1]	¥45,000	¥50,000	¥35,000	¥20,000	¥10,000	¥ 30,000
Long-term loans*[2]	31,728	28,004	18,586	35,432	17,214	129,217
Long-term liabilities incurred for purchase of railway transport facilities*[3]	9,538	9,645	9,770	9,897	10,024	68,661

Year ended March 31, 2016

	Millions of yen					
	Within one year	One to two years	Two to three years	Three to four years	Four to five years	Over five years
Corporate bonds*[1]	**¥50,000**	**¥35,000**	**¥40,000**	**¥10,000**	**¥10,000**	**¥ 40,000**
Long-term loans*[2]	**27,873**	**18,657**	**35,810**	**19,597**	**19,924**	**140,463**
Long-term liabilities incurred for purchase of railway transport facilities*[3]	**9,682**	**9,879**	**9,999**	**9,848**	**7,935**	**60,536**

	Thousands of U.S. dollars					
	Within one year	One to two years	Two to three years	Three to four years	Four to five years	Over five years
Corporate bonds*[1]	**$444,405**	**$311,083**	**$355,524**	**$88,881**	**$ 88,881**	**$ 355,524**
Long-term loans*[2]	**247,742**	**165,826**	**318,280**	**174,181**	**177,082**	**1,248,449**
Long-term liabilities incurred for purchase of railway transport facilities*[3]	**86,051**	**87,806**	**88,870**	**87,527**	**70,526**	**538,047**

*1. Corporate bonds include its redemptions due within one year.

*2. Long-term loans include a current portion of long-term debts.

*3. Long-term liabilities incurred for purchase of railway transport facilities includes its repayments due within one year. The above amounts are equivalent sum of figures of the consolidated balance sheets that removed consumption taxes.

NOTE 13 | SECURITIES

(1) Marketable held-to-maturity debt securities

Year ended March 31, 2015

	Millions of yen		
	Book value	Fair value	Difference
Securities, whose fair value exceeds their book value:			
Government bonds	¥31	¥32	¥ 1
Securities, whose fair value does not exceed their book value:			
Government bonds	—	—	—
Total	¥31	¥32	¥ 1

Year ended March 31, 2016

	Millions of yen			Thousands of U.S. dollars		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Securities, whose fair value exceeds their book value:						
Government bonds	**¥31**	**¥32**	**¥ 1**	**$276**	**$284**	**$ 8**
Securities, whose fair value does not exceed their book value:						
Government bonds	**—**	**—**	**—**	**—**	**—**	**—**
Total	**¥31**	**¥32**	**¥ 1**	**$276**	**$284**	**$ 8**

(2) Marketable other securities

Year ended March 31, 2015

	Millions of yen		
	Book value	Acquisition value	Difference
Securities, whose fair value exceeds their book value:			
Stocks	¥73,911	¥17,465	¥56,446
Securities, whose fair value does not exceed their book value:			
Stocks	14	15	(1)
Total	¥73,925	¥17,480	¥56,445

Note: Unlisted stocks of ¥652 million on the consolidated balance sheet and investment in limited partnerships and the like of ¥1,652 million on the consolidated balance sheet are not included in the above "Marketable other securities" because it is very difficult to identify fair values.

Year ended March 31, 2016

	Millions of yen			Thousands of U.S. dollars		
	Book value	Acquisition value	Difference	Book value	Acquisition value	Difference
Securities, whose fair value exceeds their book value:						
Stocks	**¥65,545**	**¥15,846**	**¥49,699**	**$582,574**	**$140,837**	**$441,737**
Securities, whose fair value does not exceed their book value:						
Stocks	**1,655**	**1,797**	**(142)**	**14,706**	**15,977**	**(1,271)**
Total	**¥67,200**	**¥17,643**	**¥49,557**	**$597,280**	**$156,814**	**$440,466**

Note: Unlisted stocks of ¥696 million on the consolidated balance sheet and investment in limited partnerships and the like of ¥2,653 million on the consolidated balance sheet are not included in the above "Marketable other securities" because it is very difficult to identify fair values.

(3) The net gain (loss) on sale of other marketable securities

The description on the net gain (loss) on sale of other marketable securities is omitted because it is immaterial.

