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=¥106.25, the approximate exchange rate prevailing on March 31, 2018. This translation should not be construed as a representation that the yen amounts actually represent, or have been, or could be, converted into U.S. dollars at the above or any other rate.

NOTE 2 | BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

(1) Scope of consolidation

(a) Number of consolidated subsidiaries: 45
Primary consolidated subsidiaries include Odakyu Department Store Co., Ltd., Odakyu Shoji Co., Ltd. and Odakyu Real Estate Co., Ltd.

Beavertozan Co., Ltd. has been excluded from the scope of consolidation, as it is no longer a subsidiary after the sale of shares.

Generic Corporation Co., Ltd. and Shirohato Co., Ltd. have been included in the scope of consolidation from the fiscal year ended March 31, 2018 as a result of acquisition of shares of the former and additional acquisition of shares of the latter. Since Shirohato Co., Ltd. is deemed to be effectively controlled based on the control power standard, it was changed from an affiliate accounted for under the equity method to a consolidated subsidiary.

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

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

(2) Application of the equity method

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

Since Shirohato Co., Ltd. is deemed to be effectively controlled based on the control power standard, it was changed from an affiliate accounted for under the equity method to a consolidated subsidiary.

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

(3) Fiscal year-end of consolidated subsidiaries

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

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

(4) Summary of significant account policies

(a) Valuation standards and methods for significant assets

(I) Securities

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

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

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

(II) Inventories

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

Real estate development for sale, work in process................The identified cost method

Other inventories.............Principally, the retail cost method

(b) Depreciation and amortization methods for significant depreciable assets

(I) Property and equipment (excluding lease assets)

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

Principal useful lives of depreciable assets are as follows:

Buildings and structures................................5 to 60 years

Machinery, equipment, rolling stock, and other vehicles..3 to 17 years

(II) Intangible fixed assets (excluding lease assets)

Intangible assets are amortized by the straight-line method.

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

(III) Lease assets

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

(c) Accounting standards for significant allowances and provisions

(I) Allowance for doubtful accounts

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

(II) Provision for bonuses

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

(III) Allowance for unredeemed gift certificates and others

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

(d) Method of railway business construction fund

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

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

In addition, the construction fund portion received is recorded in extraordinary income as "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) Principal methods of hedge accounting

(I) Method of hedge accounting

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

(II) Hedging instruments and hedged items

① Hedging instruments: Interest-rate swap

② Hedged items: Interest expense on borrowings

(III) Hedge policy

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

(IV) Method for evaluation of hedge effectiveness

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

(g) Method and term of amortization of goodwill
Goodwill is amortized over period of mainly five years on a straight-line basis.

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

(i) Other basic significant matters for preparation of consolidated financial statements
Accounting for consumption taxes
Accounting for consumption tax is based on the tax exclusion method.

NOTE 3 | ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE

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

(1) Overview

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

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

(2) Schedule date of adoption

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

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

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

NOTE 4 | CHANGES IN PRESENTATION METHODS

Consolidated Statements of Income

(a) "Gain on sales of investment securities" under "Extraordinary Income" in the previous fiscal year became less than 10% of the total amount of "Extraordinary Income" and thus is included in "other" under "Extraordinary Income." Figures for the fiscal year ended March 31, 2017 have been reclassified to reflect this change in presentation method.

As a result, ¥190 million presented in "Gain on sales of investment securities" under "Extraordinary Income" in the previous fiscal year has been reclassified in "other."

(b) "Loss on impairment of fixed assets" under "Extraordinary Losses" in the previous fiscal year became less than 10% of the total amount of "Extraordinary Losses" and thus is included in "other" under "Extraordinary Loss." Figures for the fiscal year ended March 31, 2017 have been reclassified to reflect this change in presentation method.

As a result, ¥5,380 million presented in "Loss on impairment of fixed assets" under "Extraordinary Loss" in the previous fiscal year has been reclassified in "other."

NOTE 5 | CONSOLIDATED BALANCE SHEETS

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

Millions of yen		Thousands of U.S. dollars
2017	**2018**	**2018**
¥873,054	**¥899,317**	**$8,464,162**

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

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Investment securities (shares of stock)	¥12,237	**¥12,881**	**$121,231**

(3) Pledged Assets as collateral are as follows:

	Millions of yen				Thousands of U.S. dollars	
	2017		**2018**		**2018**	
Buildings and structures	¥255,346	[¥252,512]	**¥270,728**	**[¥270,564]**	**$2,548,030**	**[$2,546,487]**
Machinery, equipment, rolling stock, and other vehicles	40,317	[40,317]	**42,632**	**[42,632]**	**401,244**	**[401,244]**
Land	186,376	[181,659]	**182,549**	**[181,021]**	**1,718,107**	**[1,703,725]**
Other in property and equipment	1,854	[1,854]	**2,250**	**[2,250]**	**21,172**	**[21,172]**
Total	¥483,893	[¥476,342]	**¥498,159**	**[¥496,467]**	**$4,688,553**	**[$4,672,628]**

