

# 16



**GAIN** MOMENTUM





Toshimitsu Yamaki, Executive President    Yorihiko Osuga, Chairman



linked to people’s daily lives, such as transportation, merchandising, real estate and other services. In accordance with the corporate philosophy of contributing “irreplaceable times” and “rich and comfortable lifestyles” for customers, the Group companies cooperate with each other without forgetting our three guiding principles (sincerity, enterprise and harmony), to provide services targeting “excellent quality” and “a moving experience.”

The Odakyu Group also sees its social responsibility as developing hand in hand with the communities it serves by carrying out all daily operations with integrity. We have designated three priority areas—“achieving security and safety,” “addressing changes in local communities” and “promoting eco-friendly initiatives”—and are pushing forward with a range of activities to bolster security, promote universal access and preserve the natural environment. We aim to become a corporate group that develops together with customers of the Odakyu lines and residents along the lines, and wins their high regard, by working to enhance the value of areas along the Odakyu lines. In all our efforts, we sincerely ask for your continued understanding and support.

September 2016

\* As of March 31, 2016

The Odakyu Group operates high-quality transportation services. Its mainstay Odakyu railway network is composed of three lines that span a total of 120.5 kilometers, connecting Shinjuku (Japan’s largest railway terminal) with Odawara (the gateway to Hakone)—one of Japan’s premier tourist regions—as well as Katase-Enoshima (a popular marine resort area) and Karakida. In addition, the Odakyu Group conducts real estate leasing and development operations to make the areas along the Odakyu lines ever more convenient for both residents and commuters.

The Odakyu Group currently comprises 103\* group companies engaged in a wide variety of businesses closely

## MANAGEMENT PRINCIPLE

The Odakyu Group helps its customers create “irreplaceable times” and “rich and comfortable lifestyles.”

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# CONSOLIDATED FINANCIAL HIGHLIGHTS

## Odakyu Electric Railway Co., Ltd. and consolidated subsidiaries

Years ended March 31

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
<b>Results for the year:</b>			
Revenue from operations	¥ 518,715	¥ 529,812	\$ 4,709,023
Operating income	49,858	52,935	470,488
Ordinary income	44,098	45,695	406,147
Income before income taxes	47,259	42,576	378,418
Comprehensive income	50,029	15,504	137,797
Net income attributable to owners of the parent	30,147	27,498	244,403
<b>Per share of common stock (in yen and U.S. dollars):</b>			
Net income—basic	¥ 41.80	¥ 38.14	\$ 0.34
<b>Year-end financial position:</b>			
Total assets	¥1,253,849	¥1,257,332	\$11,175,294
Net assets	308,210	317,023	2,817,738
<b>Revenues by business segment:</b>			
Revenues			
Transportation	¥ 171,277	¥ 168,303	\$ 1,495,896
Merchandising	222,684	225,012	1,999,930
Real Estate	60,844	73,003	648,857
Other Businesses	100,216	100,129	889,956

### Notes concerning Financial Data and Graphs That Appear in This Annual Report

- The U.S. dollar amounts have been translated from Japanese yen, for convenience, and as a matter of arithmetic computation only, at the rate of U.S.\$1.00=¥112.51, the approximate exchange rate prevailing on March 31, 2016.
- Information on segment-based revenues represents total operating revenues from external customers and intersegment transactions.
- The composition of operating revenues excludes intercompany transactions.

### FORWARD-LOOKING STATEMENTS

The plans, strategies and other statements related to the outlook of future results in this annual report reflect the assumptions and beliefs of management based on currently available information. However, it should be noted that there is a possibility for actual results to differ significantly owing to such factors as changing social and economic conditions.

## Basic Stance Regarding Corporate Governance

Odakyu Electric Railway Co., Ltd. recognizes it as vital to make decisive decisions on key strategies that are unshackled by precedents or customs by ensuring transparency, fairness and speed, as well as to strengthen the oversight of business execution. The aim is to maximize the interest of the various stakeholders, including our customers, business partners, creditors and local communities, and enhance sustainable growth as well as the medium- to long-term corporate value of the Company. We are implementing a range of measures to bolster and improve our corporate governance.

## Company Organization and the State of Development of Internal Control Systems

### Company Organization

We have adopted a corporate auditors' system, under which we are focusing our efforts to improve our corporate governance system to achieve efficient and sound business management. Our Board of Directors, which comprises 15 directors, including three outside director, makes decisions on important business matters and other items required by law and oversees business execution. During the year ended March 31, 2016, the Board of Directors meetings were held 13 times. There are five auditors in total, including three outside company auditors. Each auditor refers to the audit standards for corporate auditors formulated by the Board of Auditors and follows auditing policies and auditing plans in carrying out stringent audit. During the year ended March 31, 2016, the Board of Auditors meetings were held five times. Additionally, the corporate auditors attend Board of Directors' and other important meetings, review important approved documents, investigate the business and financial conditions of the Company, monitor and evaluate the development and operational status of the internal control systems.

Moreover, aiming to strengthen supervisory functions of the Board of Directors with regard to business operations and to optimize the decision-making process, we have adopted an executive officer system consisting of directors and department heads in charge of business execution.

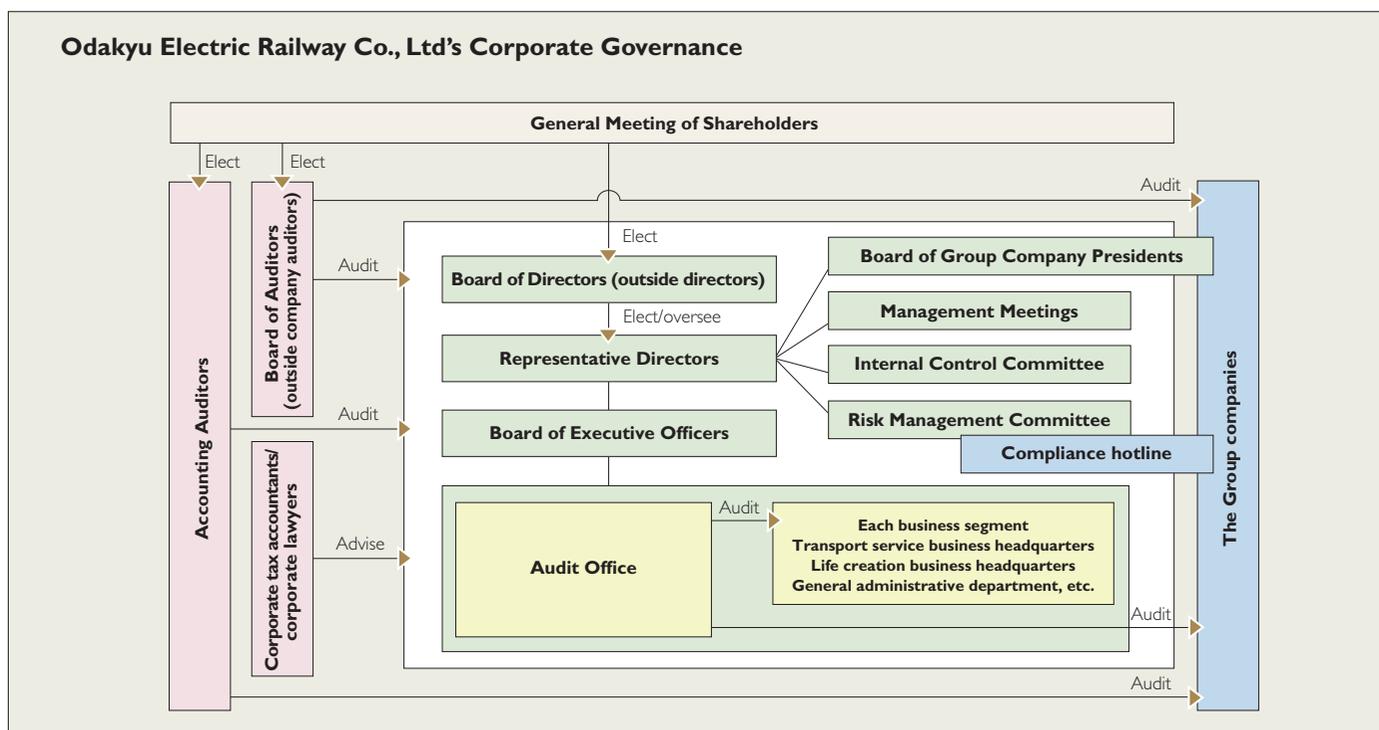
### Development of Internal Control Systems

We have resolved on basic policies regarding the development of internal control systems at our Board of Directors' meetings and are currently developing internal control systems, including the establishment of frameworks for risk management and taking the conditions of internal audit into consideration.

The overview of the basic policies is as follows.