(4) Impairment losses on marketable securities

Impairment losses on marketable securities are omitted because they are immaterial.

The Group records an impairment loss on marketable securities if their market value declines by 50% or more below their respective book value. For securities whose market value has declined by more than 30% but less than 50% below the book value, the Group considers the possibility of recovery and records the amount expected to be unrecoverable as an impairment.

NOTE 14 | DERIVATIVE FINANCIAL INSTRUMENTS

(1) Derivatives to which hedge accounting is not applied

Not applied.

(2) Derivatives to which hedge accounting is applied

(Interest rate)

Year ended March 31, 2015

			Millions of yen		
Hedge accounting Fair value method	Type of derivatives	Major hedged item	Contract amount	Due after one year	Fair value
Special treatment for interest-rate swap	Interest-rate swaps Receive floating rate Pay fixed rate	Long-term loans	¥16,800	¥16,800	(Note)

Note: As interest rate swap transactions meeting certain hedging criteria are accounted to be combined with long-term loans as hedged items, their fair values are included in those of long-term loans.

Year ended March 31, 2016

			Millions of yen			Thousands of U.S. dollars		
Hedge accounting Fair value method	Type of derivatives	Major hedged item	Contract amount	Due after one year	Fair value	Contract amount	Due after one year	Fair value
Special treatment for interest-rate swap	Interest-rate swaps Receive floating rate Pay fixed rate	Long-term loans	**¥16,800**	**¥16,800**	(Note)	**$149,320**	**$149,320**	(Note)

Note: As interest rate swap transactions meeting certain hedging criteria are accounted to be combined with long-term loans as hedged items, their fair values are included in those of long-term loans.

NOTE 15 | EMPLOYEES' RETIREMENT BENEFITS

(1) Overview of retirement benefit system adopted

The Company and its consolidated subsidiaries offer a corporate pension fund plan based on a defined benefit plan and a lump-sum retirement payment plan, as well as the Smaller Enterprise Retirement Allowance Mutual Aid Scheme, while the Company and certain consolidated subsidiaries have adopted a defined contribution scheme, in addition to a defined benefit plan. These Companies may also pay extra retirement allowances to employees at retirement.

Certain consolidated subsidiaries calculated the retirement benefit obligations using the simplified method.

(2) Defined benefit plans (including plans applying the simplified method)

(a) Movements in defined benefit obligations during the years ended March 31, 2015 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	**2016**	**2016**
Balance at beginning of the year	¥92,388	**¥94,100**	**$836,372**
Cumulative effect of changes in accounting policies	5,058	**—**	**—**
Restated balance at beginning of the year	97,446	**94,100**	**836,372**
Service cost	3,412	**3,201**	**28,454**
Interest cost	944	**896**	**7,964**
Actuarial differences	(1,436)	**7,861**	**69,869**
Benefits paid	(6,317)	**(5,857)**	**(52,060)**
Other	51	**54**	**479**
Balance at end of the year	¥94,100	**¥100,255**	**$891,078**

(b) Movements in plan assets during the years ended March 31, 2015 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	**2016**	**2016**
Balance at beginning of the year	¥72,434	**¥78,923**	**$701,475**
Expected return on plan assets	847	**919**	**8,171**
Actuarial differences	5,980	**(2,482)**	**(22,059)**
Contributions paid by the employer	4,172	**3,029**	**26,921**
Benefits paid	(4,510)	**(4,244)**	**(37,725)**
Balance at end of the year	¥78,923	**¥76,145**	**$676,783**

(c) Reconciliation between the ending balance of the funded defined benefit obligation and plan assets and net defined benefit liabilities recorded in the consolidated balance sheet

	Millions of yen		Thousands of U.S. dollars
	2015	**2016**	**2016**
Funded defined benefit obligations	¥ 69,042	**¥ 73,942**	**$ 657,208**
Plan assets	(78,923)	**(76,145)**	**(676,783)**
	(9,881)	**(2,203)**	**(19,575)**
Unfunded defined benefit obligations	25,058	**26,313**	**233,870**
Net liability recorded in the consolidated balance sheet	15,177	**24,110**	**214,295**
Net defined benefit liabilities	15,177	**24,110**	**214,295**
Net liability recorded in the consolidated balance sheet	15,177	**24,110**	**214,295**