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

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

	Millions of yen				Thousands of U.S. dollars	
	2017		**2018**		**2018**	
Long-term loans (including current portion of long-term debts)	¥111,943	[¥110,611]	**¥108,014**	**[¥107,482]**	**$1,016,605**	**[$1,011,598]**
Long-term liabilities incurred for purchase of rail way transport facilities (including its repayments due within one year)	100,843	[100,843]	**107,723**	**[107,723]**	**1,013,864**	**[1,013,864]**
Other in long-term liabilities	169		**158**		**1,484**	
Total	¥212,955	[¥211,454]	**¥215,895**	**[¥215,205]**	**$2,031,953**	**[$2,025,462]**

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

(4) Contingent liabilities are as follows:

The Group provides debt guaranty to the borrowings from financial institutions

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Employees' housing loan	¥ 386	**¥ 275**	**$ 2,586**
Alliance mortgage	1,311	**2,340**	**22,030**
Total	¥1,697	**¥2,615**	**$24,616**

(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
2017	**2018**	**2018**
¥510	**¥—**	**$—**

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

Millions of yen		Thousands of U.S. dollars
2017	**2018**	**2018**
¥232	**¥887**	**$8,353**

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

Millions of yen		Thousands of U.S. dollars
2017	**2018**	**2018**
¥215,293	**¥230,708**	**$2,171,369**

(7) Reserve for land revaluation

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

(a) Odakyu Real Estate Co., Ltd.

(i) Revaluation method

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

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

(b) Odakyu Shoji Co., Ltd.

(i) Revaluation method

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

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

NOTE 6 | CONSOLIDATED STATEMENTS OF INCOME

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

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Provision for bonuses	¥7,386	**¥7,674**	**$72,224**
Net periodic benefit cost	3,891	**3,077**	**28,962**

(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
2017	**2018**	**2018**
¥60	**¥51**	**$482**

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

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Personnel expenses	¥43,525	**¥43,546**	**$409,842**
Expenses	35,572	**35,842**	**337,340**
Taxes	2,625	**2,634**	**24,794**
Depreciation and amortization	5,175	**4,674**	**43,989**
Amortization of goodwill	185	**228**	**2,141**

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

Millions of yen		Thousands of U.S. dollars
2017	**2018**	**2018**
Land and buildings	Land and buildings	Land and buildings
¥67	**¥1,741**	**$16,387**

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

Millions of yen		Thousands of U.S. dollars
2017	**2018**	**2018**
Tools, furniture and fixtures	Vehicles	Vehicles
¥37	**¥26**	**$241**

NOTE 7 | 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
	2017	**2018**	**2018**
Unrealized loss (gain) on securities:			
Loss (gain) arising during the year	¥ (924)	**¥ 2,782**	**$26,182**
Reclassification adjustments	(190)	**193**	**1,818**
Amount before income tax effect	(1,114)	**2,975**	**28,000**
Income tax effect	392	**(902)**	**(8,488)**
Subtotal	(722)	**2,073**	**19,512**
Reserve for land revaluation:			
Income tax effect	6	**—**	**—**
Remeasurements of defined benefit plans:			
Gain arising during the year	3,119	**1,979**	**18,630**
Reclassification adjustments	861	**34**	**316**
Amount before income tax effect	3,980	**2,013**	**18,946**
Income tax effect	(1,280)	**(570)**	**(5,367)**
Subtotal	2,700	**1,443**	**13,579**
Share of other comprehensive income of associates accounted for using equity method:			
Gain arising during the year	56	**159**	**1,493**
Reclassification adjustments	(3)	**(2)**	**(20)**
Share of other comprehensive income of associates accounted for using equity method	53	**157**	**1,473**
Total other comprehensive income	¥ 2,037	**¥ 3,673**	**$34,564**

NOTE 8 | CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Year ended March 31, 2017

(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 (Note)	736,995,435	—	368,497,718	368,497,717
Treasury stock (Note)	16,022,555	36,860	8,028,885	8,030,530

Notes: 1. On October 1, 2016, the Company implemented a share consolidation in which two shares were consolidated into one share.
2. The shares decreased by 368,497,718 shares due to the share consolidation.
3. The increase in treasury stock included an increase of 36,731 shares (28,453 shares before the share consolidation and 8,278 shares after the share consolidation) in the purchase of shares that were less than a share-trading unit, and an increase of 129 shares due to a change of ownership interest for equity-method affiliates.
4. The decrease in treasury stock included a decrease of 8,022,226 shares due to the share consolidation, and a decrease of 6,659 shares (6,556 shares before the share consolidation and 103 shares after the share consolidation) due to the sale of odd-lot shares.

