NOTE 1 | FRAMEWORK FOR PREPARING THE CONSOLIDATED FINANCIAL 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=¥110.91, the approximate exchange rate prevailing on March 31, 2019. 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: 45
Primary consolidated subsidiaries include Odakyu Department Store Co., Ltd., Odakyu Shoji Co., Ltd. and Odakyu Real Estate Co., Ltd.

Flags Co., Ltd. was merged into the Company during the fiscal year ended March 31, 2019.

Humanic Holdings Co., Ltd. and its subsidiary, Humanic Co., Ltd. have been included in the scope of consolidation from the fiscal year ended March 31, 2019 as a result of the acquisition of shares.

Odakyu Landflora Co., Ltd. has been excluded from the scope of consolidation, as it is no longer a subsidiary after the sale of shares. This company's statement of income has been consolidated until the date of sale of its shares.

(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 affiliates 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 as compared 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 eight consolidated subsidiaries differs from that of the Company; the fiscal year-end of UDS Co., Ltd. and Okinawa UDS Co., Ltd. is the end of December; that of Odakyu Department Store Co., Ltd., Odakyu Shoji Co., Ltd., Odakyu Shokuhin Co., Ltd., Hokuo Tokyo Co., Ltd., Odakyu Department Service Co., Ltd. and Shirohato Co., Ltd. is the end of February.

During the fiscal year ended March 31, 2019, Shirohato Co., Ltd. changed the fiscal year-end from the end of August to the end of February.

The consolidated financial statements include the accounts of Shirohato Co., Ltd. for the 12 months from March 1, 2018 to February 28, 2019.

The financial statements of these subsidiaries have been consolidated with appropriate adjustments for the intervening transactions and events between the fiscal-year ends of these subsidiaries and the consolidated fiscal-year end.

(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 process.................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.

Principal useful lives of depreciable assets are as follows:

Buildings and structures .... 5 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 "construction costs allotted to and received from others" in the consolidated statement 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 statement 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) 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
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 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.

(g) Method and term of amortization of goodwill

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

(h) Scope of cash and cash equivalents in the consolidated statement 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 or less and minimal risk of change in value.

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

Accounting for consumption taxes

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

NOTE 3 | CHANGES IN ACCOUNTING POLICIES

Application of the "Implementation Guidance on Accounting Standard for Tax Effect Accounting"

The Company and its subsidiaries have applied "Implementation Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, revised on February 16, 2018) from the beginning of the fiscal year ended March 31, 2019. Accordingly, the treatment of taxable temporary difference related to equity investments in subsidiaries and others in non-consolidated financial statements has been reviewed. These changes have been retroactively applied to the consolidated financial statements for the previous fiscal year.

The effect of this on the consolidated financial results is immaterial.

NOTE 4 | ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

- "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 30, 2018)
- "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 30, 2018)

(1) Overview

The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) of the United States have jointly developed a comprehensive accounting standard on revenue recognition, and the IASB issued IFRS 15 and the FASB issued Topic 606, Revenue from Contracts with Customers. Considering that IFRS 15 is applied from the fiscal year beginning on or after January 1, 2018 and Topic 606 is applied from the fiscal year beginning after December 15, 2017, the ASBJ has developed a comprehensive accounting standard for revenue recognition, which was issued together with its implementation guidance.

The ASBJ's basic policy in developing the new revenue recognition standard is to first incorporate the core principle of IFRS 15 to improve the international comparability of financial statements and then add additional alternative treatments to the extent that international comparability would not be significantly impaired where any business practices in Japan needed to be considered.

(2) Schedule date of adoption

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

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

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

NOTE 5 | CHANGES IN PRESENTATION METHODS

Consolidated Statement of Income

"Loss on impairment of fixed assets," which was included in "Other" under "Extraordinary Losses" in the previous fiscal year, exceeded 10% of the total amount of "Extraordinary Losses" and thus is presented as a separate line item under "Extraordinary Losses." Figures for the fiscal year ended March 31, 2018 have been reclassified to reflect this change in presentation method.

As a result, ¥1,851 million presented in "Other" under "Extraordinary Losses" in the previous fiscal year has been reclassified as ¥930 million in "Loss on impairment of fixed assets" and ¥921 million in "Other."

Application of "Partial Amendments to Accounting Standard for Tax Effect Accounting" and Relevant Guidance

The Company and its subsidiaries have applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) from the beginning of the fiscal year ended March 31, 2019. Accordingly, deferred tax assets have been presented under "Investments and Other Assets," deferred tax liabilities have been presented under "Long-term liabilities," and NOTE 18, "DEFERRED TAX," has been revised.

As a result, ¥5,377 million presented in "Deferred tax assets" under "Current Assets" in the previous fiscal year has been included in ¥8,191 million in "Deferred tax assets" under "Investments and Other Assets" and ¥13 million presented in "Deferred tax liabilities" under "Current Liabilities" has been included in ¥9,736 million in "Deferred tax liabilities" under "Long-term Liabilities."

In addition, notes on "Accounting Standard for Tax Effect Accounting" (Note 8) (excluding the total of the valuation allowance) and (Note 9) set forth in Items 3 to 5 of the "Partial Amendments to Accounting Standard for Tax Effect Accounting" have been added to NOTE 18, "DEFERRED TAX." However, comparative information for the year ended March 31, 2018 has not been disclosed in NOTE 18 in accordance with the transitional treatment set forth in Item 7 of the "Partial Amendments to Accounting Standard for Tax Effect Accounting."

NOTE 6 | ADDITIONAL INFORMATION

Introduction of a New Stock-based Compensation Plan for Directors of the Company

Based on a resolution passed at the 97th Ordinary General Meeting of Shareholders held on June 28, 2018, the Company introduced a stock-based compensation plan (the "New Plan") for directors of the Company, excluding directors who do not concurrently serve as executive officers (the "Eligible Directors").

(1) Overview of transactions

The New Plan is a stock-based compensation plan whereby shares in the Company are acquired through a trust using funds contributed by the Company (such trust established pursuant to the New Plan, the "Trust"), and the acquired shares are distributed to each Eligible Director according to the award points granted in accordance with the share delivery rules laid down by the Board of Directors of the Company.

The payments of the shares shall in principle be made at the time of retirement of each Eligible Director.

(2) The Company's shares remaining in the Trust

The Company's shares remaining in the trust are recorded as treasury stock in the "Net Assets" section based on the book value in the Trust (excluding incidental expenses). The book value and the number of shares of such treasury stock were ¥399 million and 166 thousand shares, respectively, in the fiscal year under review.