(d) The components of retirement benefit expenses

	Millions of yen		Thousands of U.S. dollars
	2015	**2016**	**2016**
Service cost	¥3,412	**¥3,201**	**$28,454**
Interest cost	944	**896**	**7,964**
Expected return on pension assets	(847)	**(919)**	**(8,171)**
Amortization of actuarial differences	(186)	**(1,609)**	**(14,300)**
Amortization of prior service cost	(222)	**(216)**	**(1,924)**
Retirement benefit expenses on defined benefit plans	¥3,101	**¥1,353**	**$12,023**

(e) The components of remeasurements of defined benefit plans (before tax effects) included in other comprehensive income for the years ended March 31, 2015 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	**2016**	**2016**
Prior service cost	¥ (222)	**¥ (216)**	**$ (1,924)**
Actuarial differences	7,229	**(11,952)**	**(106,227)**
Total	¥7,007	**¥(12,168)**	**$(108,151)**

(f) The components of remeasurements of defined benefit plans (before tax effects) included in accumulated other comprehensive income for the years ended March 31, 2015 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	**2016**	**2016**
Unrecognized prior service cost	¥ (257)	**¥ (40)**	**$ (357)**
Unrecognized actuarial differences	(7,729)	**4,222**	**37,526**
Total	¥(7,986)	**¥4,182**	**$37,169**

(g) Plan assets

(i) Components of plan assets

The plan assets consist of the following:

	2015	**2016**
Bonds	39%	**41%**
Equity securities	30	**24**
General account assets	23	**23**
Cash and time deposits	3	**5**
Other	5	**7**
Total	100%	**100%**

(ii) Method of determining the long-term expected rate of return on plan assets

The long-term expected rate of return on plan assets is determined considering the current and future expected allocation of plan assets and the current and future expected long-term rates of return from the various components of the plan assets.

(h) The assumptions used for the year ended March 31, 2015 and 2016 are as follows:

	2015	**2016**
Discount rate	Primarily 1.1%	**Primarily 0.2%**
Long-term expected rate of returns	Primarily 1.0%	**Primarily 1.0%**
Expected salary increase rate	Primarily 1.4%	**Primarily 1.4%**

(3) Defined contribution plans

The amounts of required contribution to the defined contribution plan of the Company and its consolidated subsidiaries and to the Smaller Enterprise Retirement Allowance Mutual Aid Scheme of its consolidated subsidiaries for the years ended March 31, 2015 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	**2016**	**2016**
Defined contribution plan	¥459	**¥460**	**$4,090**
Smaller Enterprise Retirement Allowance Mutual Aid Scheme	270	**270**	**2,399**

NOTE 16 | DEFERRED TAX

(1) Significant components of deferred tax assets and liabilities

	Millions of yen		Thousands of U.S. dollars
	2015	**2016**	**2016**
Deferred tax assets:			
Net defined benefit liabilities	¥ 6,881	**¥ 9,172**	**$ 81,525**
Unrealized profits	6,591	**6,438**	**57,220**
Loss on impairment of fixed assets	6,361	**5,652**	**50,233**
Net operating loss carryforwards	5,239	**5,240**	**46,572**
Reserve for employees' bonuses	2,469	**2,463**	**21,888**
Excess depreciation	1,504	**1,304**	**11,590**
Accrued taxes	745	**580**	**5,154**
Compensation for transfer	56	**556**	**4,946**
Asset retirement obligation	584	**549**	**4,877**
Loss on revaluation of land for sale	759	**523**	**4,653**
Allowance for doubtful accounts	323	**377**	**3,348**
Allowance for unredeemed gift certificates and others	228	**237**	**2,104**
Accrued fare	219	**153**	**1,357**
Other	4,309	**4,181**	**37,169**
Gross deferred tax assets	36,268	**37,425**	**332,636**
Less: Valuation allowance	(15,839)	**(15,042)**	**(133,693)**
Total deferred tax assets	¥ 20,429	**¥ 22,383**	**$ 198,943**
Deferred tax liabilities:			
Unrealized gains on securities	¥(18,011)	**¥(15,060)**	**$(133,850)**
Reserve for deduction of property and equipment	(2,520)	**(2,372)**	**(21,088)**
Gain on securities contribution to employees' retirement benefits trust	(1,441)	**(1,365)**	**(12,133)**
Other	(831)	**(771)**	**(6,854)**
Total deferred tax liabilities	(22,803)	**(19,568)**	**(173,925)**
Net deferred tax assets and liabilities	¥ (2,374)	**¥ 2,815**	**$ 25,018**