(2) Matters regarding subscription rights to shares

Not applicable

(3) Dividends

(a) Dividends paid

Resolution	Class of shares	Total amount of dividends	Dividends amount per share	Cut-off date	Effective date
		Millions of yen	Yen		
General meeting of share-holders on June 29, 2016	Common stock	¥3,262	¥4.50	March 31, 2016	June 30, 2016
Board of Directors' meeting on October 31, 2016	Common stock	3,262	4.50	September 30, 2016	December 2, 2016

(b) Dividends with the cut-off date in the year ended March 31, 2017 and the effective date in the year ended March 31, 2018

Resolution	Class of shares	Source of dividends	Total amount of dividends	Dividends amount per share	Cut-off date	Effective date
			Millions of yen	Yen		
General meeting of shareholders on June 29, 2017	Common stock	Retained earnings	¥3,624	¥10.00	March 31, 2017	June 30, 2017

Year ended March 31, 2018

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

Class	Number of shares at beginning of the fiscal year (shares)	Number of shares increased during the fiscal year (shares)	Number of shares decreased during the fiscal year (shares)	Number of shares at the end of the fiscal year (shares)
Common stock	**368,497,717**	**—**	**—**	**368,497,717**
Treasury stock (Note)	**8,030,530**	**11,247**	**291**	**8,041,486**

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

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

(2) Matters regarding subscription rights to shares

Not applicable

(3) Dividends

(a) Dividends paid

Resolution	Class of shares	Total amount of dividends		Dividends amount per share		Cut-off date	Effective date
		Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars		
General meeting of share-holders on June 29, 2017	Common stock	**¥3,624**	**$34,108**	**¥10.00**	**$0.09**	March 31, 2017	June 30, 2017
Board of Directors' meeting on October 31, 2017	Common stock	**3,624**	**34,108**	**10.00**	**0.09**	September 30, 2017	December 4, 2017

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

Resolution	Class of shares	Source of dividends	Total amount of dividends		Dividends amount per share		Cut-off date	Effective date
			Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars		
General meeting of shareholders on June 28, 2018	Common stock	Retained earnings	**¥3,624**	**$34,107**	**¥10.00**	**$0.09**	March 31, 2018	June 29, 2018

NOTE 9 | CONSOLIDATED STATEMENTS OF CASH FLOWS

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
	2017	**2018**	**2018**
Cash and time deposits	¥19,362	**¥44,013**	**$414,242**
Time deposits with a maturity of more than three months	(68)	**(106)**	**(997)**
Cash and cash equivalents	¥19,294	**¥43,907**	**$413,245**

NOTE 10 | 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
	2017	**2018**	**2018**
Due within one year	¥1,526	**¥1,562**	**$14,701**
Due after one year	5,503	**4,657**	**43,828**
Total	¥7,029	**¥6,219**	**$58,529**

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
	2017	**2018**	**2018**
Due within one year	¥1,331	**¥1,374**	**$12,935**
Due after one year	8,514	**7,984**	**75,139**
Total	¥9,845	**¥9,358**	**$88,074**

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

(3) Sub-lease transaction

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

NOTE 11 | FINANCIAL INSTRUMENTS

(1) Matters regarding the conditions of financial instruments

(a) Policies on financial instruments

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

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

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

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

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

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

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

(c) Supplemental information on fair values

The fair values of financial instruments are calculated based on market prices, or by using reasonable estimates when market prices are no available. These estimates include variable factors, and are subject to fluctuation due to changes in the underlying assumptions. The contract amounts of the derivatives disclosed in Note 13, "Derivative Financial Instruments" below are not an indicator of the market risk associated with derivative transactions.

(2) Matters regarding fair values of financial instruments

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

	Millions of yen						Thousands of U.S. dollars		
	2017			**2018**			**2018**		
	Book value	Fair value	Difference	Book value	Fair value	Difference	Book value	Fair value	Difference
(1) Cash and time deposits	¥ 19,362	¥ 19,362	¥ —	**¥ 44,013**	**¥ 44,013**	**¥ —**	**$ 414,242**	**$ 414,242**	**$ —**
(2) Notes and accounts receivable	22,957	22,957	—	**24,071**	**24,071**	**—**	**226,547**	**226,547**	**—**
(3) Investment securities									
(a) Held-to-maturity debt securities	31	32	1	**31**	**31**	**0**	**292**	**296**	**4**
(b) Available-for-sale securities	67,029	67,029	—	**69,817**	**69,817**	**—**	**657,098**	**657,098**	**—**
(4) Notes and accounts payable	(28,543)	(28,543)	—	**(30,170)**	**(30,170)**	**—**	**(283,950)**	**(283,950)**	**—**
(5) Short-term loans	(162,920)	(162,920)	—	**(162,920)**	**(162,920)**	**—**	**(1,533,365)**	**(1,533,365)**	**—**
(6) Corporate bonds*1	(165,000)	(168,021)	3,021	**(180,000)**	**(182,689)**	**2,689**	**(1,694,123)**	**(1,719,426)**	**25,303**
(7) Long-term loans*2	(273,815)	(288,999)	15,184	**(268,554)**	**(281,912)**	**13,358**	**(2,527,570)**	**(2,653,288)**	**125,718**
(8) Long-term liabilities incurred for purchase of railway transport facilities*3	(100,843)	(100,843)	—	**(107,723)**	**(107,723)**	**—**	**(1,013,864)**	**(1,013,864)**	**—**
(9) Derivative transactions	—	—	—	**—**	**—**	**—**	**—**	**—**	**—**