NOTE 7 | CONSOLIDATED BALANCE SHEET

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

Millions of yen		Thousands of U.S. dollars
2018	**2019**	**2019**
¥899,317	**¥920,298**	**$8,297,697**

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

	Millions of yen		Thousands of U.S. dollars
	2018	**2019**	**2019**
Investment securities (shares of stock)	¥12,881	**¥17,138**	**$154,525**

(3) Pledged Assets as collateral are as follows:

	Millions of yen				Thousands of U.S. dollars	
	2018		**2019**		**2019**	
Buildings and structures	¥270,728	[¥270,564]	**¥277,415**	**[¥277,263]**	**$2,501,263**	**[$2,499,892]**
Machinery, equipment, rolling stock, and other vehicles	42,632	[42,632]	**42,126**	**[42,126]**	**379,816**	**[379,816]**
Land	182,549	[181,021]	**182,184**	**[180,656]**	**1,642,630**	**[1,628,852]**
Other in property and equipment	2,250	[2,250]	**3,497**	**[3,497]**	**31,533**	**[31,533]**
Total	¥498,159	[¥496,467]	**¥505,222**	**[¥503,542]**	**$4,555,242**	**[$4,540,093]**

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

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

	Millions of yen				Thousands of U.S. dollars	
	2018		**2019**		**2019**	
Long-term loans (including current portion of long-term debts)	¥108,014	[¥107,482]	**¥107,812**	**[¥107,352]**	**$ 972,067**	**[$ 967,919]**
Long-term liabilities incurred for purchase of rail way transport facilities (including its repayments due within one year)	107,723	[107,723]	**99,725**	**[99,725]**	**899,150**	**[899,150]**
Other in long-term liabilities	158		**127**		**1,149**	
Total	¥215,895	[¥215,205]	**¥207,664**	**[¥207,077]**	**$1,872,366**	**[$1,867,069]**

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

(4) Contingent liabilities are as follows:

The Group provides debt guaranty to the borrowings from financial institutions

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
DH Box Hill Pty Ltd.	¥ —	¥2,949	$ 26,586
	[A$—]	[A$38]	
Employees' housing loan	275	195	1,758
Alliance mortgage	2,340	449	4,049
Total	¥2,615	¥3,593	$32,393

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

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

Millions of yen		Thousands of U.S. dollars
2018	2019	2019
¥887	¥117	$1,058

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

Millions of yen		Thousands of U.S. dollars
2018	2019	2019
¥230,708	¥232,608	$2,097,268

(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.

NOTE 8 | CONSOLIDATED STATEMENT OF INCOME

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

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Provision for bonuses	¥7,674	¥8,124	$73,252
Net periodic benefit cost	3,077	2,719	24,517

(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
2018	2019	2019
¥51	¥269	$2,421

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

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Personnel expenses	¥43,546	¥44,154	$398,107
Expenses	35,842	38,092	343,448
Taxes	2,634	2,113	19,052
Depreciation and amortization	4,674	4,963	44,744
Amortization of goodwill	228	282	2,544

(4) Total amount of research and development expenses included in operating expenses is as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Research and development expenses	¥—	¥336	$3,032

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

Millions of yen		Thousands of U.S. dollars
2018	**2019**	**2019**
Land and buildings	Land and buildings	Land and buildings
¥1,741	**¥1,711**	**$15,430**

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

Millions of yen		Thousands of U.S. dollars
2018	**2019**	**2019**
Vehicles	Land and buildings	Land and buildings
¥26	**¥55**	**$500**

(7) 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, 2018

Usage for	Location	Type	Millions of yen
Properties of real estate leasing business	Sendai-shi, Miyagi Prefecture	Buildings and structures	¥155
		"Other" in intangible fixed assets	181
		Other	0
Properties of store business, etc.	Zama-shi, Kanagawa Prefecture, etc.	Buildings and structures	166
		"Other" in property and equipment	32
Properties of restaurant business	Yokohama-shi, Kanagawa Prefecture, etc.	Buildings and structures	140
		"Other" in property and equipment	44
Other	—	Buildings and structures	54
		"Other" in property and equipment	91
		Machinery, equipment, rolling stock, and other vehicles	37
		Other	30
Total	—	—	¥930

Year ended March 31, 2019

Usage for	Location	Type	Millions of yen	Thousands of U.S. dollars
Properties of store business, etc	Setagaya-ku, Tokyo, etc.	Buildings and structures	**¥ 202**	**$ 1,824**
		"Other" in property and equipment	**134**	**1,209**
		Other	**35**	**315**
Emission credit	Shinjuku-ku, Tokyo	"Other" in investments and other assets	**371**	**3,346**
Properties of restaurant business	Chiyoda-ku, Tokyo, etc.	Buildings and structures	**140**	**1,258**
		"Other" in property and equipment	**35**	**314**
Other	—	Land	**169**	**1,517**
		Buildings and structures	**45**	**408**
		Other	**3**	**29**
Total	—	—	**¥1,134**	**$10,220**

(b) Background to the recognition of a loss on impairment of fixed assets
The fixed assets groups that are no longer profitable as initially expected 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 9 | CONSOLIDATED STATEMENT 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
	2018	2019	2019
Unrealized gain (loss) on securities:			
Gain (loss) arising during the year	¥ 2,782	**¥(2,938)**	**$(26,494)**
Reclassification adjustments	193	**0**	**0**
Amount before income tax effect	2,975	**(2,938)**	**(26,494)**
Income tax effect	(902)	**876**	**7,901**
Subtotal	2,073	**(2,062)**	**(18,593)**
Remeasurements of defined benefit plans:			
Gain (loss) arising during the year	1,979	**(57)**	**(514)**
Reclassification adjustments	34	**(380)**	**(3,430)**
Amount before income tax effect	2,013	**(437)**	**(3,944)**
Income tax effect	(570)	**220**	**1,987**
Subtotal	1,443	**(217)**	**(1,957)**
Share of other comprehensive income of associates accounted for using equity method:			
Gain (loss) arising during the year	159	**(285)**	**(2,576)**
Reclassification adjustments	(2)	**(2)**	**(15)**
Share of other comprehensive income of associates accounted for using equity method	157	**(287)**	**(2,591)**
Total other comprehensive income	¥ 3,673	**¥(2,566)**	**$(23,141)**

NOTE 10 | CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

Year ended March 31, 2018

(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	368,497,717	—	—	368,497,717
Treasury stock (Note)	8,030,530	11,247	291	8,041,486

Notes: 1. The increase in treasury stock included an increase of 11,106 shares due to the purchase of shares that were less than a share-trading unit, and an increase of 141 shares due to a change of ownership interest for equity-method affiliates.