Note: The net amounts of deferred tax assets and liabilities are included in the following categories of the consolidated balance sheet

	Millions of yen		Thousands of U.S. dollars
	2015	**2016**	**2016**
Current assets—Deferred tax assets	¥ 5,290	**¥ 6,164**	**$ 54,789**
Noncurrent assets—Deferred tax assets	6,301	**6,024**	**53,538**
Current liabilities—Deferred tax liabilities	(0)	**(0)**	**(1)**
Long-term liabilities—Deferred tax liabilities	(13,965)	**(9,373)**	**(83,308)**

Aside from the above, deferred tax assets and liabilities related to land revaluation are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	**2016**	**2016**
Deferred tax asset related to land revaluation	¥ 540	**¥ 503**	**$ 4,473**
Less: Valuation allowance	(540)	**(503)**	**(4,473)**
Total	—	**—**	**—**
Deferred tax liabilities related to land revaluation	(1,064)	**(960)**	**(8,529)**
Net deferred tax assets and liabilities related to land revaluation	(1,064)	**(960)**	**(8,529)**

(2) A reconciliation of the significant differences between the normal effective statutory tax rate and the effective tax rate reflected in the accompanying consolidated statements of income

A reconciliation of the statutory tax rate to the effective income tax rates for the years ended March 31, 2015 and 2016 have been omitted since the difference was less than 5%.

(3) Adjustment of deferred tax assets and liabilities for enacted changes in tax laws and rates

The Act for Partial Revision of the Income Tax Act, etc. [Act No. 15 of 2016] and the Act for Partial Revision of Local Tax, etc. [Act No. 13 of 2016] were enacted by the Diet on March 29, 2016. As a result, the effective statutory tax rate used to measure the Company's deferred assets and liabilities will be changed from 32.3% to 30.9% and 30.6% for the temporary differences expected to be settled or realized in the fiscal year beginning April 1, 2016 and for the temporary differences expected to be settled or realized from April 1, 2018, respectively.

As a result of this change, deferred tax assets (after offsetting deferred tax liabilities) increased by ¥87 million ($771 thousand), deferred income taxes increased by ¥601 million ($5,342 thousand), unrealized gains on securities increased by ¥832 million ($7,398 thousand), remeasurements of defined benefit plans decreased by ¥145 million ($1,285 thousand), and deferred tax liabilities related to land revaluation decreased by ¥48 million ($428 thousand), while the reserve for land revaluation increased by the same amount.

NOTE 17 | LEASING REAL ESTATE

The Company and certain consolidated subsidiaries own leasing commercial facilities and leasing office buildings centering on the area around Tokyo and Kanagawa prefectures. As real estate of which some portions are used as leasing property includes portions used by the Company and certain consolidated subsidiaries, it is shown as "Other properties used as leasing properties."

The book values in the consolidated balance sheets, changes during the fiscal under review and fair values of real estate, of which some portions are used as leasing property, are determined as follows.

(1) Fair value of leasing and other properties

Year ended March 31, 2015

	Millions of yen			
	Book value			Fair value
	2014	Changes during the year	2015	2015
Leasing properties	¥124,044	¥ 8,014	¥132,058	¥177,905
Other properties used as leasing properties	142,616	(1,449)	141,167	176,466

Year ended March 31, 2016

	Millions of yen			
	Book value			Fair value
	2015	Changes during the year	2016	2016
Leasing properties	**¥132,058**	**¥2,413**	**¥134,471**	**¥184,051**
Other properties used as leasing properties	**141,167**	**1,430**	**142,597**	**184,968**

	Thousands of U.S. dollars			
	Book value			Fair value
	2015	Changes during the year	2016	2016
Leasing properties	**$1,099,933**	**$95,260**	**$1,195,193**	**$1,635,866**
Other properties used as leasing properties	**1,175,802**	**91,614**	**1,267,416**	**1,644,015**

Notes: 1. The amount posted in the consolidated balance sheet is gained by deducting the accumulated depreciation and amortization from the acquisition cost.