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

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

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

Note 1. Calculation method of fair values of financial instruments

(1) Cash and time deposits and (2) Notes and accounts receivable
The book values of cash and time deposits and trade receivables approximate fair value because of their short-term maturities.

(3) Investment securities
The fair values of stocks are determined using the quoted price at the stock exchange, while the fair values of bonds are determined using the quoted price at the stock exchange or the quoted price obtained from the financial institutions. Regarding notes to securities according to holding purposes, refer to Note 12, "Securities."

(4) Notes and accounts payable and (5) short-term loans
The book values of accounts payable and short-term loans approximate fair value because of their short-term maturities.

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

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

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

(9) Derivatives
Please see Note 13, "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
	2017	**2018**	**2018**
Unlisted stocks	¥ 677	**¥ 652**	**$ 6,136**
Investment in limited partnerships and the like	2,502	**3,509**	**33,025**

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

Note 3. Redemption schedule for financial assets with maturities

Year ended March 31, 2017

	Millions of yen			
	Within one year	One to five years	Five to 10 years	After 10 years
Cash and time deposits	¥19,362	¥—	¥—	¥—
Trade receivables	22,957	—	—	—
Held-to-maturity debt securities:				
Government bonds	—	31	—	—
Total	¥42,319	¥31	¥—	¥—

Year ended March 31, 2018

	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	**¥44,013**	**¥—**	**¥—**	**¥—**	**$414,242**	**$ —**	**$—**	**$—**
Trade receivables	**24,071**	**—**	**—**	**—**	**226,547**	**—**	**—**	**—**
Held-to-maturity debt securities:								
Government bonds	**—**	**31**	**—**	**—**	**—**	**292**	**—**	**—**
Total	**¥68,084**	**¥31**	**¥—**	**¥—**	**$640,789**	**$292**	**$—**	**$—**

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, 2017

	Millions of yen					
	Within one year	One to two years	Two to three years	Three to four years	Four to five years	Over five years
Corporate bonds*[1]	¥35,000	¥40,000	¥30,000	¥10,000	¥ —	¥ 50,000
Long-term loans*[2]	18,761	36,010	20,085	23,577	27,429	147,953
Long-term liabilities incurred for purchase of railway transport facilities*[3]	9,895	9,961	10,059	7,960	8,039	52,164

Year ended March 31, 2018

	Millions of yen					
	Within one year	One to two years	Two to three years	Three to four years	Four to five years	Over five years
Corporate bonds*[1]	**¥40,000**	**¥30,000**	**¥30,000**	**¥ —**	**¥10,000**	**¥ 70,000**
Long-term loans*[2]	**36,010**	**20,695**	**24,017**	**28,369**	**14,981**	**144,482**
Long-term liabilities incurred for purchase of railway transport facilities*[3]	**10,598**	**10,412**	**8,306**	**8,378**	**7,924**	**58,282**

	Thousands of U.S. dollars					
	Within one year	One to two years	Two to three years	Three to four years	Four to five years	Over five years
Corporate bonds*[1]	**$376,471**	**$282,354**	**$282,354**	**$ —**	**$ 94,118**	**$ 658,825**
Long-term loans*[2]	**338,915**	**194,778**	**226,047**	**267,004**	**140,994**	**1,359,832**
Long-term liabilities incurred for purchase of railway transport facilities*[3]	**99,742**	**97,992**	**78,172**	**78,854**	**74,578**	**548,535**

*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 12 | SECURITIES

(1) Marketable held-to-maturity debt securities

Year ended March 31, 2017

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

Year ended March 31, 2018

	Millions of yen			Thousands of U.S. dollars		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Securities, whose fair value exceeds their book value:						
Government bonds	**¥31**	**¥31**	**¥ 0**	**$292**	**$296**	**$ 4**
Securities, whose fair value does not exceed their book value:						
Government bonds	**—**	**—**	**—**	**—**	**—**	**—**
Total	**¥31**	**¥31**	**¥ 0**	**$292**	**$296**	**$ 4**

(2) Marketable other securities

Year ended March 31, 2017

	Millions of yen		
	Book value	Acquisition value	Difference
Securities, whose fair value exceeds their book value:			
Stocks	¥65,780	¥17,086	¥48,694
Securities, whose fair value does not exceed their book value:			
Stocks	1,249	1,500	(251)
Total	¥67,029	¥18,586	¥48,443

Note: Unlisted stocks of ¥677 million on the consolidated balance sheet and investment in limited partnerships and the like of ¥2,502 million on the consolidated balance sheet are not included in the above "Marketable other securities" because it is extremely difficult to estimate fair values.