2. The decrease in treasury stock included a decrease of 291 shares due to the sale of odd-lot shares.

(2) Matters regarding subscription rights to shares

Not applicable

(3) Dividends

(a) Dividends paid

Resolution	Class of shares	Total amount of dividends	Dividends amount per share	Cut-off date	Effective date
		Millions of yen	Yen		
General meeting of share-holders on June 29, 2017	Common stock	¥3,624	¥10.00	March 31, 2017	June 30, 2017
Board of Directors' meeting on October 31, 2017	Common stock	3,624	10.00	September 30, 2017	December 4, 2017

(b) Dividends with the cut-off date in the year ended March 31, 2018 and the effective date in the year ended March 31, 2019

Resolution	Class of shares	Source of dividends	Total amount of dividends	Dividends amount per share	Cut-off date	Effective date
			Millions of yen	Yen		
General meeting of shareholders on June 28, 2018	Common stock	Retained earnings	¥3,624	¥10.00	March 31, 2018	June 29, 2018

Year ended March 31, 2019

(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	**368,497,717**	**—**	**—**	**368,497,717**
Treasury stock (Note)	**8,041,486**	**184,072**	**239**	**8,225,319**

Notes: 1. The number of treasury stock at the end of the fiscal year ended March 31, 2019 included 165,800 shares of the Company's shares held by the Director's Compensation Trust.
2. The increase in treasury stock included an increase of 8,773 shares due to the purchase of shares that were less than a share-trading unit, an increase of 165,800 shares due to acquisition of the Company's shares through the Director's Compensation Trust, and an increase of 9,499 shares due to a change of ownership interest for equity-method affiliates.
3. The decrease in treasury stock included a decrease of 239 shares due to the sale of odd-lot shares.

(2) Matters regarding subscription rights to shares

Not applicable

(3) Dividends

(a) Dividends paid

Resolution	Class of shares	Total amount of dividends		Dividends amount per share		Cut-off date	Effective date
		Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars		
General meeting of share-holders on June 28, 2018	Common stock	**¥3,624**	**$32,674**	**¥10.00**	**$0.09**	March 31, 2018	June 29, 2018
Board of Directors' meeting on October 31, 2018	Common stock	**3,624**(Note)	**32,674**	**10.00**	**0.09**	September 30, 2018	December 7, 2018

Note: Total amount of dividends includes dividends of ¥1 million of the Company's shares held by the Director's Compensation Trust.

(b) Dividends with the cut-off date in the year ended March 31, 2019 and the effective date in the year ending March 31, 2020

Resolution	Class of shares	Source of dividends	Total amount of dividends		Dividends amount per share		Cut-off date	Effective date
			Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars		
General meeting of shareholders on June 27, 2019	Common stock	Retained earnings	**¥3,986** (Note)	**$35,941**	**¥11.00**	**$0.10**	March 31, 2019	June 28, 2019

Note: Total amount of dividends includes dividends of ¥1 million of the Company's shares held by the Director's Compensation Trust.

NOTE 11 | CONSOLIDATED STATEMENT OF CASH FLOWS

The following table represents a reconciliation of cash and cash equivalents and cash and time deposits in the consolidated balance sheet:

	Millions of yen		Thousands of U.S. dollars
	2018	**2019**	**2019**
Cash and time deposits	¥44,013	**¥21,762**	**$196,214**
Time deposits with a maturity of more than three months	(106)	**(126)**	**(1,136)**
Cash and cash equivalents	¥43,907	**¥21,636**	**$195,078**

NOTE 12 | 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
	2018	**2019**	**2019**
Due within one year	¥1,562	**¥1,701**	**$15,337**
Due after one year	4,657	**4,942**	**44,556**
Total	¥6,219	**¥6,643**	**$59,893**

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
	2018	**2019**	**2019**
Due within one year	¥1,374	**¥1,176**	**$10,601**
Due after one year	7,984	**7,935**	**71,547**
Total	¥9,358	**¥9,111**	**$82,148**

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

(3) Sub-lease transaction

The description or the sub-lease transaction is omitted because it is immaterial.

NOTE 13 | 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. Derivative transactions (interest-rate swaps) are utilized to hedge the interest-rate fluctuation risk for certain long-term borrowings. 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 disclosed in NOTE 15, "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 difficult to determine. Please see Note 2.)

	Millions of yen						Thousands of U.S. dollars		
	2018			**2019**			**2019**		
	Book value	Fair value	Difference	Book value	Fair value	Difference	Book value	Fair value	Difference
(1) Cash and time deposits	¥ 44,013	¥ 44,013	¥ —	**¥ 21,762**	**¥ 21,762**	**¥ —**	**$ 196,214**	**$ 196,214**	**$ —**
(2) Notes and accounts receivable	24,071	24,071	—	**25,789**	**25,789**	**—**	**232,521**	**232,520**	**—**
(3) Investment securities									
(a) Held-to-maturity debt securities	31	31	0	**31**	**31**	**0**	**280**	**281**	**1**
(b) Available-for-sale securities	69,817	69,817	—	**67,392**	**67,392**	**—**	**607,628**	**607,628**	**—**
(4) Notes and accounts payable	(30,170)	(30,170)	—	**(25,866)**	**(25,866)**	**—**	**(233,214)**	**(233,214)**	**—**
(5) Short-term loans	(162,920)	(162,920)	—	**(179,833)**	**(179,833)**	**—**	**(1,621,432)**	**(1,621,432)**	**—**
(6) Corporate bonds*1	(180,000)	(182,689)	2,689	**(180,090)**	**(183,537)**	**3,447**	**(1,623,749)**	**(1,654,828)**	**31,079**
(7) Long-term loans*2	(268,554)	(281,912)	13,358	**(250,646)**	**(263,027)**	**12,381**	**(2,259,904)**	**(2,371,540)**	**111,636**
(8) Long-term liabilities incurred for purchase of railway transport facilities*3	(107,723)	(107,723)	—	**(99,725)**	**(99,725)**	**—**	**(899,150)**	**(899,150)**	**—**
(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-term maturities.

(3) Investment securities
The fair values of stocks are determined using the quoted price at the stock exchange, while the fair values of bonds 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 14, "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-term maturities.

(6) Corporate bonds
The fair value of corporate bonds is based on the quoted market price.

(7) Long-term loans
The book value of long-term loans with floating interest rates approximates fair value because the fair value of long-term loans with floating interest rates reflects market interest rate within a short period of time. The fair value of long-term loans with fixed interest rates is determined by the present value of the total of principal and interest discounted by the interest rate to be applied if similar new loans are entered into.

(8) Long-term liabilities incurred for purpose of railway transport facilities
The book value of long-term liabilities incurred for purpose of railway transport facilities approximates fair value because the interest is updated within a short period of time.

(9) Derivatives
Please see NOTE 15, "DERIVATIVE FINANCIAL INSTRUMENTS" for information on derivative transactions.

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

	Millions of yen		Thousands of U.S. dollars
	2018	**2019**	**2019**
Unlisted stocks	¥ 652	**¥ 646**	**$ 5,822**
Investment in limited partnerships and the like	3,509	**6,407**	**57,765**

These items are not included in "(b) Available-for-sale securities in (3) Investment securities," because it is extremely difficult to determine fair values as market price or future cash flow is not available.