### ● Systems for ensuring compliance with laws and the Articles of Incorporation in the performance of duties by directors and employees of the Company and its subsidiaries

- Regard compliance as part of risk management and establish and implement a compliance system centered on the Risk Management Committee.
- Draw up the Compliance Manual as a code of behavior to be observed by directors and employees from the viewpoint of not only the regulations and articles of incorporation but also conventional wisdom and corporate value, and respond appropriately to antisocial forces, based on the manual.
- Set up the Compliance Hotline as an internal reporting system and identify and rectify compliance issues quickly.
- Follow up on and improve the internal control system of the entire Group, including development of an internal control system related to financial reporting in accordance with the Financial Instruments and Exchange Act of Japan, through the Internal Control Committee.



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● **Systems for retaining and managing information regarding the performance of duties by directors of the Company**

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- Store and manage documents and other information relating to the execution of responsibilities by directors properly, according to internal rules.
- Respond appropriately to requests for reviews of the information defined above by directors and corporate auditors.

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● **Regulations and other systems regarding the management of risk of loss by the Company and its subsidiaries**

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- Implement company-wide systems, with the Risk Management Committee to play a central role and manage the risk surrounding our business precisely.
- Upon the discovery of an incident that can cause large-scale damage, assemble a General Task Force and address the issue properly.
- Ensure the safety of transportation proactively under Supervisory Safety Management Committee.
- Carry out appropriate and timely disclosure when risk is detected or identified.

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● **Systems for ensuring the efficient performance of duties by directors of the Company and its subsidiaries**

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- Adopt an executive officer system and strengthen the supervisory function of the Board of Directors and improve their decision-making properly and efficiently.
- Each business segment performs its duties within the scope of authority and responsibility defined in the Company rules and in accordance with the medium-term management plans and the department policies and budget for the respective fiscal year.
- Assess and control corporate performance properly, using unified company-wide indicators.
- As part of the internal control system, the Audit Office, under the direct control of the Executive President, audits each business segment routinely and reports the results directly to the Executive President and the auditors.
- Establish the Group's medium-term management plan for a period of three years and define the priority issues and cash flow allocation of the Group to embody the plan.

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● **Systems for reporting to the Company on matters regarding the performance of duties by directors of subsidiaries**

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- Based on the Group Companies Management Regulations, establish the Group's quick reporting system to communicate to the Company on priority matters including implementation of the medium-term management plan, the state of business execution and the financial situation, as well as facilitate the Group's information-sharing among the Board of Group Company Presidents.

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● **Matters regarding employees designated by the auditors of the Company to assist with their job responsibilities, if such a designation is requested**

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- Set up the Corporate Auditors Office staffed by full-time employees to assist the standing auditors.

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● **Matters regarding the independence of employees in the previous paragraph from directors and systems for ensuring the effectiveness of instructions given to these employees**

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- Employees assigned to the Corporate Auditors Office carry out their duties according to instructions from standing auditors.

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● **Systems for reporting to auditors of the Company by directors and employees of the Company, or directors, auditors and employees of its subsidiaries, or parties who receive reports from the same**

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- Develop a framework according to which standing auditors of the Company check important matters sequentially through minutes of meetings of executive officers and internal documents requesting approval.
- Directors and others report on the state of business execution and other important matters to auditors, as needed.
- The internal audit department of the Company reports routinely on an audit plan and the result of the audit to auditors and facilitates mutual information-sharing.
- Enhance the system for monitoring the soundness of management by establishing the Odakyu Group Auditors Liaison Committee, including standing auditors of the Company, to receive reports on the state of business management from auditors, top management and management departments of the Group companies. The standing auditors also receive reports on the state of the Compliance Hotline as part of the internal reporting system from employees of the Company.

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● **Systems for ensuring that reporting parties in the previous paragraph do not receive unfair treatment as a result of such reports**

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- Prohibit any retaliation against reporting parties as a result of such reports in accordance with the Compliance Hotline Regulations adopted by the Company and its subsidiaries.

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● **Matters regarding the procedures for advance payments or the reimbursement of expenses incurred in relation to the performance of the duties by the auditors of the Company and any other policy for processing of costs and obligations incurred in relation to the performance of their duties**

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- Directors are expected to cooperate with audits. The Company budgets the expenses incurred in relation to the audits to ensure effective audits by auditors.

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● **Other systems for ensuring effective audit by auditors of the Company**

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- Develop a framework according to which auditors attend important meetings, and strengthen the provision of information to auditors and enhance its propriety.
- Construct systems for promoting cooperation between auditors, the internal audit department and accounting auditors.

# SELECTED FINANCIAL DATA

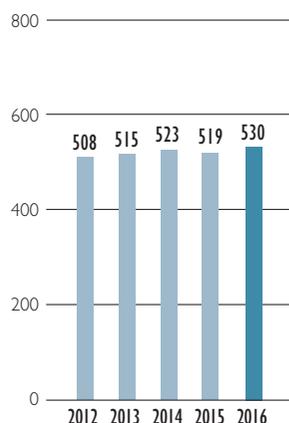
Year ended March 31

Consolidated	Millions of yen				
	2012	2013	2014	2015	2016
<b>Results for the year:</b>					
Revenue from operations	¥ 508,332	¥ 515,224	¥ 523,187	¥ 518,715	¥ <b>529,812</b>
Operating income	38,631	44,119	49,377	49,858	<b>52,935</b>
Ordinary income	28,660	36,366	42,062	44,098	<b>45,695</b>
Income before income taxes	29,979	30,320	39,003	47,259	<b>42,576</b>
Net income attributable to owners of the parent	17,838	19,675	25,049	30,147	<b>27,498</b>
Comprehensive income	19,361	29,692	27,753	50,029	<b>15,504</b>
<b>Per share of common stock (in yen):</b>					
Net income—basic	¥ 24.71	¥ 27.26	¥ 34.72	¥ 41.80	¥ <b>38.14</b>
<b>Year-ended financial position:</b>					
Total assets	¥1,311,185	¥1,264,502	¥1,244,345	¥1,253,849	¥ <b>1,257,332</b>
Net assets	221,604	245,546	267,574	308,210	<b>317,023</b>

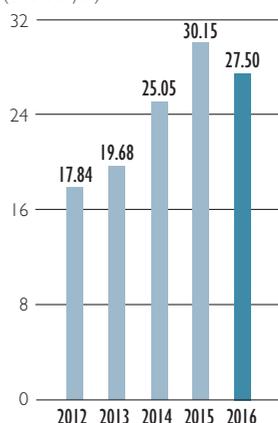
Non-Consolidated	Millions of yen				
	2012	2013	2014	2015	2016
<b>Results for the year:</b>					
Revenue from operations	¥ 154,877	¥ 158,467	¥ 163,047	¥ 162,329	¥ <b>164,757</b>
Operating income	31,478	32,860	39,044	38,417	<b>42,294</b>
Ordinary income	22,123	25,391	31,141	32,559	<b>34,131</b>
Income before income taxes	25,351	17,828	30,732	36,309	<b>33,028</b>
Net income	14,269	10,763	20,088	22,410	<b>21,289</b>
<b>Per share of common stock (in yen):</b>					
Net income—basic	¥ 19.66	¥ 14.83	¥ 27.69	¥ 30.91	¥ <b>29.37</b>
Cash dividends	7.00	7.50	8.00	8.50	<b>9.00</b>
<b>Year-ended financial position:</b>					
Total assets	¥1,117,720	¥1,102,186	¥1,092,399	¥1,092,586	¥ <b>1,101,992</b>
Net assets	203,282	217,237	233,375	260,496	<b>271,951</b>

## CONSOLIDATED DATA

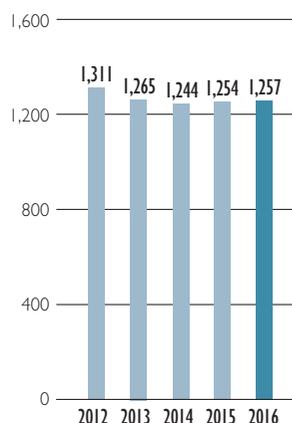
**Revenue from operations**  
(Billions of yen)



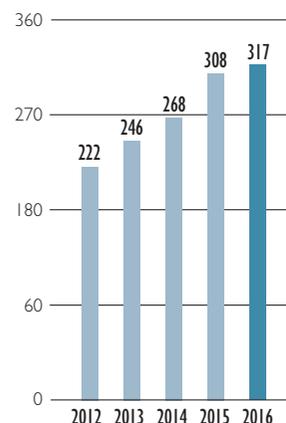
**Net income attributable to owners of the parent**  
(Billions of yen)



**Total assets**  
(Billions of yen)



**Net assets**  
(Billions of yen)



# MANAGEMENT'S DISCUSSION AND ANALYSIS

Years ended March 31, 2015 and 2016

## Results of Operations

During the fiscal year ended March 31, 2016, the Japanese economy continued to experience a gradual recovery on a whole, mainly due to continuous increased private-sector capital expenditure reflecting an improvement in corporate earnings, as well as the recovery in personal consumption accompanying an improvement in employment and personal income, supported by economic stimulus packages. In the second half of the fiscal year, however, economic uncertainty emerged and remained with signs of an economic downturn in emerging Asian countries.