Year ended March 31, 2018

	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	**¥68,328**	**¥16,844**	**¥51,484**	**$643,082**	**$158,532**	**$484,550**
Securities, whose fair value does not exceed their book value:						
Stocks	**1,489**	**1,555**	**(66)**	**14,016**	**14,632**	**(616)**
Total	**¥69,817**	**¥18,399**	**¥51,418**	**$657,098**	**$173,164**	**$483,934**

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

(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 13 | DERIVATIVE FINANCIAL INSTRUMENTS

(1) Derivatives to which hedge accounting is not applied

Not applicable

(2) Derivatives to which hedge accounting is applied

(Interest rate)

Year ended March 31, 2017

			Millions of yen		
Hedge accounting method	Type of derivatives	Major hedged item	Contract amount	Due after one year	Fair value
Special treatment for interest-rate swap	Interest-rate swaps Receive floating rate and 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, 2018

			Millions of yen			Thousands of U.S. dollars		
Hedge accounting method	Type of derivatives	Major hedged item	Contract amount	Due after one year	Fair value	Contract amount	Due after one year	Fair value
Special treatment for interest-rate swap	Interest-rate swaps Receive floating rate and pay fixed rate	Long-term loans	**¥16,800**	**¥—**	(Note)	**$158,118**	**$—**	(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 14 | 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, 2017 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Balance at beginning of the year	¥100,255	**¥97,042**	**$913,335**
Service cost	3,625	**3,644**	**34,297**
Interest cost	300	**287**	**2,699**
Actuarial differences	(1,312)	**(77)**	**(727)**
Benefits paid	(5,852)	**(5,344)**	**(50,297)**
Other	26	**16**	**153**
Balance at end of the year	¥ 97,042	**¥95,568**	**$899,460**

(b) Movements in plan assets during the years ended March 31, 2017 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Balance at beginning of the year	¥76,145	**¥76,337**	**$718,468**
Expected return on plan assets	894	**887**	**8,350**
Actuarial differences	1,807	**1,903**	**17,903**
Contributions paid by the employer	1,720	**1,735**	**16,331**
Benefits paid	(4,229)	**(3,951)**	**(37,187)**
Balance at end of the year	¥76,337	**¥76,911**	**$723,865**

(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
	2017	**2018**	**2018**
Funded defined benefit obligations	¥ 70,478	**¥ 68,987**	**$ 649,285**
Plan assets	(76,337)	**(76,911)**	**(723,865)**
	(5,859)	**(7,924)**	**(74,580)**
Unfunded defined benefit obligations	26,564	**26,581**	**250,175**
Net liability recorded in the consolidated balance sheet	20,705	**18,657**	**175,595**
Net defined benefit liabilities	20,705	**18,657**	**175,595**
Net liability recorded in the consolidated balance sheet	20,705	**18,657**	**175,595**

(d) The components of retirement benefit expenses

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Service cost	¥3,625	**¥3,644**	**$34,297**
Interest cost	299	**286**	**2,699**
Expected return on plan assets	(894)	**(887)**	**(8,350)**
Amortization of actuarial differences	869	**42**	**394**
Amortization of prior service cost	(8)	**(8)**	**(78)**
Retirement benefit expenses on defined benefit plans	¥3,891	**¥3,077**	**$28,962**

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

(e) The components of remeasurements of defined benefit plans (before tax effects) included in other comprehensive income for the years ended March 31, 2017 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Prior service cost	¥ (8)	**¥ (8)**	**$ (78)**
Actuarial differences	3,988	**2,021**	**19,024**
Total	¥3,980	**¥2,013**	**$18,946**

(f) The components of remeasurements of defined benefit plans (before tax effects) included in accumulated other comprehensive income for the years ended March 31, 2017 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Unrecognized prior service cost	¥ (32)	**¥ (23)**	**$ (222)**
Unrecognized actuarial differences	234	**(1,788)**	**(16,824)**
Total	¥202	**¥(1,811)**	**$(17,046)**

(g) Plan assets

(i) Components of plan assets

The plan assets consist of the following:

	2017	**2018**
Bonds	40%	**38%**
Equity securities	27	**28**
General account assets	22	**23**
Cash and time deposits	1	**1**
Other	10	**10**
Total	100%	**100%**

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

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

(h) The assumptions used for the years ended March 31, 2017 and 2018 are as follows:

	2017	**2018**
Discount rate	Primarily 0.2%	**Primarily 0.2%**
Long-term expected rate of returns	Primarily 1.0%	**Primarily 1.0%**
Expected salary increase rate	Primarily 1.4%	**Primarily 1.3%**

(3) Defined contribution plans

The amounts of required contribution to the defined contribution plan of the Company and its consolidated subsidiaries and to the Smaller Enterprise Retirement Allowance Mutual Aid Scheme of its consolidated subsidiaries for the years ended March 31, 2017 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Defined contribution plan	¥461	**¥450**	**$4,239**
Smaller Enterprise Retirement Allowance Mutual Aid Scheme	274	**277**	**2,611**

NOTE 15 | STOCK OPTIONS

(1) Submitting company

Not applicable

(2) Consolidated subsidiary (Shirohato Co., Ltd.)