Note 3. Redemption schedule for financial assets with maturities

Year ended March 31, 2018

	Millions of yen			
	Within one year	One to five years	Five to 10 years	After 10 years
Cash and time deposits	¥44,013	¥—	¥—	¥—
Trade receivables	24,071	—	—	—
Held-to-maturity debt securities:				
Government bonds	—	31	—	—
Total	¥68,084	¥31	¥—	¥—

Year ended March 31, 2019

	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	**¥21,762**	**¥—**	**¥—**	**¥—**	**$196,214**	**$—**	**$—**	**$—**
Trade receivables	**25,789**	**—**	**—**	**—**	**232,520**	**—**	**—**	**—**
Held-to-maturity debt securities:								
Government bonds	**31**	**—**	**—**	**—**	**280**	**—**	**—**	**—**
Total	**¥47,582**	**¥—**	**¥—**	**¥—**	**$429,014**	**$—**	**$—**	**$—**

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, 2018

	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]	¥40,000	¥30,000	¥30,000	¥ —	¥10,000	¥ 70,000
Long-term loans*[2]	36,010	20,695	24,017	28,369	14,981	144,482
Long-term liabilities incurred for purchase of railway transport facilities*[3]	10,598	10,412	8,306	8,378	7,924	58,282

Year ended March 31, 2019

	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]	**¥30,040**	**¥30,025**	**¥20,010**	**¥10,010**	**¥ 5**	**¥ 90,000**
Long-term loans*[2]	**21,607**	**24,175**	**28,973**	**16,585**	**32,345**	**126,961**
Long-term liabilities incurred for purchase of railway transport facilities*[3]	**10,803**	**8,381**	**8,448**	**7,949**	**6,759**	**53,598**

	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]	**$270,850**	**$270,715**	**$180,417**	**$ 90,253**	**$ 45**	**$ 811,469**
Long-term loans*[2]	**194,817**	**217,965**	**261,232**	**149,533**	**291,636**	**1,144,721**
Long-term liabilities incurred for purchase of railway transport facilities*[3]	**97,405**	**75,568**	**76,173**	**71,668**	**60,942**	**483,253**

*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 sheet that removed consumption taxes.

NOTE 14 | SECURITIES

(1) Marketable held-to-maturity debt securities

Year ended March 31, 2018

	Millions of yen		
	Book value	Fair value	Difference
Securities, whose fair value exceeds their book value:			
Government bonds	¥31	¥31	¥ 0
Securities, whose fair value does not exceed their book value:			
Government bonds	—	—	—
Total	¥31	¥31	¥ 0

Year ended March 31, 2019

	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**	**¥31**	**¥ 0**	**$280**	**$281**	**$ 1**
Securities, whose fair value does not exceed their book value:						
Government bonds	**—**	**—**	**—**	**—**	**—**	**—**
Total	**¥31**	**¥31**	**¥ 0**	**$280**	**$281**	**$ 1**

(2) Marketable other securities

Year ended March 31, 2018

	Millions of yen		
	Book value	Acquisition value	Difference
Securities, whose fair value exceeds their book value:			
Stocks	¥68,328	¥16,844	¥51,484
Securities, whose fair value does not exceed their book value:			
Stocks	1,489	1,555	(66)
Total	¥69,817	¥18,399	¥51,418

Note: Unlisted stocks of ¥652 million on the consolidated balance sheet and investment in limited partnerships and the like of ¥3,509 million on the consolidated balance sheet are not included in the above "Marketable other securities" because it is extremely difficult to estimate fair values.

Year ended March 31, 2019

	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	**¥66,683**	**¥17,980**	**¥48,703**	**$601,240**	**$162,117**	**$439,123**
Securities, whose fair value does not exceed their book value:						
Stocks	**709**	**933**	**(224)**	**6,388**	**8,405**	**(2,017)**
Total	**¥67,392**	**¥18,913**	**¥48,479**	**$607,628**	**$170,522**	**$437,106**

Note: Unlisted stocks of ¥646 million on the consolidated balance sheet and investment in limited partnerships and the like of ¥6,407 million on the consolidated balance sheet are not included in the above "Marketable other securities" because it is extremely difficult to estimate 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 15 | DERIVATIVE FINANCIAL INSTRUMENTS

(1) Derivatives to which hedge accounting is not applied
Not applicable

(2) Derivatives to which hedge accounting is applied
(Interest rate)

Year ended March 31, 2018

Hedge accounting method	Type of derivatives	Major hedged item	Millions of yen		
			Contract amount	Due after one year	Fair value
Special treatment for interest-rate swap	Interest-rate swaps Receive floating rate and pay fixed rate	Long-term loans	¥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, 2019
Not applicable

NOTE 16 | 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, 2018 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	**2019**	**2019**
Balance at beginning of the year	¥97,042	**¥95,568**	**$861,668**
Service cost	3,644	**3,718**	**33,523**
Interest cost	287	**271**	**2,449**
Actuarial differences	(77)	**(291)**	**(2,627)**
Benefits paid	(5,344)	**(6,316)**	**(56,948)**
Increase due to newly consolidated subsidiaries	—	**106**	**959**
Other	16	**8**	**70**
Balance at end of the year	¥95,568	**¥93,064**	**$839,094**

(b) Movements in plan assets during the years ended March 31, 2018 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	**2019**	**2019**
Balance at beginning of the year	¥76,337	**¥76,911**	**$693,450**
Expected return on plan assets	887	**890**	**8,025**
Actuarial differences	1,903	**(348)**	**(3,141)**
Contributions paid by the employer	1,735	**1,918**	**17,294**
Benefits paid	(3,951)	**(4,492)**	**(40,496)**
Balance at end of the year	¥76,911	**¥74,879**	**$675,132**

(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
	2018	**2019**	**2019**
Funded defined benefit obligations	¥ 68,987	**¥ 66,262**	**$ 597,436**
Plan assets	(76,911)	**(74,879)**	**(675,132)**
	(7,924)	**(8,617)**	**(77,696)**
Unfunded defined benefit obligations	26,581	**26,802**	**241,658**
Net liability recorded in the consolidated balance sheet	18,657	**18,185**	**163,962**
Net defined benefit liabilities	18,657	**18,185**	**163,962**
Net liability recorded in the consolidated balance sheet	18,657	**18,185**	**163,962**

(d) The components of retirement benefit expenses

	Millions of yen		Thousands of U.S. dollars
	2018	**2019**	**2019**
Service cost	¥3,644	**¥3,718**	**$33,523**
Interest cost	286	**271**	**2,449**
Expected return on plan assets	(887)	**(890)**	**(8,025)**
Amortization of actuarial differences	42	**(372)**	**(3,355)**
Amortization of prior service cost	(8)	**(8)**	**(75)**
Retirement benefit expenses on defined benefit plans	¥3,077	**¥2,719**	**$24,517**

Note: In addition to the above retirement benefit expenses, special retirement expenses of ¥2,944 million was recorded as extraordinary loss for the year ended March 31, 2018.