In the area of Hakone, Japan, volcanic activity was seen in and around Owakudani from May 2015, but the eruption alert has been lowered to level 1 (a potential for increased activity).

In this operating environment, the Odakyu Group carried out aggressive marketing, posting consolidated revenue from operations of ¥529,812 million. This represented a year-on-year increase of ¥11,097 million (or 2.1%) reflecting higher sales in the Merchandising, Real Estate, and other segments. Consequently, operating income grew ¥3,077 million (or 6.2%) to ¥52,935 million, and ordinary income rose ¥1,597 million (or 3.6%) to ¥45,695 million. Conversely, net income attributable to owners of the parent totaled ¥27,498 million, down ¥2,649 million (or 8.8%) year on year, due mainly to a drop in extraordinary income.

## Cash Flows

The Odakyu Group undertakes continuous capital expenditures in its railway business and each of its other businesses. These expenditures aim mainly to provide comfortable and speedy railway services and enhance the attractiveness of areas along the Odakyu lines.

We also take an active approach to implement appropriate safety measures and prevent accidents. In the fiscal year ended March 31, 2016, capital expenditures including the investment amount in intangible assets amounted to ¥59,620 million, up 9.2% from the previous fiscal year.

Capital expenditures in the Transportation segment totaled ¥36,957 million, which was used primarily for railway operations. To maximize the effects of our augmented passenger-carrying capacity, we launched the construction of multiple double tracks between Higashi-Kitazawa and Izumi-Tamagawa stations. The project received ¥4,595 million, including ¥3,294 million for a Japan Railway Construction, Transport and Technology Agency project. We also invested ¥2,382 million for introduction of additional new limited express cars and related construction works.

In the Merchandising segment, the Group invested ¥4,240 million, primarily to renovate existing stores and construct new locations.

The Real Estate segment spent ¥13,075 million, mainly for the construction of new buildings for lease and refurbishment of existing ones and the acquisition of Hotel Kanra Kyoto as well as adjacent educational facilities by the Company.

The Other Businesses segment was allocated ¥5,348 million, primarily for the renovation of guest rooms at the Odakyu Hotel Century Sagami-Ono and the Odakyu Hotel De Yama, both of which are operated by Odakyu Resort Co., Ltd.

The Group takes a comprehensive view of the market environment and interest rate changes before selectively determining

fundraising methods for capital investment in its railway business. These include the use of funding schemes from the Development Bank of Japan Inc. as well as the issuance of corporate bonds and borrowing from private-sector financial institutions. For the construction of multiple double tracks currently in progress, the Company utilizes public subsidy programs, such as the Special Reserve for the Expansion of Railway Transport Facilities and the Private Railway Method from the Japan Railway Construction, Transport and Technology Agency.

To boost the efficiency of fundraising across the board, the Group has introduced a cash management system (CMS). When funds are needed over the short term due to cash flow fluctuations, the Group uses its internal CMS funds to the greatest possible extent and also issues commercial paper.

As the Group generates daily revenue, primarily in its railway and merchandising businesses, it is possible to maintain a sufficient level of liquidity. This capital is utilized effectively within the Group thanks to centralized management based on the CMS.

## Financial Position

Total assets at March 31, 2016 stood at ¥1,257,332 million, representing an increase of ¥3,483 million from a year ago. This was attributable mainly to a rise in cash and time deposits. Liabilities fell ¥5,330 million, to ¥940,309 million, due mainly to the repayment of borrowings.

Net assets including non-controlling interests rose ¥8,813 million from the end of the previous fiscal year, to ¥317,023 million due to growth in retained earnings as a result of posting net income attributable to owners of the parent.

## Critical Accounting Policies and Estimates

The Odakyu Group's consolidated financial statements are prepared in conformity with accounting practices generally accepted in Japan. The preparation of these financial statements requires the use of estimates by management, which affects the reported amounts of assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses for the period presented. These estimates are based on rational judgments taking the historical results and circumstances into consideration. Because such estimates involve particular uncertainties, the actual results may differ. Critical accounting policies and estimates are included in the following paragraphs. Forward-looking statements contained in this section are based on determinations made by the Group at the date of this report.

### (I) Valuation of Inventories

The Odakyu Group retains a large volume of inventory and has adopted "Accounting Standard for Measurement of Inventories" (Accounting Standards Board of Japan (ASBJ) Statement No. 9 issued on September 26, 2008). Additionally, the Company records land acquired for the construction of multiple double tracks as fixed assets. If it is determined that this land can be used for subdivided housing after completion of the multiple double tracks, the land is reclassified as inventory and the valuation is determined in the same manner as explained above.

## (2) Impairment of Securities

The Odakyu Group holds securities issued by various financial institutions and business partners. The Group records an impairment on marketable securities if their market value declines by 50% or more below their respective carrying value. For securities whose market value has declined by more than 30% but less than 50% below the carrying value, the Group considers the possibility of recovery and records the amount expected to be unrecoverable as an impairment. There is a risk that market prices of these securities could fluctuate and the Group could thus incur a loss on these securities.

## (3) Impairment of Fixed Assets

The Odakyu Group owns numerous fixed assets. The recoverable value of these assets is calculated based on multiple assumptions such as future cash flows, the discount rate, and the residual net sale value. Therefore, changes to any of these assumptions could result in a loss on impairment of fixed assets.

## (4) Deferred Tax Assets

The Odakyu Group recognizes a valuation allowance to reduce deferred tax assets to their highly probable realizable value. Taxable income for future fiscal years is considered in determining the appropriate valuation allowance. However, in the event that the anticipated future taxable income declines or increases due to a change in future business results, it could become necessary to revise the valuation allowance accordingly.

## (5) Retirement Benefit Obligations and Costs

Calculation of obligations and costs arising from retirement benefits is based on actuarial assumptions. These assumptions include the discount rate, retirement ratio, mortality rate, and long-term rate of return on pension plan assets. However, any difference between the actual results and the assumptions or a change in those assumptions could have an impact on the stated obligations and costs arising from retirement benefits.

## Takeover Defense Measures

The Company has adopted a policy regarding mass purchases of the Company's shares (a takeover defense plan), based on the belief that the party which controls the Company's financial and business policy decisions must be one that has a thorough understanding of the Company's financial and business conditions and undertakings as well as the sources of its corporate value as well as an ability to safeguard and enhance the corporate value and common interests of shareholders on a continuing and sustainable basis.

For more details on the plan, please read the press release issued on May 20, 2015 titled "Continuation of Takeover Defense Policy Regarding Mass Purchases of Company Shares (Takeover Defense Plan)," available at <http://www.odakyu.jp/ir/index.html> (in Japanese only).

## Dividend Policy

Internal reserves have been invested in important and growing fields to further improve business performance, and dividends will be provided in a stable and continuous manner, targeting a consolidated dividend payout ratio of 30% based on the principle of distribution of returns in accordance with consolidated operating results.

The Company intends to continue its policy of making two dividend payments each year, at the end of the first half of the fiscal year and at the end of the fiscal year. The dividend from the capital surplus for shareholders during a fiscal year is stipulated in the articles of incorporation, according to which the Company can provide the interim dividend by a resolution of the Board of Directors in addition to the dividend by resolution at the general meeting of shareholders.

Based on this policy, the Company paid a year-end dividend of ¥4.5 per share for the year ended March 31, 2016, and an interim dividend of ¥4.5, resulting in an annual payout of ¥9.0.

## Business and Other Risks

A risk management structure for the entire Odakyu Group has been in place based on the Odakyu Group Risk Management Policy. Risks with potentially material impact on corporate management are referred to the Group, which in turn conducts further reviews and creates and undertakes measures to circumvent such risks. The following risks have been identified by the Group as major risk factors that could significantly impact the investment decisions of investors.

Forward-looking statements contained below are based on the information available to the Odakyu Group at the time of submission of this report. Please note that the following does not cover all the risks with potential impact on the Group.

### (I) Disasters

#### (a) Large-Scale Earthquake and Tsunami

The Odakyu Group's businesses are concentrated in Tokyo and Kanagawa prefectures primarily along the Odakyu lines. In the event of a large-scale earthquake or other natural calamities causing direct damages of its premises and equipment as well as indirect damages such as constraints to business activities due to electric power shortage and lower revenues due to a downturn in consumer confidence, the Group's business results could be adversely affected. It should be noted that a part of the geographical territory where the Group operates is located in the zone designated as an area requiring the implementation of enhanced earthquake preparatory measures with respect to the Tokai region.

#### (b) Natural Disasters

The Odakyu Group has implemented a range of measures to anticipate potential natural disasters, such as torrential rains and windstorms. However, in the event of a large-scale natural disaster that causes direct damage to the Group's personnel, premises and equipment or leads to an increase in costs due to the restoration of damaged premises and equipment, as well as reduces the earnings reflecting mainly a drop in consumer confidence due to the probability of the occurrence, the Group's results of operations and financial conditions could be adversely affected.