(a) Item and amount of expenses for stock options

Not applicable

(b) Details including size and changes of stock options

(i) Stock options plans

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

(ii) Size and changes of stock options

The following table summarizes movements of stock options during the year and price information on stock options as of March 31, 2018. The number of stock options are translated into the number of shares.

① Number of stock options

	2nd stock option	3rd stock option
Unvested stock options (shares)		
Outstanding at March 31, 2017	—	—
Granted	—	—
Forfeited	—	—
Vested	—	—
Outstanding at March 31, 2018	—	—
Vested stock options (shares)	—	—
Outstanding at March 31, 2017	22,400	18,500
Vested	—	—
Exercised	—	—
Forfeited	—	—
Outstanding at March 31, 2018	22,400	18,500

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

2. The number of shares at the end of the previous fiscal year is stated as the balance at the date of business combination.

② Price information

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

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

(3) Method for estimating fair value of stock options

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

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

(4) Method for estimating number of vested stock options

Because it is difficult to reasonably estimate the number of options that will expire in the future, only the number of options that have actually forfeited is applied.

(5) The aggregate intrinsic value of stock options outstanding at March 31, 2018 and the aggregated intrinsic value of stock options exercised on the exercise date during the fiscal year ended March 31, 2018, based on intrinsic value.

(a) The aggregate intrinsic value of stock options outstanding: ¥34 million ($316 thousand)

(b) The aggregate intrinsic value of stock options exercised during the fiscal year ended March 31, 2018: ¥— million

NOTE 16 | DEFERRED TAX

(1) Significant components of deferred tax assets and liabilities

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Deferred tax assets:			
Net defined benefit liabilities	¥ 7,998	**¥ 7,429**	**$ 69,922**
Unrealized profits	6,196	**6,385**	**60,097**
Loss on impairment of fixed assets	6,621	**6,085**	**57,275**
Net operating loss carryforwards	4,854	**4,005**	**37,690**
Reserve for employees' bonuses	2,407	**2,501**	**23,541**
Excess depreciation	1,188	**1,093**	**10,285**
Special retirement expenses	—	**909**	**8,551**
Accrued enterprised taxes	613	**708**	**6,664**
Asset retirement obligation	571	**540**	**5,085**
Loss on revaluation of land for sale	505	**477**	**4,487**
Allowance for unredeemed gift certificates and others	349	**366**	**3,446**
Allowance for doubtful accounts	375	**298**	**2,807**
Accrued fare	108	**127**	**1,196**
Other	4,146	**4,264**	**40,123**
Gross deferred tax assets	35,931	**35,187**	**331,169**
Less: Valuation allowance	(15,793)	**(16,324)**	**(153,637)**
Total deferred tax assets	¥ 20,138	**¥ 18,863**	**$ 177,532**
Deferred tax liabilities:			
Unrealized gains on securities	¥(14,667)	**¥(15,569)**	**$(146,534)**
Reserve for deduction of property and equipment	(2,441)	**(2,857)**	**(26,890)**
Gain on securities contribution to employees' retirement benefits trust	(1,365)	**(1,365)**	**(12,848)**
Other	(784)	**(727)**	**(6,839)**
Total deferred tax liabilities	(19,257)	**(20,518)**	**(193,111)**
Net deferred tax assets and liabilities	¥ 881	**¥ (1,655)**	**$ (15,579)**

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
	2017	2018	2018
Current assets—Deferred tax assets	¥ 5,327	**¥ 5,377**	**$ 50,608**
Noncurrent assets—Deferred tax assets	5,882	**5,651**	**53,184**
Current liabilities—Deferred tax liabilities	(0)	**(13)**	**(120)**
Long-term liabilities—Deferred tax liabilities	(10,328)	**(12,670)**	**(119,251)**

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

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Deferred tax asset related to land revaluation	¥ 494	**¥ 494**	**$ 4,649**
Less: Valuation allowance	(494)	**(494)**	**(4,649)**
Total	—	**—**	**—**
Deferred tax liabilities related to land revaluation	(954)	**(954)**	**(8,980)**
Net deferred tax assets and liabilities related to land revaluation	(954)	**(954)**	**(8,980)**