2. The main component of increase for the year ended March 31, 2015 is ¥4,901 million in construction work for compound rental complex near the east exit of Ebina Station. The main factor attributable to the increase for the year ended March 31, 2016 is ¥6,559 million ($58,297 thousand) due to the factor that some of facilities that has been leased between the consolidated companies were leased out externally. The main factors underlying the decrease were a decline of depreciation and amortization.

3. The market value as of end of the fiscal year is based, for main transactions, on a real estate survey report prepared by a certified real estate appraiser, and for other transactions, on appraised value or price index considered to reflect the fair value.

(2) Profit and loss on leasing properties

Year ended March 31, 2015

	Millions of yen			
	Leasing income	Leasing expenses	Difference	Other gains or losses
Leasing properties	¥12,315	¥ 7,013	¥5,302	¥(134)
Other properties used as leasing properties	19,252	12,951	6,301	(806)

Year ended March 31, 2016

	Millions of yen			
	Leasing income	Leasing expenses	Difference	Other gains or losses
Leasing properties	**¥13,076**	**¥ 7,458**	**¥5,618**	**¥(1,202)**
Other properties used as leasing properties	**20,031**	**13,262**	**6,769**	**(2,359)**

	Thousands of U.S. dollars			
	Leasing income	Leasing expenses	Difference	Other gains or losses
Leasing properties	**$116,225**	**$ 66,292**	**$49,933**	**$(10,688)**
Other properties used as leasing properties	**178,036**	**117,874**	**60,162**	**(20,966)**

Note: Others gains or loss, primarily composed of compensation for transfer or loss on disposal, are recorded in non-operating income (expenses) or extraordinary income (losses)

NOTE 18 | SEGMENT INFORMATION

(1) Segment information

(a) Overview of the reportable segments

The Group's reportable segments are determined on the basis that separate financial information for such segments is available and examined periodically by the Board of Directors, which makes decisions regarding the allocation of management resources and assesses the business performances of such segments.

The Group's businesses provide goods and services that support our customers' daily lives primarily along the Odakyu lines, centered on transportation but including merchandising, real estate, hotel, restaurant and other services.

For this reason, the Group consists of business segments with the business department as the basis. The three reportable segments are "transportation," "merchandising," and "real estate."

The main goods and services that fall under these reportable segments are listed below.

Transportation…Railway, bus, taxi, sightseeing boat, ropeway, etc.
Merchandising…Department store, supermarket, etc.
Real estate………Sale of land and buildings, leasing of buildings, etc.

(b) Valuation method for reportable operating income (loss) and asset amounts

The accounting method for reportable business segments is presented in accordance with "Summary of Significant Accounting Policies" in Note 2. The reportable operating income figures are based on operating income. Intersegment transactions are presented based on the current market prices at the time of this report.

(c) Information about sales, operating income, assets and others by reportable segment, for the years ended March 31, 2015 and 2016 was as follows:

Year ended March 31, 2015

	Millions of yen						
	Reportable segment						
	Transportation	Merchandising	Real estate	Other (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
Revenue from operations:							
Customers	¥168,258	¥219,966	¥ 55,118	¥ 75,373	¥ 518,715	¥ —	¥ 518,715
Intragroup sales and transfers	3,019	2,718	5,726	24,843	36,306	(36,306)	—
Total	¥171,277	¥222,684	¥ 60,844	¥100,216	¥ 555,021	¥(36,306)	¥ 518,715
Segment income	¥ 29,151	¥ 3,160	¥ 11,577	¥ 5,809	¥ 49,697	¥ 161	¥ 49,858
Segment assets	¥668,485	¥ 75,684	¥362,297	¥ 90,218	¥1,196,684	¥ 57,165	¥1,253,849
Other:							
Depreciation and amortization (Note 4)	¥ 30,058	¥ 4,784	¥ 9,032	¥ 3,061	¥ 46,935	¥ (243)	¥ 46,692
Amortization of goodwill	—	—	—	0	0	54	54
Loss on impairment of fixed assets	—	337	189	318	844	—	844
Investment for affiliates applied for equity methods	8,369	—	—	—	8,369	—	8,369
Increase in property and equipment and intangible assets (Note 4)	31,130	6,731	14,129	4,376	56,366	—	56,366

Notes: 1. "Other" represents the following businesses, which are not included in the above reportable segment: hotel, restaurant, travel agent, golf course, railway maintenance service, building management and maintenance, advertising agency, horticulture and gardening, bookkeeping service, insurance agency, nursing and child care.