#### (c) Outbreaks of Infectious Diseases

The Group has managed a large number of facilities for customers of its railway, bus and commercial institutions. If a massive infectious disease epidemic such as swine influenza should occur in the Group's business area, it would be feared that this causes customers to refrain from utilizing its facilities, or even result in its operations being unable to continue, particularly its railway operations. Such a situation may have an impact on the Group's results of operations and financial conditions.

## (2) Accidents

### (a) Occurrence of Accidents

The Odakyu Group has put in place a number of measures to ensure the safety of its transport services and food items, and to prevent fire in its buildings and other facilities. However, in the event of a large-scale accident or a fire caused by human error, malfunctioning of equipment or an act of terrorism, these could result in human damage and disruption of the Group's operations, as well as expenses incurred to compensate for damages to victims and to reconstruct damaged buildings and facilities, and these could reduce customers' trust in the Group and impair the Group's image in society. Such a situation may have an impact on the Group's results of operations and financial conditions.

### (b) Defects/Flaws in the Group's Assets and Merchandise

If a defect or flaw is discovered in assets held by the Group, or if it is found that these assets have the potential to cause an adverse effect on human health or the surrounding environment, the Group may incur expenses to rectify the situation, restore conditions to their original status or compensate for damage. If a defect or flaw is discovered in a product sold by the Group, expenses incurred to rectify the situation or compensate for damage, as well as reduced trust in the Group, may adversely affect earnings and financial conditions of the Group.

### (c) Disruption of Information Systems

The Group relies heavily on information systems, such as computer systems and communication networks, in its operations. As such, the Group has undertaken necessary measures to ensure the steady operation of the systems and networks that are critical for its operations. However, in the event of a major disruption of its information systems due to a computer virus or other acts of third-party sabotage, a natural disaster or a human error may have an adverse effect on the financial conditions.

## (3) Corporate Social Responsibility

### (a) Compliance

The Odakyu Group defines compliance as a system of thought and initiatives to comply with rules, including laws and regulations, internal rules and social conventions and to carry out business activities with integrity, and the Group promotes such compliance. However, in the event of an act in violation of compliance that undermines social trust in the Group, the resulting social sanctions may have an adverse effect on the Group's results of operations and financial conditions.

### (b) Management of Personal Information

The Group operates credit card business and holds customer-related and other personal information in conjunction with the credit card and other operations. Although stringent control over personal information is in place, any improper disclosure of personal information for whatever reason could result in compensation claims and tarnish its reputation with potential impact on the Group's operating results.

### (c) Disclosure

The Odakyu Group has undertaken appropriate disclosure on a timely basis by bolstering and conducting internal control in

accordance with the characteristics of its respective operations.

However, in the event of an inappropriate disclosure due to human errors or other reasons, the resulting decline in customers' trust and the damage to the Group's image in society could adversely affect the Group's results of operations and financial conditions.

## (4) Business Environment

### (a) Securing of Human Resources

Many of the Odakyu Group's operations are labor intensive, and it is vital for the Group to secure capable human resources for its workforce. As such, the Group seeks to secure and nurture qualified human resources and ensure that its working environment is a healthy and worker-friendly one. However, in the event of a failure to realize these goals, the Group's results of operations and financial conditions could be adversely affected.

### (b) Legal Restrictions

The Group's operations are subject to various laws and ordinances, including the Railway Business Act, the Road Transportation Act, the Act on the Measures by Large-Scale Retail Stores for Preservation of Living Environment and the Construction Standards Act, and regulations including the Emission Standards, among others. A change in these laws, ordinances and regulations in general or changes applicable to Tokyo and Kanagawa prefectures in particular could affect the Group's results of operations and financial conditions.

The Group's railway operations are governed by fare restrictions described below.

A railway business operator is required by law to obtain approval of the Minister of Land, Infrastructure, Transport and Tourism when it wishes to set forth or change the upper limits of its passenger fares (Article 16, Section 1 of the Railway Business Act).

A railway business operator may set forth or change passenger fares within such approved upper limits or add-on charges for express trains and others, provided that advance filing is made to the said Minister (Article 16, Sections 3 and 4 of the Railway Business Act).

### (c) Interest Rate Fluctuations

The Group undertakes continuous capital investments centered on its railway business, which are largely funded by debt financing and the issuance of corporate bonds. Interest rate fluctuations and changes in the Company's ratings could affect earnings and financial conditions of the Group.

### (d) Significant Litigation

No significant lawsuit is pending against the Company. An administrative lawsuit had been pending in connection with the Company's multiple double tracks project. It was an administrative lawsuit with the Kanto Regional Development Bureau Chief as the defendant, in which the annulment of the approval given to the urban planning project for the segment between Yoyogi-Uehara and Umegaoka stations was sought. However, the lawsuit was withdrawn by the plaintiff on April 1, 2016.

# CONSOLIDATED BALANCE SHEETS

March 31, 2015 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2016	2016
<b>Assets:</b>			
<b>Current assets:</b>			
Cash and time deposits	¥ 19,466	¥ 27,394	\$ 243,484
Notes and accounts receivable	22,488	23,895	212,379
Lease receivables and lease investment assets	1,131	1,482	13,170
Merchandise and finished goods	9,665	9,597	85,299
Real estate developments for sale <a href="#">Notes 6 (5)(7)</a>	37,311	32,673	290,407
Work in process	1,311	967	8,596
Raw materials and supplies	1,913	1,918	17,046
Deferred tax assets	5,290	6,164	54,789
Other	29,360	29,550	262,642
Allowance for doubtful accounts	(91)	(80)	(712)
Total current assets	127,844	133,560	1,187,100
<b>Noncurrent assets:</b>			
<b>Property and equipment:</b>			
Buildings and structures, net <a href="#">Notes 6 (1)(3)(5)(6)</a>	474,468	467,360	4,153,941
Machinery, equipment, rolling stock, and other vehicles, net <a href="#">Notes 6 (1)(3)(6)</a>	48,295	49,686	441,611
Land <a href="#">Notes 6 (3)(5)(6)(7)</a>	431,906	432,650	3,845,434
Lease assets, net <a href="#">Note 6 (1)</a>	1,261	1,027	9,127
Construction in progress <a href="#">Note 6 (5)</a>	38,576	45,403	403,550
Other, net <a href="#">Notes 6 (1)(3)(5)(6)</a>	9,008	8,736	77,646
Total property and equipment	1,003,514	1,004,862	8,931,309
<b>Intangible fixed assets:</b>			
Goodwill	1,205	1,127	10,016
Lease assets	204	162	1,446
Other	12,683	13,455	119,588
Total intangible assets	14,092	14,744	131,050
<b>Investments and other assets:</b>			
Investment securities <a href="#">Note 6 (2)</a>	86,067	80,977	719,734
Long-term loans receivable	359	468	4,157
Deferred tax assets	6,301	6,024	53,538
Other	16,566	17,621	156,621
Allowance for doubtful accounts	(894)	(924)	(8,215)
Total investments and other assets	108,399	104,166	925,835
Total noncurrent assets	1,126,005	1,123,772	9,988,194
<b>Total assets</b>	¥1,253,849	¥1,257,332	\$11,175,294

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2016	2016
<b>Liabilities:</b>			
<b>Current liabilities:</b>			
Notes and accounts payable	¥ 29,250	¥ 28,769	\$ 255,706
Short-term loans <a href="#">Note 6 (3)</a>	191,228	185,583	1,649,484
Current portion of long-term corporate bonds	45,000	50,000	444,405
Current portion of lease obligations	1,422	1,811	16,094
Income taxes payable	8,431	6,914	61,456
Advances received	7,037	11,140	99,012
Deferred tax liabilities	0	0	1
Provision for bonuses	7,134	7,522	66,852
Allowance for unredeemed gift certificates and others	741	1,250	11,106
Asset retirement obligation	37	5	40
Other current liabilities <a href="#">Note 6 (3)</a>	92,114	90,983	808,668
Total current liabilities	382,394	383,977	3,412,824
<b>Long-term liabilities:</b>			
Long-term bonds	145,000	135,000	1,199,893
Long-term loans <a href="#">Note 6 (3)</a>	228,453	234,450	2,083,818
Long-term liabilities incurred for purchase of railway transport facilities <a href="#">Note 6 (3)</a>	110,964	100,965	897,387
Lease obligations	956	647	5,753
Deferred tax liabilities	13,965	9,373	83,308
Deferred tax liabilities related to land revaluation <a href="#">Note 6 (7)</a>	1,064	960	8,529
Net defined benefit liabilities	15,177	24,110	214,295
Asset retirement obligation	1,324	1,375	12,219
Long-term construction contract advances received	5,572	9,508	84,505
Other <a href="#">Note 6 (3)</a>	40,770	39,944	355,025
Total long-term liabilities	563,245	556,332	4,944,732
<b>Total liabilities</b>	945,639	940,309	8,357,556
<b>Net assets:</b>			
<b>Shareholders' equity:</b>			
Common stock	60,360	60,360	536,484
Capital surplus	58,535	58,537	520,282
Retained earnings	151,127	172,192	1,530,464
Treasury stock, at cost	(10,345)	(10,480)	(93,147)
Total shareholders' equity	259,677	280,609	2,494,083
<b>Accumulated other comprehensive income:</b>			
Net unrealized gain on securities, net of taxes	38,895	34,656	308,027
Reserve for land revaluation <a href="#">Note 6 (7)</a>	578	543	4,829
Remeasurements of defined benefit plans	5,382	(2,960)	(26,310)
Total accumulated other comprehensive income	44,855	32,239	286,546
<b>Non-controlling interests</b>	3,678	4,175	37,109
<b>Total net assets</b>	308,210	317,023	2,817,738
<b>Total liabilities and net assets</b>	¥1,253,849	¥1,257,332	\$11,175,294

See accompanying Notes to Consolidated Financial Statements.