(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

	2017	2018
The normal effective statutory tax rate	30.9%	**30.9%**
Adjustment for:		
Entertainment expenses not deductible for income tax purposes	0.4	**0.4**
Dividends received not taxable	(0.3)	**(0.3)**
Per capita inhabitants taxes	0.4	**0.3**
Valuation allowance on deferred tax assets	2.3	**1.3**
Other	(0.3)	**(0.1)**
The effective tax rate	33.4%	**32.5%**

NOTE 17 | LEASING REAL ESTATE

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

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

(1) Fair value of leasing and other properties

Year ended March 31, 2017

	Millions of yen			
	Book value			Fair value
	2016	Changes during the year	2017	2017
Leasing properties	¥134,471	¥ 90,745	¥225,216	¥281,269
Other properties used as leasing properties	142,597	(70,744)	71,853	111,116

Year ended March 31, 2018

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

	Thousands of U.S. dollars			
	Book value			Fair value
	2017	Changes during the year	**2018**	**2018**
Leasing properties	**$2,022,773**	**$17,207**	**$2,039,980**	**$2,728,947**
Other properties used as leasing properties	**645,349**	**64,146**	**709,495**	**1,102,997**

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

2. For the fiscal year ended March 31, 2017, the main factors attributable to the increase were ¥8,564 million due to acquisition of land and building in front of Machida station and ¥3,608 million due to acquisition of land and building in front of Shinyurigaoka station. For the fiscal year ended March 31, 2018, the main factor attributable to the decrease was a change from leasing to in-house use.

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

(2) Profit and loss on leasing properties

Year ended March 31, 2017

	Millions of yen			
	Leasing income	Leasing expenses	Difference	Other gains or losses
Leasing properties	¥16,451	¥ 9,395	¥7,056	¥(1,513)
Other properties used as leasing properties	17,421	12,131	5,290	(651)

Year ended March 31, 2018

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

	Thousands of U.S. dollars			
	Leasing income	Leasing expenses	Difference	Other gains or losses
Leasing properties	**$161,037**	**$ 87,408**	**$73,629**	**$(5,933)**
Other properties used as leasing properties	**166,638**	**115,343**	**51,295**	**(5,658)**

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

NOTE 18 | SEGMENT INFORMATION

(1) Segment information

(a) Overview of the reportable segments

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

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

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

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

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

(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, 2017 and 2018 was as follows:

Year ended March 31, 2017

	Millions of yen						
	Reportable segment						
	Transportation	Merchandising	Real estate	Other (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
Revenue from operations:							
Customers	¥169,897	¥216,421	¥ 60,729	¥ 75,985	¥ 523,032	¥ —	¥ 523,032
Intragroup sales and transfers	2,967	2,864	5,638	27,254	38,723	(38,723)	—
Total	¥172,864	¥219,285	¥ 66,367	¥103,239	¥ 561,755	¥(38,723)	¥ 523,032
Segment income	¥ 28,601	¥ 3,175	¥ 12,273	¥ 5,766	¥ 49,815	¥ 132	¥ 49,947
Segment assets	¥677,517	¥ 71,037	¥369,952	¥101,774	¥1,220,280	¥ 49,822	¥1,270,102
Other:							
Depreciation and amortization (Note 4)	¥ 30,191	¥ 4,470	¥ 9,115	¥ 3,418	¥ 47,194	¥ (257)	¥ 46,937
Amortization of goodwill	—	—	—	144	144	41	185
Loss on impairment of fixed assets	—	3,386	1,161	833	5,380	—	5,380
Investment for affiliates applied for equity methods	10,069	514	—	—	10,583	—	10,583
Increase in property and equipment and intangible assets (Note 4)	34,547	3,364	29,041	7,883	74,835	(30)	74,805

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 planning design and operation.

2. Adjustments are as follows:

(a) Adjustments of ¥132 million for segment income include ¥173 million of intersegment elimination and negative ¥41 million of amortization of goodwill.

(b) Adjustments for segment assets amounting to ¥49,822 million include negative ¥91,013 million of intersegment elimination and ¥140,835 million of the Group's assets that have not been distributed to reportable segments.

(c) Adjustment for depreciation and amortization amounting to negative ¥257 million represents intersegment elimination.

(d) Adjustment for increase in property and equipment and intangible assets amounting to negative ¥30 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 additions to long-term prepaid expenses and its amortization.