2. Adjustments are as follows:

(a) Adjustments of ¥161 million for segment income include ¥215 million of intersegment elimination and negative ¥54 million of amortization of goodwill.

(b) Adjustments for segment assets amounting to ¥57,165 million include negative ¥87,818 million of intersegment elimination and ¥144,983 million of the Group's assets that have not been distributed to reportable segments.

(c) Adjustments for depreciation and amortization amounting to negative ¥243 million represents intersegment elimination.

3. "Segment income" is adjusted to operating income of consolidated statements of income.

4. "Depreciation and amortization," and "Increase in property and equipment and intangible assets" include amortization and additions to long-term prepaid expenses.

Year ended March 31, 2016

	Millions of yen						
	Reportable segment			Other (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
	Transportation	Merchandising	Real estate				
Revenue from operations:							
Customers	¥165,322	¥222,107	¥ 67,506	¥ 74,877	¥ 529,812	¥ —	¥ 529,812
Intragroup sales and transfers	2,981	2,905	5,497	25,252	36,635	(36,635)	—
Total	¥168,303	¥225,012	¥ 73,003	¥100,129	¥ 566,447	¥(36,635)	¥ 529,812
Segment income	¥ 29,796	¥ 3,911	¥ 13,191	¥ 5,872	¥ 52,770	¥ 165	¥ 52,935
Segment assets	¥671,891	¥ 74,835	¥358,027	¥ 90,852	¥1,195,605	¥ 61,727	¥1,257,332
Other:							
Depreciation and amortization (Note 4)	¥ 30,311	¥ 4,811	¥ 9,137	¥ 3,293	¥ 47,552	¥ (244)	¥ 47,308
Amortization of goodwill	—	—	105	19	124	51	175
Loss on impairment of fixed assets	225	1,172	667	386	2,450	—	2,450
Investment for affiliates applied for equity methods	8,973	—	—	—	8,973	—	8,973
Increase in property and equipment and intangible assets (Note 4)	36,957	4,240	13,075	5,348	59,620	—	59,620

	Thousands of U.S. dollars						
	Reportable segment			Other (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
	Transportation	Merchandising	Real estate				
Revenue from operations:							
Customers	$1,469,404	$1,974,106	$ 600,000	$665,513	$ 4,709,023	$ —	$ 4,709,023
Intragroup sales and transfers	26,492	25,824	48,857	224,443	325,616	(325,616)	—
Total	$1,495,896	$1,999,930	$ 648,857	$889,956	$ 5,034,639	$(325,616)	$ 4,709,023
Segment income	$ 264,829	$ 34,764	$ 117,240	$ 52,192	$ 469,025	$ 1,463	$ 470,488
Segment assets	$5,971,831	$ 665,145	$3,182,180	$807,503	$10,626,659	$ 548,635	$11,175,294
Other:							
Depreciation and amortization (Note 4)	$ 269,410	$ 42,759	$ 81,207	$ 29,270	$ 422,646	$ (2,169)	$ 420,477
Amortization of goodwill	—	—	931	172	1,103	453	1,556
Loss on impairment of fixed assets	2,006	10,415	5,927	3,432	21,780	—	21,780
Investment for affiliates applied for equity methods	79,757	—	—	—	79,757	—	79,757
Increase in property and equipment and intangible assets (Note 4)	328,480	37,686	116,207	47,534	529,907	—	529,907

Notes: 1. "Other" represents the following businesses, which are not included in the above reportable segment: hotel, restaurant, travel agent, golf course, railway maintenance service, building management and maintenance, advertising agency, horticulture and gardening, bookkeeping service, insurance agency, nursing and child care.