(e) The components of remeasurements of defined benefit plans (before tax effects) included in other comprehensive income for the years ended March 31, 2018 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	**2019**	**2019**
Prior service cost	¥ (8)	**¥ (8)**	**$ (75)**
Actuarial differences	2,021	**(429)**	**(3,869)**
Total	¥2,013	**¥(437)**	**$(3,944)**

(f) The components of remeasurements of defined benefit plans (before tax effects) included in accumulated other comprehensive income for the years ended March 31, 2018 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	**2019**	**2019**
Unrecognized prior service cost	¥ (23)	**¥ (15)**	**$ (138)**
Unrecognized actuarial differences	(1,788)	**(1,359)**	**(12,248)**
Total	¥(1,811)	**¥(1,374)**	**$(12,386)**

(g) Plan assets

(i) Components of plan assets

The plan assets consist of the following:

	2018	**2019**
Bonds	38%	**40%**
Equity securities	28	**16**
General account assets	23	**22**
Cash and time deposits	1	**11**
Other	10	**11**
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 years ended March 31, 2018 and 2019 are as follows:

	2018	**2019**
Discount rate	Primarily 0.2%	**Primarily 0.2%**
Long-term expected rate of returns	Primarily 1.0%	**Primarily 1.0%**
Expected salary increase rate	Primarily 1.3%	**Primarily 1.3%**

(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, 2018 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	**2019**	**2019**
Defined contribution plan	¥450	**¥465**	**$4,197**
Smaller Enterprise Retirement Allowance Mutual Aid Scheme	277	**290**	**2,613**

NOTE 17 | STOCK OPTIONS

(1) Submitting company
Not applicable

(2) Consolidated subsidiary (Shirohato Co., Ltd.)
(a) Item and amount of expenses for stock options
Not applicable

(b) Details including size and changes of stock options
(i) Stock options plans

	2nd stock option	3rd stock option
Date of resolution	August 13, 2013	August 13, 2013
Number of eligible persons by position	Directors of the company: 5	Employees of the company: 88
Total number and type of stock granted	909 shares of common stock	520 shares of common stock
Grant date	August 30, 2013	August 30, 2013
Prerequisite to be vested	Vesting requires continuous service from the grant date (August 30, 2013) to the vesting date (the date of public offering).	Vesting requires continuous service from the grant date (August 30, 2013) to the vesting date (the date of public offering).
Required service period	There is no provision for a required service period.	There is no provision for a required service period.
Exercise period	From April 23, 2014 to April 22, 2019	From April 23, 2014 to April 22, 2019

(ii) Size and changes of stock options
The following table summarizes movements of stock options during the year and price information on stock options as of March 31, 2019. The number of stock options are translated into the number of shares.
① Number of stock options

	2nd stock option	3rd stock option
Unvested stock options (shares)		
Outstanding at March 31, 2018	—	—
Granted	—	—
Forfeited	—	—
Vested	—	—
Outstanding at March 31, 2019	—	—
Vested stock options (shares)	—	—
Outstanding at March 31, 2018	22,400	18,500
Vested	—	—
Exercised	—	7,500
Forfeited	—	300
Outstanding at March 31, 2019	22,400	10,700

Notes: 1. Number of shares in the above table reflects a 100-for-1 stock split executed on November 29, 2013.

② Price information

	2nd stock option	3rd stock option	2nd stock option	3rd stock option
Exercise prices (yen)	**¥260**	**¥260**	**$ 2**	**$ 2**
Average stock price at exercise (yen)	**—**	**690**	**—**	**6**
Fair value at the grant date (yen)	**—**	**—**	**—**	**—**

Notes: Price information in the above table reflects a 100-for-1 stock split executed on November 29, 2013.

(3) Method for estimating fair value of stock options
As Shirohato Co., Ltd. was not a public company at the time of the grant of stock options, the method for estimating fair value of stock options is based on the estimate of the intrinsic value per unit.

In addition, the method for estimating the intrinsic value per unit is calculated by deducting the exercise price from the valuation of the company's shares, and the method for evaluating the shares of the company is determined by considering the value calculated by the discounted cash flow (DCF) method.

(4) Method for estimating number of vested stock options
Because it is difficult to reasonably estimate the number of options that will expire in the future, only the number of options that have actually forfeited is applied.

(5) The aggregate intrinsic value of stock options outstanding at March 31, 2019 and the aggregated intrinsic value of stock options exercised on the exercise date during the fiscal year ended March 31, 2019, based on intrinsic value.

	Millions of yen	Thousands of U.S. dollars
The aggregate intrinsic value of stock options outstanding	**¥4**	**$34,321**
The aggregate intrinsic value of stock options exercised during the fiscal year ended March 31, 2019	**¥3**	**$29,085**

NOTE 18 | DEFERRED TAX

(1) Significant components of deferred tax assets and liabilities

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Deferred tax assets:			
Net defined benefit liabilities	¥ 7,429	**¥ 7,573**	**$ 68,284**
Unrealized profits	6,385	**6,486**	**58,477**
Loss on impairment of fixed assets	6,085	**5,512**	**49,697**
Net operating loss carryforwards (Note 2)	4,005	**3,833**	**34,556**
Reserve for employees' bonuses	2,501	**2,642**	**23,821**
Excess depreciation	1,093	**1,174**	**10,582**
Asset retirement obligation	540	**581**	**5,239**
Accrued enterprise taxes	708	**544**	**4,909**
Loss on revaluation of land for sale	477	**501**	**4,517**
Allowance for unredeemed gift certificates and others	366	**402**	**3,623**
Allowance for doubtful accounts	298	**352**	**3,175**
Accrued fare	127	**208**	**1,874**
Special retirement expenses	909	**—**	**—**
Other	4,264	**4,119**	**37,141**
Gross deferred tax assets	35,187	**33,927**	**305,895**
Valuation allowance pertaining to net operating loss carryforwards (Note 2)	—	**(3,129)**	**(28,215)**
Valuation allowance pertaining to future deductible temporary differences	—	**(10,717)**	**(96,625)**
Less: Valuation allowance (Note 1)	(16,324)	**(13,846)**	**(124,840)**
Total deferred tax assets	¥ 18,863	**¥ 20,081**	**$ 181,055**
Deferred tax liabilities:			
Unrealized gains on securities	¥(15,569)	**¥(14,693)**	**$(132,479)**
Reserve for deduction of property and equipment	(2,857)	**(3,496)**	**(31,518)**
Valuation difference due to business combinations	(274)	**(1,961)**	**(17,683)**
Gain on securities contribution to employees' retirement benefits trust	(1,365)	**(1,365)**	**(12,308)**
Other (Note 3)	(343)	**(445)**	**(4,011)**
Total deferred tax liabilities	(20,408)	**(21,960)**	**(197,999)**
Net deferred tax assets and liabilities	¥ (1,545)	**¥ (1,879)**	**$ (16,944)**

Changes in Presentation Methods

Valuation difference due to business combinations, which was included in "Other" under “Deferred Tax Liabilities” in the previous fiscal year, has been set down separately from the fiscal year under review because of its increased materiality in the amount. The notes to the consolidated financial statements for the previous fiscal year have been reclassified to reflect this change in presentation method.