# CONSOLIDATED STATEMENTS OF INCOME

For the years ended March 31, 2015 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2016	2016
<b>Revenue from operations</b>	¥518,715	<b>¥529,812</b>	<b>\$4,709,023</b>
<b>Operating expenses:</b>			
Operating expenses and cost of sales of transportation <a href="#">Notes 7 (1)(2)</a>	386,253	<b>391,682</b>	<b>3,481,311</b>
Selling, general and administrative expenses <a href="#">Notes 7 (1)(3)</a>	82,604	<b>85,195</b>	<b>757,224</b>
Total operating expenses	468,857	<b>476,877</b>	<b>4,238,535</b>
<b>Operating income</b>	49,858	<b>52,935</b>	<b>470,488</b>
<b>Non-operating income:</b>			
Interest income	26	<b>21</b>	<b>185</b>
Dividends income	1,277	<b>1,399</b>	<b>12,440</b>
Equity in earnings of affiliates	1,064	<b>1,087</b>	<b>9,662</b>
Miscellaneous income	2,143	<b>1,968</b>	<b>17,492</b>
Total non-operating income	4,510	<b>4,475</b>	<b>39,779</b>
<b>Non-operating expenses:</b>			
Interest expenses	8,358	<b>7,898</b>	<b>70,201</b>
Compensation for transfer	169	<b>1,873</b>	<b>16,645</b>
Miscellaneous expenses	1,743	<b>1,944</b>	<b>17,274</b>
Total non-operating expenses	10,270	<b>11,715</b>	<b>104,120</b>
<b>Ordinary income</b>	44,098	<b>45,695</b>	<b>406,147</b>
<b>Extraordinary income:</b>			
Gain on sale of property and equipment <a href="#">Note 7 (4)</a>	310	<b>155</b>	<b>1,378</b>
Construction costs allotted to and received from others	2,881	<b>1,425</b>	<b>12,664</b>
Reversal of special reserve for expansion of railway transport facilities	4,700	—	—
Gain on sales of investment securities	130	<b>1,373</b>	<b>12,200</b>
Other	1,429	<b>506</b>	<b>4,498</b>
Total extraordinary income	9,450	<b>3,459</b>	<b>30,740</b>
<b>Extraordinary losses:</b>			
Loss on sale of property and equipment <a href="#">Note 7 (5)</a>	586	<b>88</b>	<b>781</b>
Loss on deduction of property and equipment	2,600	<b>1,390</b>	<b>12,351</b>
Loss on disposal of property and equipment	1,916	<b>2,545</b>	<b>22,621</b>
Loss on impairment of fixed assets <a href="#">Note 7 (6)</a>	844	<b>2,450</b>	<b>21,780</b>
Other	343	<b>105</b>	<b>936</b>
Total extraordinary losses	6,289	<b>6,578</b>	<b>58,469</b>
<b>Income before income taxes</b>	47,259	<b>42,576</b>	<b>378,418</b>
<b>Income taxes:</b>			
Current income taxes	15,276	<b>12,967</b>	<b>115,251</b>
Deferred income taxes	1,448	<b>1,525</b>	<b>13,557</b>
Total income taxes	16,724	<b>14,492</b>	<b>128,808</b>
<b>Net income</b>	30,535	<b>28,084</b>	<b>249,610</b>
<b>Net income attributable to non-controlling interests</b>	388	<b>586</b>	<b>5,207</b>
<b>Net income attributable to owners of the parent</b>	¥ 30,147	<b>¥ 27,498</b>	<b>\$ 244,403</b>

See accompanying Notes to Consolidated Financial Statements.

# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended March 31, 2015 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2016	2016
<b>Net income</b>	¥30,535	<b>¥ 28,084</b>	<b>\$ 249,610</b>
<b>Other comprehensive income:</b>			
Unrealized gain (loss) on securities	14,021	<b>(3,936)</b>	<b>(34,985)</b>
Reversal of reserve for land revaluation	96	<b>59</b>	<b>521</b>
Remeasurements of defined benefit plans	5,022	<b>(8,360)</b>	<b>(74,301)</b>
Share of other comprehensive income (loss) of associates accounted for using equity method	355	<b>(343)</b>	<b>(3,048)</b>
Total other comprehensive income <a href="#">Note 8</a>	19,494	<b>(12,580)</b>	<b>(111,813)</b>
<b>Comprehensive income</b>	¥50,029	<b>¥ 15,504</b>	<b>\$ 137,797</b>
<b>Comprehensive income attributable to:</b>			
<b>Owners of the parent</b>	¥49,609	<b>¥ 14,976</b>	<b>\$ 133,102</b>
<b>Non-controlling interests</b>	420	<b>528</b>	<b>4,695</b>

See accompanying Notes to Consolidated Financial Statements.

# CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

For the years ended March 31, 2015 and 2016

	Millions of yen				
	2015				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
<b>Balance as of April 1, 2014</b>	¥60,360	¥58,540	¥129,929	¥(10,145)	¥238,684
Cumulative effect of changes in accounting policies			(3,300)		(3,300)
<b>Balance as of April 1, 2014, as restated</b>	60,360	58,540	126,629	(10,145)	235,384
Changes during the year:					
Cash dividends			(5,801)		(5,801)
Net income attributable to owners of the parent			30,147		30,147
Reversal of reserve for land revaluation			152		152
Repurchases of treasury stock				(202)	(202)
Disposition of treasury stock		(5)		2	(3)
Net changes in items other than shareholders' equity during the year			24,498	(200)	24,293
Total changes during the year	—	(5)	24,498	(200)	24,293
<b>Balance as of March 31, 2015</b>	¥60,360	¥58,535	¥151,127	¥(10,345)	¥259,677

	Millions of yen					
	2015					
	Accumulated other comprehensive income					
	Net unrealized gain on securities, net of taxes	Reserve for land revaluation	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
<b>Balance as of April 1, 2014</b>	¥24,559	¥ 634	¥ 352	¥25,545	¥3,345	¥267,574
Cumulative effect of changes in accounting policies					(54)	(3,354)
<b>Balance as of April 1, 2014, as restated</b>	24,559	634	352	25,545	3,291	264,220
Changes during the year:						
Cash dividends						(5,801)
Net income attributable to owners of the parent						30,147
Reversal of reserve for land revaluation						152
Repurchases of treasury stock						(202)
Disposition of treasury stock						(3)
Net changes in items other than shareholders' equity during the year	14,336	(56)	5,030	19,310	387	19,697
Total changes during the year	14,336	(56)	5,030	19,310	387	43,990
<b>Balance as of March 31, 2015</b>	¥38,895	¥ 578	¥5,382	¥44,855	¥3,678	¥308,210

	Millions of yen				
	2016				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
<b>Balance as of April 1, 2015</b>	¥60,360	¥58,535	¥151,127	¥(10,345)	¥259,677
Changes during the year:					
Cash dividends			(6,524)		(6,524)
Net income attributable to owners of the parent			27,497		27,497
Reversal of reserve for land revaluation			93		93
Decrease due to the increase of consolidated subsidiaries			(1)		(1)
Repurchases of treasury stock				(137)	(137)
Disposition of treasury stock		2		2	4
Net changes in items other than shareholders' equity during the year			21,065	(135)	20,932
Total changes during the year	—	2	21,065	(135)	20,932
<b>Balance as of March 31, 2016</b>	¥60,360	¥58,537	¥172,192	¥(10,480)	¥280,609

	Millions of yen					
	2016					
	Accumulated other comprehensive income					
	Net unrealized gain on securities, net of taxes	Reserve for land revaluation	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
<b>Balance as of April 1, 2015</b>	¥38,895	¥ 578	¥ 5,382	¥ 44,855	¥3,678	¥308,210
Changes during the year:						
Cash dividends						(6,524)
Net income attributable to owners of the parent						27,497
Reversal of reserve for land revaluation						93
Decrease due to the increase of consolidated subsidiaries						(1)
Repurchases of treasury stock						(137)
Disposition of treasury stock						4
Net changes in items other than shareholders' equity during the year	(4,239)	(35)	(8,342)	(12,616)	497	(12,119)
Total changes during the year	(4,239)	(35)	(8,342)	(12,616)	497	8,813
<b>Balance as of March 31, 2016</b>	¥34,656	¥ 543	¥(2,960)	¥ 32,239	¥4,175	¥317,023