2. Adjustments are as follows:

(a) Adjustments of ¥165 million ($1,463 thousand) for segment income include ¥216 million ($1,915 thousand) of intersegment elimination and negative ¥51 million (negative $453 thousand) of amortization of goodwill.

(b) Adjustments for segment assets amounting to ¥61,727 million ($548,635 thousand) include negative ¥88,670 million (negative $788,109 thousand) of intersegment elimination and ¥150,397 million ($1,336,744 thousand) of the Group's assets that have not been distributed to reportable segments.

(c) Adjustments for depreciation and amortization amounting to negative ¥244 million (negative $2,169 thousand) represents intersegment elimination.

3. "Segment income" is adjusted to operating income of consolidated statements of income.

4. "Depreciation and amortization," and "Increase in property and equipment and intangible assets" include amortization and additions to long-term prepaid expenses.

(2) Related information

(a) Information by product and service

Since the segments of products and services are the same as the reportable segments, information by product or service is omitted.

(b) Information by geographical area

(i) Revenue from operations

Since the revenues to external customers in Japan exceed 90% of the revenues from operations on the consolidated statements of income, the information is omitted.

(ii) Property and equipment

Since the amount of property and equipment located in Japan exceeds 90% of the amount of property and equipment recorded on the consolidated balance sheets, the information is omitted.

(c) Information by major customer

Since sales to no customer account for 10% or more of the revenues from operations on the consolidated statements of income, information by major customer is omitted.

(3) Impairment loss of long-lived assets in reportable segments

The description on the impairment loss of long-lived assets by segment for the year ended March 31, 2015 and 2016 is omitted because it is disclosed in "Segment information."

(4) Information on amortization of goodwill and unamortized balance by reportable segment

Year ended March 31, 2015

	Millions of yen					
	Transportation	Merchandising	Real estate	Other	Adjustment	Consolidated
Balance at the end of the fiscal year under review	¥—	¥—	¥1,048	¥0	¥157	¥1,205

Year ended March 31, 2016

	Millions of yen					
	Transportation	Merchandising	Real estate	Other	Adjustment	Consolidated
Balance at the end of the fiscal year under review	**¥—**	**¥—**	**¥943**	**¥78**	**¥106**	**¥1,127**

	Thousands of U.S. dollars					
	Transportation	Merchandising	Real estate	Other	Adjustment	Consolidated
Balance at the end of the fiscal year under review	**$—**	**$—**	**$8,380**	**$689**	**$947**	**$10,016**

(5) Information on gain on negative goodwill by reportable segment

The description on gain on negative goodwill by segment for the year ended March 31, 2015 and 2016 is omitted because it is immaterial.

NOTE 19 | RELATED PARTY TRANSACTIONS

Transactions between consolidated subsidiary and related party

Directors of the Company and major shareholders (individual shareholders only), etc.

For the year ended March 31, 2015
Not applicable

For the year ended March 31, 2016

Odakyu Real Estate Co., Ltd.

Attribute	Name of related party	Location	Common stock	Business	Voting interest	Description of the business relationship	Description of transaction	Transaction amounts		Account title	Year-end balance	
								Millions of yen	Thousands of U.S. dollars		Millions of yen	Thousands of U.S. dollars
Director of significant subsidiary and its close relative	Manami Hosoda	—	—	—	—	Sale of apartment	Sale of apartment	**¥71**	**$635**	Deposits received	**¥1**	**$9**

Notes: 1. The transaction amount does not include consumption taxes.
2. Ms. Manami Hosoda is a close relative of Odakyu Real Estate Co., Ltd's president Masahide Yukitake.
3. The transaction terms and policy for determining transaction terms, etc. have been rationally determined at fair market prices.

NOTE 20 | PER SHARE INFORMATION

The following tables show net assets per share and net income per share.