As a result, negative ¥617 million presented in “Other” under “Deferred Tax Liabilities” in the previous fiscal year has been reclassified to negative ¥274 million in “Valuation difference due to business combinations” and negative ¥343 million in “Other.”

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

	Millions of yen		Thousands of U.S. dollars
	2018	**2019**	**2019**
Deferred tax asset related to land revaluation	¥ 494	**¥ 494**	**$ 4,454**
Less: Valuation allowance	(494)	**(494)**	**(4,454)**
Total	—	**—**	**—**
Deferred tax liabilities related to land revaluation	(954)	**(954)**	**(8,603)**
Net deferred tax assets and liabilities related to land revaluation	(954)	**(954)**	**(8,603)**

Notes: 1. The changes in the valuation allowance principally reflected a decrease in the valuation allowance for operating loss carryforwards.

2. A breakdown of net operating loss carryforwards and valuation allowance by expiry date is as follows:

Year ended March 31, 2019

	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	Total
Operating loss carryforwards*	**¥154**	**¥438**	**¥ 292**	**¥ 133**	**¥ 359**	**¥ 2,457**	**¥ 3,833**
Valuation allowance	**(53)**	**(147)**	**(283)**	**(133)**	**(359)**	**(2,154)**	**(3,129)**
Deferred tax assets	**101**	**291**	**9**	**—**	**—**	**303**	**704**

	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	Total
Operating loss carryforwards*	**$1,385**	**$ 3,954**	**$ 2,633**	**$ 1,196**	**$ 3,237**	**$ 22,151**	**$ 34,556**
Valuation allowance	**(473)**	**(1,329)**	**(2,556)**	**(1,196)**	**(3,237)**	**(19,424)**	**(28,215)**
Deferred tax assets	**912**	**2,625**	**77**	**—**	**—**	**2,727**	**6,341**

* Operating loss carryforwards are derived after multiplying the statutory tax rate.

3. For the fiscal year ended March 31, 2018, figures reflect the impact of retroactive application.

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

	2018	**2019**
The normal effective statutory tax rate	30.9%	**30.6%**
Adjustment for:		
Entertainment expenses not deductible for income tax purposes	0.4	**0.3**
Dividends received not taxable	(0.3)	**(0.4)**
Per capita inhabitants taxes	0.3	**0.3**
Valuation allowance on deferred tax assets	1.3	**(5.1)**
Other	(0.1)	**1.6**
The effective tax rate	32.5%	**27.3%**

Note: For the fiscal year ended March 31, 2018, figures reflect the retroactive application.

NOTE 19 | 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 sheet, 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, 2018

	Millions of yen			
	Book value			Fair value
	2017	Changes during the year	2018	2018
Leasing properties	¥225,216	¥(8,468)	¥216,748	¥289,951
Other properties used as leasing properties	71,853	3,531	75,384	117,193

Year ended March 31, 2019

	Millions of yen			
	Book value			Fair value
	2018	Changes during the year	**2019**	**2019**
Leasing properties	**¥216,748**	**¥6,644**	**¥223,392**	**¥305,462**
Other properties used as leasing properties	**75,384**	**871**	**76,255**	**119,092**

	Thousands of U.S. dollars			
	Book value			Fair value
	2018	Changes during the year	**2019**	**2019**
Leasing properties	**$2,039,980**	**$(25,802)**	**$2,014,178**	**$2,754,146**
Other properties used as leasing properties	**709,495**	**(21,958)**	**687,537**	**1,073,771**

Notes: 1. The amount posted in the consolidated balance sheet is calculated by deducting the accumulated depreciation and amortization, and the accumulated loss on impairment of fixed assets from the acquisition cost.

2. For the fiscal year ended March 31, 2018, the main factor attributable to the decrease was a change from leasing to in-house use. For the fiscal year ended March 31, 2019, the main factors attributable to the increase were ¥2,896 million due to acquisition of the Odakyu Kanda Iwamotocho Building.

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

(2) Profit and loss on leasing properties

Year ended March 31, 2018

	Millions of yen			
	Leasing income	Leasing expenses	Difference	Other gains or losses
Leasing properties	¥17,110	¥ 9,287	¥7,823	¥(630)
Other properties used as leasing properties	17,705	12,255	5,450	(601)

Year ended March 31, 2019

	Millions of yen			
	Leasing income	Leasing expenses	Difference	Other gains or losses
Leasing properties	**¥17,972**	**¥ 8,926**	**¥9,046**	**¥(1,259)**
Other properties used as leasing properties	**17,964**	**12,440**	**5,524**	**(808)**

	Thousands of U.S. dollars			
	Leasing income	Leasing expenses	Difference	Other gains or losses
Leasing properties	**$162,043**	**$ 80,479**	**$81,564**	**$(11,355)**
Other properties used as leasing properties	**161,965**	**112,161**	**49,804**	**(7,289)**

Note: Others gains or losses, primarily composed of gains or losses on sale and losses on disposal, are recorded in extraordinary income (losses).

NOTE 20 | 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

(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.

(c) Information about sales, operating income, assets and others by reportable segment, for the years ended March 31, 2018 and 2019 was as follows:

Year ended March 31, 2018

	Millions of yen						
	Reportable segment			Other (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
	Transportation	Merchandising	Real estate				
Revenue from operations:							
Customers	¥173,230	¥210,894	¥ 62,400	¥ 78,137	¥ 524,661	¥ —	¥ 524,661
Intragroup sales and transfers	2,954	3,585	6,178	26,886	39,603	(39,603)	—
Total	¥176,184	¥214,479	¥ 68,578	¥105,023	¥ 564,264	¥ (39,603)	¥ 524,661
Segment income	¥ 28,123	¥ 4,647	¥ 12,538	¥ 5,968	¥ 51,276	¥ 189	¥ 51,465
Segment assets (Note 4)	¥673,766	¥ 72,149	¥374,017	¥105,574	¥ 1,225,506	¥ 68,992	¥1,294,498
Other:							
Depreciation and amortization (Note 5)	¥ 29,687	¥ 3,731	¥ 8,838	¥ 3,333	¥ 45,589	¥ (242)	¥ 45,347
Amortization of goodwill	—	42	—	161	203	24	227
Loss on impairment of fixed assets	12	198	424	296	930	—	930
Investment for affiliates applied for equity methods	11,331	—	—	—	11,331	—	11,331
Increase in property and equipment and intangible assets (Note 5)	43,429	5,616	17,337	4,649	71,031	—	71,031

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 and planning design and operation.