Thousands of U.S. dollars (Note 1)

	2016				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
<b>Balance as of April 1, 2015</b>	<b>\$536,484</b>	<b>\$520,270</b>	<b>\$1,343,232</b>	<b>\$(91,950)</b>	<b>\$2,308,036</b>
Changes during the year:					
Cash dividends			(57,988)		(57,988)
Net income attributable to owners of the parent			244,403		244,403
Reversal of reserve for land revaluation			830		830
Decrease due to the increase of consolidated subsidiaries			(13)		(13)
Repurchases of treasury stock				(1,217)	(1,217)
Disposition of treasury stock		12		20	32
Net changes in items other than shareholders' equity during the year					
Total changes during the year	—	12	187,232	(1,197)	186,047
<b>Balance as of March 31, 2016</b>	<b>\$536,484</b>	<b>\$520,282</b>	<b>\$1,530,464</b>	<b>\$(93,147)</b>	<b>\$2,494,083</b>

Thousands of U.S. dollars (Note 1)

	2016					
	Accumulated other comprehensive income					
	Net unrealized gain on securities, net of taxes	Reserve for land revaluation	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
<b>Balance as of April 1, 2015</b>	<b>\$345,699</b>	<b>\$5,138</b>	<b>\$ 47,840</b>	<b>\$ 398,677</b>	<b>\$32,685</b>	<b>\$2,739,398</b>
Changes during the year:						
Cash dividends						(57,988)
Net income attributable to owners of the parent						244,403
Reversal of reserve for land revaluation						830
Decrease due to the increase of consolidated subsidiaries						(13)
Repurchases of treasury stock						(1,217)
Disposition of treasury stock						32
Net changes in items other than shareholders' equity during the year	(37,672)	(309)	(74,150)	(112,131)	4,424	(107,707)
Total changes during the year	(37,672)	(309)	(74,150)	(112,131)	4,424	78,340
<b>Balance as of March 31, 2016</b>	<b>\$308,027</b>	<b>\$4,829</b>	<b>\$(26,310)</b>	<b>\$ 286,546</b>	<b>\$37,109</b>	<b>\$2,817,738</b>

See accompanying Notes to Consolidated Financial Statements.

# CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended March 31, 2015 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2016	2016
<b>Cash flows from operating activities:</b>			
Income before income taxes	¥ 47,259	¥ 42,576	\$ 378,418
Depreciation and amortization	46,692	47,308	420,477
Loss on impairment of fixed assets	844	2,450	21,780
Amortization of goodwill	54	175	1,556
Increase (decrease) in provision for bonuses	(271)	412	3,661
Increase (decrease) in net defined benefit liabilities	(2,828)	(3,235)	(28,754)
Increase (decrease) in allowance for doubtful accounts	179	19	170
Increase (decrease) in allowance for unredeemed gift certificates and others	(60)	509	4,522
Interest and dividends income	(1,302)	(1,421)	(12,626)
Interest expenses	8,358	7,898	70,201
Equity in losses (earnings) of affiliates	(1,064)	(1,087)	(9,662)
Construction costs allotted to and received from others	(2,881)	(1,425)	(12,664)
Increase (decrease) in special reserve for expansion of railway transport facilities	(4,700)	—	—
Loss (gain) on sales of stocks of subsidiaries and affiliates	(1,150)	(318)	(2,827)
Loss (gain) on sale of property and equipment, net	276	(67)	(597)
Loss on deduction of carrying amounts of property and equipment	2,600	1,390	12,351
Loss on disposal of property and equipment	1,924	1,827	16,238
Loss (gain) on valuation of investment securities	27	0	3
Loss on valuation of inventories	177	291	2,584
Decrease (increase) in trade receivables	(112)	(1,424)	(12,655)
Decrease (increase) in inventories	(1,873)	6,439	57,227
Increase (decrease) in accounts payables	1,071	62	549
Other	1,136	(2,748)	(24,418)
Subtotal	94,356	99,631	885,534
Interest and dividends received	1,442	1,560	13,865
Interest paid	(8,430)	(7,888)	(70,112)
Income taxes paid	(16,241)	(14,600)	(129,769)
Net cash provided by (used in) operating activities	71,127	78,703	699,518
<b>Cash flows from investing activities:</b>			
Purchase of investment securities	(1,919)	(1,809)	(16,078)
Proceeds from sales of investment securities	4,385	2,624	23,319
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(1,408)	—	—
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	—	267	2,372
Acquisition of property and equipment	(55,821)	(61,481)	(546,445)
Proceeds from sales of property and equipment	987	1,003	8,911
Decrease (increase) in short-term loans receivable	30	(9)	(81)
Payments of long-term loans receivable	(61)	(121)	(1,079)
Collection of long-term loans receivable	18	106	940
Proceeds from advances received for contract consignment	6,870	6,034	53,630
Proceeds from long-term advances received	3,757	3,936	34,980
Other	(33)	174	1,559
Net cash provided by (used in) investing activities	(43,195)	(49,276)	(437,972)
<b>Cash flows from financing activities:</b>			
Net decrease in short-term loans	129	(1,790)	(15,910)
Proceeds from long-term loans	13,088	34,117	303,235
Repayments of long-term loans	(20,400)	(31,974)	(284,191)
Proceeds from issuance of bonds	25,000	40,000	355,524
Redemption of bonds	(40,000)	(45,000)	(399,964)
Redemption of accounts payable to Japan Railway Construction, Transport and Technology Agency	(10,566)	(9,852)	(87,566)
Cash dividends paid	(5,786)	(6,503)	(57,804)
Acquisition of treasury stock	(191)	(137)	(1,215)
Other	(272)	(335)	(2,968)
Net cash provided by (used in) financing activities	(38,998)	(21,474)	(190,859)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	0	0	0
<b>Net increase (decrease) in cash and cash equivalents</b>	(11,066)	7,953	70,687
<b>Cash and cash equivalents at beginning of the year</b>	30,438	19,372	172,177
<b>Increase in cash and cash equivalents from newly consolidated subsidiaries</b>	—	1	15
<b>Cash and cash equivalents at end of the year</b> <a href="#">Note 10</a>	¥ 19,372	¥ 27,326	\$ 242,879

See accompanying Notes to Consolidated Financial Statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2015 and 2016

## 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

### (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

### (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

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	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	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	<b>736,995,435</b>	—	—	<b>736,995,435</b>
Treasury stock (Note)	<b>15,911,225</b>	<b>114,286</b>	<b>2,956</b>	<b>16,022,555</b>

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	<b>¥3,262</b>	<b>\$28,996</b>	<b>¥4.50</b>	<b>\$0.04</b>	March 31, 2015	June 29, 2015
Board of Directors' meeting on October 29, 2015	Common stock	<b>3,262</b>	<b>28,993</b>	<b>4.50</b>	<b>0.04</b>	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	<b>¥3,262</b>	<b>\$28,991</b>	<b>¥4.50</b>	<b>\$0.04</b>	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	<b>¥27,394</b>	<b>\$243,484</b>
Time deposits with a maturity of more than three months	(94)	<b>(68)</b>	<b>(605)</b>
Cash and cash equivalents	¥19,372	<b>¥27,326</b>	<b>\$242,879</b>

## 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	<b>¥1,534</b>	<b>\$13,637</b>
Due after one year	3,786	<b>5,426</b>	<b>48,223</b>
Total	¥5,400	<b>¥6,960</b>	<b>\$61,860</b>

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	<b>¥ 974</b>	<b>\$ 8,657</b>
Due after one year	3,536	<b>3,180</b>	<b>28,265</b>
Total	¥4,636	<b>¥4,154</b>	<b>\$36,922</b>

### (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 not 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* <sup>1</sup>	¥45,000	¥50,000	¥35,000	¥20,000	¥10,000	¥ 30,000
Long-term loans* <sup>2</sup>	31,728	28,004	18,586	35,432	17,214	129,217
Long-term liabilities incurred for purchase of railway transport facilities* <sup>3</sup>	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* <sup>1</sup>	<b>¥50,000</b>	<b>¥35,000</b>	<b>¥40,000</b>	<b>¥10,000</b>	<b>¥10,000</b>	<b>¥ 40,000</b>
Long-term loans* <sup>2</sup>	<b>27,873</b>	<b>18,657</b>	<b>35,810</b>	<b>19,597</b>	<b>19,924</b>	<b>140,463</b>
Long-term liabilities incurred for purchase of railway transport facilities* <sup>3</sup>	<b>9,682</b>	<b>9,879</b>	<b>9,999</b>	<b>9,848</b>	<b>7,935</b>	<b>60,536</b>