Year ended March 31, 2018

	Millions of yen						
	Reportable segment			Other (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
	Transportation	Merchandising	Real estate				
Revenue from operations:							
Customers	¥173,230	¥210,894	¥ 62,400	¥ 78,137	¥ 524,661	¥ —	¥ 524,661
Intragroup sales and transfers	2,954	3,585	6,178	26,886	39,603	(39,603)	—
Total	¥176,184	¥214,479	¥ 68,578	¥105,023	¥ 564,264	¥(39,603)	¥ 524,661
Segment income	¥ 28,123	¥ 4,647	¥ 12,538	¥ 5,968	¥ 51,276	¥ 189	¥ 51,465
Segment assets	¥674,573	¥ 72,154	¥374,056	¥105,611	¥1,226,394	¥ 70,941	¥1,297,335
Other:							
Depreciation and amortization (Note 4)	¥ 29,687	¥ 3,731	¥ 8,838	¥ 3,333	¥ 45,589	¥ (242)	¥ 45,347
Amortization of goodwill	—	42	—	161	203	24	227
Loss on impairment of fixed assets	12	198	424	296	930	—	930
Investment for affiliates applied for equity methods	11,331	—	—	—	11,331	—	11,331
Increase in property and equipment and intangible assets (Note 4)	43,429	5,616	17,337	4,649	71,031	—	71,031

	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	$1,630,394	$1,984,884	$ 587,299	$735,405	$ 4,937,982	$ —	$ 4,937,982
Intragroup sales and transfers	27,803	33,744	58,144	253,049	372,740	(372,740)	—
Total	$1,658,197	$2,018,628	$ 645,443	$988,454	$ 5,310,722	$(372,740)	$ 4,937,982
Segment income	$ 264,684	$ 43,739	$ 118,005	$ 56,165	$ 482,593	$ 1,782	$ 484,375
Segment assets	$6,348,921	$ 679,102	$3,520,526	$993,983	$11,542,532	$ 667,677	$12,210,209
Other:							
Depreciation and amortization (Note 4)	$ 279,407	$ 35,117	$ 83,177	$ 31,371	$ 429,072	$ (2,276)	$ 426,796
Amortization of goodwill	—	396	—	1,520	1,916	225	2,141
Loss on impairment of fixed assets	116	1,860	3,993	2,781	8,750	—	8,750
Investment for affiliates applied for equity methods	106,647	—	—	—	106,647	—	106,647
Increase in property and equipment and intangible assets (Note 4)	408,743	52,853	163,172	43,756	668,524	—	668,524

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

2. Adjustments are as follows:

(a) Adjustments of ¥189 million ($1,782 thousand) for segment income include ¥213 million ($2,007 thousand) of intersegment elimination and negative ¥24 million (negative $225 thousand) of amortization of goodwill.

(b) Adjustments for segment assets amounting to ¥70,941 million ($667,677 thousand) include negative ¥98,678 million (negative $928,738 thousand) of intersegment elimination and ¥169,619 million ($1,596,415 thousand) of the Group’s assets that have not been distributed to reportable segments.

(c) Adjustment for depreciation and amortization amounting to negative ¥242 million (negative $2,276 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 additions to long-term prepaid expenses and its amortization.

(d) Matters concerning changes in reporting segments
From the first quarter of the fiscal year ended March 31, 2018, UDS Co., Ltd., which had been included in the Real estate segment, was transferred to the Other segment based on the Group's management policy and the actual situation of marketing activities. The segment information for the previous fiscal year is restated based on the category of the reportable segments after the change.

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

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

The description on the loss on impairment of fixed assets by segment for the years ended March 31, 2017 and 2018 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, 2017

	Millions of yen					
	Transportation	Merchandising	Real estate	Other	Adjustment	Consolidated
Balance at the end of the fiscal year under review	¥—	¥—	¥—	¥976	¥65	¥1,041

Year ended March 31, 2018

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

	Thousands of U.S. dollars					
	Transportation	Merchandising	Real estate	Other	Adjustment	Consolidated
Balance at the end of the fiscal year under review	**$—**	**$7,839**	**$—**	**$9,430**	**$298**	**$17,567**

Note: The description on amortization by reportable segment for the years ended March 31, 2017 and 2018 is omitted because it is disclosed in "Segment information."

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

Not applicable

NOTE 19 | RELATED PARTY TRANSACTIONS

Transactions between consolidated subsidiary and related party

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

Year ended March 31, 2017

Not applicable

Year ended March 31, 2018

Not applicable

NOTE 20 | PER SHARE INFORMATION

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

	Yen		U.S. dollars
	2017	**2018**	**2018**
Net assets	¥927.30	**¥998.68**	**$9.40**
Net income—basic	72.31	**81.36**	**0.77**

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, 2017 and 2018.

2. Since the Company implemented a share consolidation in which two shares are consolidated into one share on October 1, 2016, net income per share are calculated based on the assumption that the share consolidation was executed at the beginning of the fiscal year ended March 31, 2017.

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

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Net income attributable to owners of the parent	¥26,068	**¥29,328**	**$276,033**
Amount not attributable to common stockholders	—	**—**	**—**
Net income attributable to owners of the parent related to common shares	26,068	**29,328**	**276,033**
Weighted average number of shares issued and outstanding during the period (shares)	360,476,364	**360,462,693**	**360,462,693**

NOTE 21 | SUBSEQUENT EVENT

Not applicable