2. Adjustments are as follows:
   (a) Adjustments of ¥189 million for segment income include ¥213 million of intersegment elimination and negative ¥24 million of amortization of goodwill.
   (b) Adjustments for segment assets amounting to ¥68,992 million include negative ¥98,679 million of intersegment elimination and ¥167,671 million of the Group's assets that have not been distributed to reportable segments.
   (c) Adjustment for depreciation and amortization amounting to negative ¥242 million represents intersegment elimination.
3. "Segment income" is reconciled to operating income of consolidated statement of income.
4. "Segment assets" are presented to reflect the impact of adopting the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018).
5. "Depreciation and amortization," and "Increase in property and equipment and intangible assets" include additions to long-term prepaid expenses and its amortization.

Year ended March 31, 2019

	Millions of yen						
	Reportable segment						
	Transportation	Merchandising	Real estate	Other (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
Revenue from operations:							
Customers	**¥176,373**	**¥207,429**	**¥ 62,624**	**¥ 80,250**	**¥ 526,676**	**¥ —**	**¥ 526,676**
Intragroup sales and transfers	**2,920**	**3,253**	**6,383**	**26,687**	**39,243**	**(39,243)**	**—**
Total	**¥179,293**	**¥210,682**	**¥ 69,007**	**¥106,937**	**¥ 565,919**	**¥(39,243)**	**¥ 526,676**
Segment income	**¥ 29,266**	**¥ 2,960**	**¥ 13,759**	**¥ 5,939**	**¥ 51,924**	**¥ 166**	**¥ 52,090**
Segment assets	**¥682,269**	**¥ 74,073**	**¥391,603**	**¥119,170**	**¥1,267,115**	**¥ 45,319**	**¥1,312,434**
Other:							
Depreciation and amortization (Note 4)	**¥ 30,889**	**¥ 3,664**	**¥ 9,038**	**¥ 3,378**	**¥ 46,969**	**¥ (241)**	**¥ 46,728**
Amortization of goodwill	**—**	**83**	**—**	**167**	**250**	**32**	**282**
Loss on impairment of fixed assets	**63**	**371**	**153**	**175**	**762**	**371**	**1,133**
Investment for affiliates applied for equity methods	**12,113**	**—**	**—**	**—**	**12,113**	**—**	**12,113**
Increase in property and equipment and intangible assets (Note 4)	**43,136**	**11,058**	**20,931**	**14,429**	**89,554**	**—**	**89,554**

	Thousands of U.S. dollars						
	Reportable segment						
	Transportation	Merchandising	Real estate	Other (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
Revenue from operations:							
Customers	**$1,590,240**	**$1,870,242**	**$ 564,634**	**$ 723,562**	**$ 4,748,678**	**$ —**	**$ 4,748,678**
Intragroup sales and transfers	**26,327**	**29,329**	**57,550**	**240,619**	**353,825**	**(353,825)**	**—**
Total	**$1,616,567**	**$1,899,571**	**$ 622,184**	**$ 964,181**	**$ 5,102,503**	**$(353,825)**	**$ 4,748,678**
Segment income	**$ 263,868**	**$ 26,692**	**$ 124,056**	**$ 53,549**	**$ 468,165**	**$ 1,492**	**$ 469,657**
Segment assets	**$6,151,553**	**$ 667,872**	**$3,530,816**	**$1,074,475**	**$11,424,716**	**$ 408,605**	**$11,833,321**
Other:							
Depreciation and amortization (Note 4)	**$ 278,503**	**$ 33,033**	**$ 81,491**	**$ 30,459**	**$ 423,486**	**$ (2,175)**	**$ 421,311**
Amortization of goodwill	**—**	**751**	**—**	**1,507**	**2,258**	**286**	**2,544**
Loss on impairment of fixed assets	**566**	**3,348**	**1,381**	**1,579**	**6,874**	**3,346**	**10,220**
Investment for affiliates applied for equity methods	**109,211**	**—**	**—**	**—**	**109,211**	**—**	**109,211**
Increase in property and equipment and intangible assets (Note 4)	**388,925**	**99,704**	**188,721**	**130,099**	**807,449**	**—**	**807,449**

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 and planning design and operation, and temporary staffing service.

2. Adjustments are as follows:

(a) Adjustments of ¥166 million ($1,492 thousand) for segment income include ¥198 million ($1,778 thousand) of intersegment elimination and negative ¥32 million (negative $286 thousand) of amortization of goodwill.

(b) Adjustments for segment assets amounting to ¥45,319 million ($408,605 thousand) include negative ¥99,369 million (negative $895,943 thousand) of intersegment elimination and ¥144,688 million ($1,304,548 thousand) of the Group’s assets that have not been distributed to reportable segments.

(c) Adjustment for depreciation and amortization amounting to negative ¥241 million (negative $2,175 thousand) represents intersegment elimination.

(d) Adjustments for loss on impairment of fixed assets amounting to ¥371 million ($3,346 thousand) relates to corporate assets that are not allocated to each reportable segment.

3. “Segment income” is reconciled to operating income of consolidated statement of income.

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

(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 statement 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 sheet, the information is omitted.

(c) Information by major customer
Since no customer accounts for 10% or more of the revenues from operations on the consolidated statement of income, information by major customer is omitted.

(3) Loss on impairment of fixed assets by reportable segments

The description on the loss on impairment of fixed assets by segment for the years ended March 31, 2018 and 2019 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, 2018

	Millions of yen					
	Transportation	Merchandising	Real estate	Other	Adjustment	Consolidated
Balance at the end of the fiscal year under review	¥—	¥833	¥—	¥1,002	¥31	¥1,866

Year ended March 31, 2019

	Millions of yen					
	Transportation	Merchandising	Real estate	Other	Adjustment	Consolidated
Balance at the end of the fiscal year under review	**¥—**	**¥749**	**¥—**	**¥3,107**	**¥—**	**¥3,856**

	Thousands of U.S. dollars					
	Transportation	Merchandising	Real estate	Other	Adjustment	Consolidated
Balance at the end of the fiscal year under review	**$—**	**$6,758**	**$—**	**$28,010**	**$—**	**$34,768**

Note: The description on amortization by reportable segment for the years ended March 31, 2018 and 2019 is omitted because it is disclosed in "Segment information."