	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* <sup>1</sup>	<b>\$444,405</b>	<b>\$311,083</b>	<b>\$355,524</b>	<b>\$88,881</b>	<b>\$ 88,881</b>	<b>\$ 355,524</b>
Long-term loans* <sup>2</sup>	<b>247,742</b>	<b>165,826</b>	<b>318,280</b>	<b>174,181</b>	<b>177,082</b>	<b>1,248,449</b>
Long-term liabilities incurred for purchase of railway transport facilities* <sup>3</sup>	<b>86,051</b>	<b>87,806</b>	<b>88,870</b>	<b>87,527</b>	<b>70,526</b>	<b>538,047</b>

\*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	—	—	—
<b>Total</b>	<b>¥31</b>	<b>¥32</b>	<b>¥ 1</b>

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	—	—	—	—	—	—
<b>Total</b>	<b>¥31</b>	<b>¥32</b>	<b>¥ 1</b>	<b>\$276</b>	<b>\$284</b>	<b>\$ 8</b>

### (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)
<b>Total</b>	<b>¥73,925</b>	<b>¥17,480</b>	<b>¥56,445</b>

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)
<b>Total</b>	<b>¥67,200</b>	<b>¥17,643</b>	<b>¥49,557</b>	<b>\$597,280</b>	<b>\$156,814</b>	<b>\$440,466</b>

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

Hedge accounting Fair value 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 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

Hedge accounting Fair value method	Type of derivatives	Major hedged item	Millions of yen			Thousands of U.S. dollars		
			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	<b>¥16,800</b>	<b>¥16,800</b>	(Note)	<b>\$149,320</b>	<b>\$149,320</b>	(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	<b>¥94,100</b>	<b>\$836,372</b>
Cumulative effect of changes in accounting policies	5,058	—	—
Restated balance at beginning of the year	97,446	<b>94,100</b>	<b>836,372</b>
Service cost	3,412	<b>3,201</b>	<b>28,454</b>
Interest cost	944	<b>896</b>	<b>7,964</b>
Actuarial differences	(1,436)	<b>7,861</b>	<b>69,869</b>
Benefits paid	(6,317)	<b>(5,857)</b>	<b>(52,060)</b>
Other	51	<b>54</b>	<b>479</b>
Balance at end of the year	¥94,100	<b>¥100,255</b>	<b>\$891,078</b>

(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	<b>¥78,923</b>	<b>\$701,475</b>
Expected return on plan assets	847	<b>919</b>	<b>8,171</b>
Actuarial differences	5,980	<b>(2,482)</b>	<b>(22,059)</b>
Contributions paid by the employer	4,172	<b>3,029</b>	<b>26,921</b>
Benefits paid	(4,510)	<b>(4,244)</b>	<b>(37,725)</b>
Balance at end of the year	¥78,923	<b>¥76,145</b>	<b>\$676,783</b>

(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	<b>¥ 73,942</b>	<b>\$ 657,208</b>
Plan assets	(78,923)	<b>(76,145)</b>	<b>(676,783)</b>
	(9,881)	<b>(2,203)</b>	<b>(19,575)</b>
Unfunded defined benefit obligations	25,058	<b>26,313</b>	<b>233,870</b>
Net liability recorded in the consolidated balance sheet	15,177	<b>24,110</b>	<b>214,295</b>
Net defined benefit liabilities	15,177	<b>24,110</b>	<b>214,295</b>
Net liability recorded in the consolidated balance sheet	15,177	<b>24,110</b>	<b>214,295</b>

(d) The components of retirement benefit expenses

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

(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)	<b>¥ (216)</b>	<b>\$ (1,924)</b>
Actuarial differences	7,229	<b>(11,952)</b>	<b>(106,227)</b>
Total	¥7,007	<b>¥(12,168)</b>	<b>\$(108,151)</b>

(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
<b>Deferred tax assets:</b>			
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
<b>Deferred tax liabilities:</b>			
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.

### (I) 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	<b>¥132,058</b>	<b>¥2,413</b>	<b>¥134,471</b>	<b>¥184,051</b>
Other properties used as leasing properties	<b>141,167</b>	<b>1,430</b>	<b>142,597</b>	<b>184,968</b>

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

- 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	<b>¥13,076</b>	<b>¥ 7,458</b>	<b>¥5,618</b>	<b>¥(1,202)</b>
Other properties used as leasing properties	<b>20,031</b>	<b>13,262</b>	<b>6,769</b>	<b>(2,359)</b>

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

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

### (I) 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			Other (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
	Transportation	Merchandising	Real estate				
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:

- 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.
- 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.
- 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.

## 38 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	<b>¥867.85</b>	<b>\$7.71</b>
Net income per share	83.60	<b>76.27</b>	<b>0.68</b>

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

# ANNEXED CONSOLIDATED DETAILED SCHEDULES

Years ended March 31, 2015 and 2016

## NO. 1 | DETAILED SCHEDULE OF CORPORATE BONDS

Company	Name	Issue date	Millions of yen		Thousands of U.S. dollars	Interest rate	Security	Redemption date
			Balance as of April 1, 2015	Balance as of March 31, 2016	Balance as of March 31, 2016			
Odakyu Electric Railway Co., Ltd.	Series 25 unsecured corporate bonds	Aug. 25, 1998	¥20,000	¥ 20,000	\$ 177,761	3.00%	None	Aug. 24, 2018
	Series 41 unsecured corporate bonds	Aug. 8, 2006	20,000	20,000 [20,000]	177,761 [177,761]	2.24	None	Aug. 8, 2016
	Series 50 unsecured corporate bonds	Aug. 12, 2009	10,000	10,000	88,881	1.718	None	Aug. 12, 2019
	Series 53 unsecured corporate bonds	Aug. 12, 2010	15,000 [15,000]	—	—	0.496	None	Aug. 12, 2015
	Series 54 unsecured corporate bonds	Dec. 17, 2010	10,000	10,000	88,881	0.956	None	Dec. 15, 2017
	Series 55 unsecured corporate bonds	Dec. 17, 2010	10,000	10,000	88,881	1.367	None	Dec. 17, 2020
	Series 59 unsecured corporate bonds	Jul. 31, 2012	15,000 [15,000]	—	—	0.24	None	Jul. 24, 2015
	Series 60 unsecured corporate bonds	Oct. 18, 2012	10,000	10,000	88,881	0.846	None	Oct. 18, 2022
	Series 61 unsecured corporate bonds	Jan. 31, 2013	15,000 [15,000]	—	—	0.22	None	Jan. 25, 2016
	Series 62 unsecured corporate bonds	Jul. 31, 2013	15,000	15,000 [15,000]	133,322 [133,322]	0.28	None	Jul. 25, 2016
	Series 63 unsecured corporate bonds	Dec. 13, 2013	10,000	10,000	88,881	0.905	None	Dec. 12, 2025
	Series 64 unsecured corporate bonds	Jan. 31, 2014	15,000	15,000 [15,000]	133,322 [133,322]	0.21	None	Jan. 25, 2017
	Series 65 unsecured corporate bonds	Jul. 31, 2014	15,000	15,000	133,322	0.17	None	Jul. 25, 2017
	Series 66 unsecured corporate bonds	Jan. 30, 2015	10,000	10,000	88,881	0.12	None	Jan. 25, 2018
	Series 67 unsecured corporate bonds	Jun. 12, 2015	—	10,000	88,881	0.608	None	Jun. 12, 2025
	Series 68 unsecured corporate bonds	Jun. 12, 2015	—	10,000	88,881	1.098	None	Jun. 12, 2030
	Series 69 unsecured corporate bonds	Jul. 31, 2015	—	10,000	88,881	0.12	None	Jul. 25, 2018
Series 70 unsecured corporate bonds	Jan. 29, 2016	—	10,000	88,881	0.12	None	Jan. 25, 2019	
Total	—	—	¥190,000 [45,000]	¥185,000 [50,000]	\$1,644,298 [444,405]	—	—	—

Notes: 1. The amounts in brackets in the columns of "Balance as of April 1, 2015" and "Balance as of March 31, 2016" are the current portion of the total amount and are recorded in current liabilities on the consolidated balance sheets.