	Yen		U.S. dollars
	2015	**2016**	**2016**
Net assets	¥422.33	**¥433.93**	**$3.86**
Net income—basic	41.80	**38.14**	**0.34**

Notes: 1. Diluted net income per share is not presented, as the Group did not hold any potentially dilutive securities for the years ended March 31, 2015 and 2016.
2. The basis for the respective calculation of net income per share is as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	**2016**	**2016**
Net income attributable to owners of the parent	¥30,147	**¥27,498**	**$244,403**
Amount not belonging to common stockholders	—	**—**	**—**
Net income attributable to owners of the parent related to common shares	30,147	**27,498**	**244,403**
Weighted average number of shares issued and outstanding during the period (shares)	721,188,431	**721,030,248**	**721,030,248**

NOTE 21 | SUBSEQUENT EVENT

(1) Share consolidation and change of the number of shares in share unit

The Company adopted a resolution at its Board of Directors meeting held on May 20, 2016 to submit a proposal for the consolidation of its shares to the 95th Ordinary General Meeting of Shareholders to be held on June 29, 2016. The Company also resolved to change the number of shares constituting one unit of shares and revise the articles of incorporation on condition that the proposal for the share consolidation was approved at the said Ordinary General Meeting of Shareholders.

(a) Reason for share consolidation and change of the number of shares in share unit

Under their "Action Plan Toward the Unification of Share Trading Units," Japan's stock exchanges seek to unify the minimum trading units of shares of all listed domestic corporations to 100 shares.

In consideration of this background and the Company's status as an enterprise listed on the Tokyo Stock Exchange, the Company has decided to change the number of shares constituting one unit (the number of shares per share unit or the share unit) to 100 shares from 1,000 shares. Along with the change in the share unit, the Company will also consolidate its shares (at a consolidation ratio of one share for every two shares) in order to allow the share price to be at a level set forth by the stock exchanges as a desirable level for an investment unit (¥50,000 or more and less than ¥500,000). The consolidation will be conducted also in consideration of possible fluctuations of stock prices for the medium to long term and stable holdings of Company shares by shareholders.

(b) Details of share consolidation

i) Type of shares consolidated

Common shares

ii) Method and ratio of consolidation

On October 1, 2016, every two shares held by shareholders on the final register of shareholders as of September 30, 2016, will be consolidated into one share.

iii) Decrease in number of shares

Number of outstanding shares before consolidation (as of March 31, 2016)	736,995,435 shares
Decrease in number of shares due to consolidation	368,497,718 shares
Number of outstanding shares after consolidation	368,497,717 shares

Note: The "Decrease in number of shares due to consolidation" is a theoretical value obtained by multiplying the number of outstanding shares before consolidation by the consolidation ratio of shares.

(c) Handling of fractional shares less than one share

If any fractional shares less than one share are created as a result of the share consolidation, such shares will be sold in a lump by the Company, pursuant to the provisions of the Companies Act. The proceeds from the sale will be distributed to the shareholders of the fractional shares in proportion to the numbers of their fractional shares.

(d) Number of authorized shares as of effective date of share consolidation

In response to the decrease in outstanding shares due to the share consolidation and with the aim of adjusting the number of authorized shares, the Company will decrease the number of authorized shares in proportion to the consolidation ratio (one share for every two shares) as of the effective date of the share consolidation (October 1, 2016).

Number of authorized shares before change	2,200,000,000 shares
Number of authorized shares after change (as of October 1, 2016)	1,100,000,000 shares

(e) Detail of change of the number of shares in share unit

The Company will change the number of shares per share unit to 100 shares from 1,000 shares on October 1, 2016.

(f) Schedule

Resolutions at the Board of Directors meeting	May 20, 2016
Ordinary General Meeting of Shareholders	June 29, 2016
Effective date of the share consolidation and the change of the number of shares in share unit	October 1, 2016

(g) Impact of share consolidation on per share information

Per share information for the fiscal years ended March 31, 2015 and 2016 on the assumption that the said share consolidation was implemented at the beginning of the previous fiscal year are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	**2016**	**2016**
Net asset per share	¥844.65	**¥867.85**	**$7.71**
Net income per share	83.60	**76.27**	**0.68**

Note: Diluted net income per share is not applicable because of no dilutive shares.

(2) Issuance of unsecured bonds

The directors of the Company approved a resolution for the issuance of the 71st series of unsecured bonds at a meeting of the Board of Directors convened on June 29, 2016. Details of the issuance are summarized as follows:

	Series 71 unsecured corporate bonds
(1) Amount	¥10 billion
(2) Interest rate	Less than 0.6% per annum
(3) Date of issuance	Between June 29, and July 31, 2016
(4) Term	Three years
(5) Purpose	Capital expenditures