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

Not applicable

NOTE 21 | RELATED PARTY TRANSACTIONS

Transactions between consolidated subsidiary and related party

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

Year ended March 31, 2018
Not applicable

Year ended March 31, 2019
Not applicable

NOTE 22 | PER SHARE INFORMATION

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

	Yen		U.S. dollars
	2018	**2019**	**2019**
Net assets	¥998.98	**¥1,061.37**	**$9.57**
Net income—basic	81.36	**90.11**	**0.81**

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, 2018 and 2019.

2. As described in Note 3, "Changes in Accounting Policies," the changes in accounting policies for the fiscal year ended March 31, 2019 have been retroactively applied, and thus the previous fiscal year's consolidated financial statements have been prepared after the retroactive application. As a result, net assets per share for the fiscal year ended March 31, 2018 increased ¥0.3 compared to the amount before the retrospective application.

3. For the purpose of calculating net assets per share, the Company's shares held by the Director's Compensation Trust (the Trust) are included in treasury shares excluded from the total number of outstanding shares as of the fiscal year-end (165 thousand shares for the fiscal year ended March 31, 2019). For the purpose of calculating net income per share, these shares held by the Trust were included in treasury shares excluded from the calculation of the average number of outstanding shares during the fiscal year (104 thousand shares for the fiscal year ended March 31, 2019).

4. The basis for the respective calculation of net income per share is as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	**2019**	**2019**
Net income attributable to owners of the parent	¥29,328	**¥32,468**	**$292,746**
Amount not attributable to common stockholders	—	**—**	**—**
Net income attributable to owners of the parent related to common shares	29,328	**32,468**	**292,746**
Weighted average number of shares issued and outstanding during the period (shares)	360,462,693	**360,338,635**	**360,338,635**

NOTE 23 | SUBSEQUENT EVENTS

(1) Enoshima Electric Railway Co., Ltd. to Become a Wholly Owned Subsidiary through a Share Exchange

At the Board of Directors meeting held on April 26, 2019, Odakyu Electric Railway Co., Ltd. ("Odakyu Electric Railway") passed a resolution to effect a share exchange (the "Share Exchange") with its consolidated subsidiary Enoshima Electric Railway Co., Ltd., ("Enoshima Electric Railway"), under which Odakyu Electric Railway will become the wholly owning parent company and Enoshima Electric Railway will become the wholly owned subsidiary. The two companies entered into a share exchange agreement (the "Share Exchange Agreement").

(a) Purpose of the Share Exchange

Through the Share Exchange, the Odakyu Group aims to achieve sustainable growth of Enoshima Electric Railway and the Enoshima and Kamakura areas, and to increase the Group's corporate value through strategic planning, rapid decision-making, and promotion of measures from a long-term perspective by integrating management.

(b) Outline of the Share Exchange

i) Schedule for the Share Exchange

Date of resolution of the Board of Directors regarding the execution of the Share Exchange Agreement (Odakyu Electric Railway)	April 26, 2019
Execution date of the Share Exchange Agreement (Odakyu Electric Railway and Enoshima Electric Railway)	April 26, 2019
Resolution date for the ordinary general meeting of shareholders to approve the Share Exchange Agreement (Enoshima Electric Railway)	June 27, 2019
Scheduled date for implementation of the Share Exchange (effective date) (Odakyu Electric Railway and Enoshima Electric Railway)	October 1, 2019 (planned)

ii) Method of the Share Exchange

In the share exchange, Odakyu Electric Railway will become the wholly owning parent company and Enoshima Electric Railway will become the wholly owned subsidiary.

The Share Exchange is scheduled to be conducted as follows with an effective date of October 1, 2019: Odakyu Electric Railway will conduct simplified share exchange procedures based on the provisions of Article 796, Paragraph 2 of the Companies Act without the approval of the ordinary general meeting of shareholders, and Enoshima Electric Railway receives approval from the ordinary general meeting of shareholders scheduled to be held on June 27, 2019.

iii) Details of allotment in the Share Exchange

	Allotment ratio for the Share Exchange
Odakyu Electric Railway (wholly owning parent company in the share exchange)	1
Enoshima Electric Railway (wholly owned subsidiary in the share exchange)	1.2

Notes: 1. Odakyu Electric Railway will allot and deliver 1.2 of its common shares per common share of Enoshima Electric Railway; provided, however, that no shares will be allotted for the 3,353,289 common shares of Enoshima Electric Railway held by Odakyu Electric Railway in the course of the Share Exchange.

2. Odakyu Electric Railway will allot and deliver 3,176,053 of its common shares (planned) during the Share Exchange. In addition, 6,114,397 shares of treasury stock held by Odakyu Electric Railway will be allocated to the shares that it will deliver.

(c) Basis for the Allotment in the Share Exchange

In order to ensure the fairness and appropriateness of the calculation of the allotment ratio used in the Share Exchange (the "Share Exchange Ratio"), Odakyu Electric Railway and Enoshima Electric Railway have decided to each separately request a third-party valuation institution, independent of both companies, to calculate the share exchange ratio for the Share Exchange. Odakyu Electric Railway and Enoshima Electric Railway appointed Mizuho Securities Co., Ltd. and AGS Consulting Co., Ltd., respectively, as third-party valuation institutions.

Odakyu Electric Railway and Enoshima Electric Railway have carefully considered the results of the due diligence review of the other party and other aspects with reference to the calculation results of the share exchange ratio received from their respective third-party valuation institution. They have also repeatedly conducted mutual negotiations and consultations with comprehensive consideration given to, among other factors, their respective financial conditions, asset status and future prospects. As a result, Odakyu Electric Railway and Enoshima Electric Railway have come to the conclusion that the Share Exchange Ratio is appropriate, and thus concluded the Share Exchange Agreement in accordance with the resolutions of the boards of directors of both companies to implement the Share Exchange at the Share Exchange Ratio.

In accordance with the Share Exchange Agreement, the Share Exchange Ratio is subject to change upon consultation between the parties if there is any material change in the conditions that form the basis of the calculations.

(d) Outline of Accounting Treatment

The Share Exchange is accounted for as a transaction under common control in accordance with "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019).

(2) Issuance of unsecured bonds

The Company issued the unsecured bonds based on the resolution of the Board of Directors' meeting convened on March 27, 2019. Details of the issuance are summarized as follows:

	Series 83 unsecured corporate bonds
(1) Amount	¥10 billion
(2) Interest rate	0.209% per annum
(3) Date of payment	June 20, 2019
(4) Date of redemption	June 20, 2029
(5) Purpose	Capital expenditures and bond redemption funds

	Series 84 unsecured corporate bonds
(1) Amount	¥20 billion
(2) Interest rate	0.608% per annum
(3) Date of issuance	June 20, 2019
(4) Term	June 20, 2039
(5) Purpose	Capital expenditures and bond redemption funds