2. Redemption schedule of bonds for five years subsequent to March 31, 2016.

Millions of yen					Thousands of U.S. dollars				
Within one year	One to two years	Two to three years	Three to four years	Four to five years	Within one year	One to two years	Two to three years	Three to four years	Four to five years
¥50,000	¥35,000	¥40,000	¥10,000	¥10,000	\$444,405	\$311,083	\$355,524	\$88,881	\$88,881

## NO. 2 | DETAILED SCHEDULE OF LOANS PAYABLE

	Millions of yen		Thousands of U.S. dollars	Average interest rate	Repayment deadline
	Balance as of April 1, 2015	<b>Balance as of March 31, 2016</b>	<b>Balance as of March 31, 2016</b>		
Short-term loans	¥159,500	<b>¥157,710</b>	<b>\$1,401,742</b>	0.51%	—
Current portion of long-term debt	31,728	<b>27,873</b>	<b>247,742</b>	1.75	—
Current portion of lease obligations	527	<b>602</b>	<b>5,354</b>	—	—
Long-term loans (excluding current portion)	228,453	<b>234,450</b>	<b>2,083,818</b>	1.33	Apr. 25, 2017 to Feb. 25, 2036
Lease obligations (excluding current portion)	956	<b>647</b>	<b>5,753</b>	—	Apr. 28, 2017 to Mar. 31, 2022
Other interest-bearing debt:					
Long-term liabilities incurred for purchase of railway transport facilities	117,534 [9,538]	<b>107,878</b> <b>[9,682]</b>	<b>958,827</b> <b>[86,051]</b>	1.21	Sep. 14, 2017 to Mar. 14, 2038
In-house deposits	12,249	<b>12,437</b>	<b>110,529</b>	1.22	—
<b>Total</b>	<b>¥550,947</b>	<b>¥541,597</b>	<b>\$4,813,765</b>	—	—

- Notes: 1. The “Average interest rate” of loans payable is the weighted average interest rate for outstanding loans payable as of end of the fiscal year under review.
2. The “Average interest rate” is not shown for lease obligations because the Company reported lease obligations before deducting interest in the consolidated balance sheets. The lease obligations exclude the amounts in sublease obligations.
3. The amounts in brackets in “Long-term liabilities incurred for purchase of railway transport facilities” in the “Other interest-bearing debt” column are the current portion of the total amount and are included in “Other” of current liabilities on the consolidated balance sheets. The long-term liabilities incurred for purchase of railway transport facilities are loan of its buying railway facilities from the Japan Railway Construction, Transport and Technology Agency. The above amounts are equivalent sum of figures of the consolidated balance sheets that removed consumption taxes.
4. The “In-house deposits” are included in “Other” of current liabilities on the consolidated balance sheets.
5. The repayment schedule of “Long-term loans (excluding current portion),” “Lease obligations (excluding current portion)” and “Long-term liabilities incurred for purchase of railway transport facilities” for five years subsequent to March 31, 2016. The following table excludes the payment schedule of in-house deposits because the repayment period is not defined.

	Millions of yen			
	One to two years	Two to three years	Three to four years	Four to five years
Long-term debt	<b>¥18,657</b>	<b>¥35,810</b>	<b>¥19,597</b>	<b>¥19,924</b>
Lease obligations	<b>310</b>	<b>157</b>	<b>95</b>	<b>43</b>
Long-term liabilities incurred for purchase of railway transport facilities	<b>9,879</b>	<b>9,999</b>	<b>9,848</b>	<b>7,935</b>

	Thousands of U.S. dollars			
	One to two years	Two to three years	Three to four years	Four to five years
Long-term debt	<b>\$165,826</b>	<b>\$318,280</b>	<b>\$174,181</b>	<b>\$177,082</b>
Lease obligations	<b>2,758</b>	<b>1,395</b>	<b>848</b>	<b>386</b>
Long-term liabilities incurred for purchase of railway transport facilities	<b>87,806</b>	<b>88,870</b>	<b>87,527</b>	<b>70,526</b>

## NO. 3 | SCHEDULE OF ASSET RETIREMENT OBLIGATIONS

A description is omitted pursuant to regulations on consolidated financial statements in Japan, since the amounts of asset retirement obligations at the beginning and the end of the year ended March 31, 2016 are both less than 1% of the total of liabilities and net assets of the respective fiscal years pursuant to Article 2, Paragraph 92 of the Regulations for Consolidated Financial Statement.



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## Independent Auditor's Report

The Board of Directors  
Odakyu Electric Railway Co., Ltd.

We have audited the accompanying consolidated financial statements of Odakyu Electric Railway Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2016, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

### *Management's Responsibility for the Consolidated Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Odakyu Electric Railway Co., Ltd. and its consolidated subsidiaries as at March 31, 2016, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

### *Convenience Translation*

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

*Ernst & Young ShinNihon LLC*

June 29, 2016

## Corporate Data (As of March 31, 2016)

<b>Head Office:</b>	1-8-3, Nishi-Shinjuku, Shinjuku-ku, Tokyo 160-8309, Japan
<b>Established:</b>	June 1, 1948
<b>Common Stock:</b>	¥60,360 million
<b>Employees:</b>	Consolidated: 13,283 Non-consolidated: 3,593
<b>Independent Auditor:</b>	Ernst & Young ShinNihon LLC
<b>Inquiries:</b>	Investor Relations Office Odakyu Electric Railway Co., Ltd. 1-8-3, Nishi-Shinjuku, Shinjuku-ku, Tokyo 160-8309, Japan Phone: +81-3-3349-2526 Fax: +81-3-3346-1899 E-mail: ir@odakyu-dentetsu.co.jp URL: http://www.odakyu.jp/

## Board of Directors, Auditors and Executive Officers (As of June 29, 2016)

<b>Chairman and Representative Director</b> Yorihiko Osuga*	<b>Standing Auditors</b> Shunji Takahara Yoshio Ishii
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<b>Executive President and Representative Director</b> Toshimitsu Yamaki*	<b>Auditors</b> Ikuo Uno Takehisa Fukazawa Masataka Ito
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<b>Executive Senior Managing Directors</b> Mikio Ogawa* Koji Hoshino*	<b>Executive Officers</b> Satoshi Kuroda Akinori Tateyama Yoshiyuki Iwasaki Hidehiro Mizukami
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<b>Executive Managing Directors</b> Ichiro Kaneko* Yoshihiko Shimooka* Toshiro Yamamoto*	*Executive Officer
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### Directors

Isamu Arakawa\*  
Shu Igarashi\*  
Tomijiro Morita  
Tamotsu Nomakuchi  
Hiroko Nakayama  
Izumi Amano  
Jun Koyanagi  
Hiroyuki Dakiyama

## Stock Information (As of March 31, 2016)

<b>Fiscal Year-End:</b>	March 31
<b>Regular General Meeting of Shareholders:</b>	Late June
<b>Authorized Shares:</b>	2,200,000,000 shares
<b>Issued Shares:</b>	736,995,435 shares
<b>Shareholders:</b>	44,268
<b>Stock Exchange Listing:</b>	Tokyo Stock Exchange
<b>Transfer Agent:</b>	Sumitomo Mitsui Trust Bank, Limited 1-4-1, Marunouchi, Chiyoda-ku, Tokyo 100-8233, Japan Phone: +81-3-3286-1111

### Principal Shareholders:

Name	Number of shares held (thousands)	Percentage
<b>The Dai-ichi Life Insurance Company, Limited</b>	45,047	6.11
<b>The Master Trust Bank of Japan, Ltd. (Trust account)</b>	40,423	5.48
<b>Nippon Life Insurance Company</b>	37,252	5.05
<b>The Master Trust Bank of Japan, Ltd. (Retirement benefit trust account of Mitsubishi Electric Corporation account)</b>	25,816	3.50
<b>Japan Trustee Services Bank, Ltd. (Trust account)</b>	24,722	3.35
<b>Meiji Yasuda Life Insurance Company</b>	15,353	2.08
<b>The Bank of Tokyo-Mitsubishi UFJ, Ltd.</b>	11,500	1.56
<b>Sumitomo Life Insurance Company</b>	11,000	1.49
<b>Sumitomo Mitsui Banking Corporation</b>	9,417	1.28
<b>Japan Trustee Services Bank, Ltd. (Retirement benefit trust account of Sumitomo Mitsui Trust Bank, Limited account)</b>	9,124	1.24

- Note: 1. The Dai-ichi Life Insurance Company, Limited has contributed an additional 4,000 thousand shares to establish a retirement benefit trust and retains rights of instruction in regard to shareholder voting rights of the shares.
2. The 25,816 thousand shares held by The Master Trust Bank of Japan, Ltd. (Retirement benefit trust account of Mitsubishi Electric Corporation account) are trust assets of a retirement benefit trust consigned by Mitsubishi Electric Corporation to The Master Trust Bank of Japan, Ltd. Mitsubishi Electric Corporation retains rights of instruction in regard to shareholder voting rights of the shares.
3. Sumitomo Mitsui Banking Corporation has contributed an additional 1,554 thousand shares to establish a retirement benefit trust and retains rights of instruction in regard to shareholder voting rights of the shares.
4. The 9,124 thousand shares held by Japan Trustee Services Bank, Ltd. (Retirement benefit trust account of Sumitomo Mitsui Trust Bank, Limited account) are trust assets of a retirement benefit trust consigned by Sumitomo Mitsui Trust Bank, Limited to Japan Trustee Services Bank, Ltd. Sumitomo Mitsui Trust Bank, Limited retains rights of instruction in regard to shareholder voting rights of the shares. In addition to the above, Sumitomo Mitsui Trust Bank, Limited has held an additional 6,600 thousand shares.
5. The above excludes treasury stocks of 12,151 thousand shares held by the Company and 1,000 shares the Company has not been owned substantially.



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