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## Independent Auditor's Report

The Board of Directors  
Keihan Holdings Co., Ltd.

### Opinion

We have audited the accompanying consolidated financial statements of Keihan Holdings Co., Ltd. and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 March 2020, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

### Basis for Opinion

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

### Responsibilities of Management and the Audit and Supervisory Committee for the Consolidated Financial Statements

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

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

The Audit and Supervisory Committee is responsible for overseeing the Group's financial reporting process.



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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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



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

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

### Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended 31 March 2020 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Ernst & Young ShinNihon LLC  
Osaka, Japan

19 June 2020

守谷義広 

Yoshihiro Moritani  
Designated Engagement Partner  
Certified Public Accountant

高田康弘 

Yasuhiro Takata  
Designated Engagement Partner  
Certified Public Accountant

**Consolidated Balance Sheet**  
**Keihan Holdings Co., Ltd. and Consolidated Subsidiaries**  
**31 March 2020**

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
<b>CURRENT ASSETS:</b>			
Cash and deposits (Notes 20 and 21)	¥ 14,918	¥ 21,385	\$ 137,082
Notes and accounts receivable (Note 21)	21,947	31,189	201,671
Short-term investments (Notes 5 and 21)	2,178	809	20,019
Land and buildings for sale	123,881	112,710	1,138,300
Inventories	1,836	1,813	16,875
Other	12,617	12,440	115,940
Allowance for doubtful accounts	(364)	(267)	(3,353)
Total current assets	177,016	180,080	1,626,537
<b>PROPERTY, PLANT AND EQUIPMENT (Note 6):</b>			
Buildings and structures, net (Notes 7, 9 and 15)	222,247	207,375	2,042,151
Machinery, equipment and vehicles, net (Notes 9 and 18)	17,412	17,686	159,994
Land (Notes 8, 9 and 15)	223,746	218,789	2,055,927
Construction in progress	5,477	19,272	50,328
Other, net (Notes 9 and 15)	10,166	10,397	93,416
Total property, plant and equipment, net	479,049	473,522	4,401,818
<b>INTANGIBLE ASSETS</b>	8,576	9,210	78,804
<b>INVESTMENTS AND OTHER ASSETS:</b>			
Investment securities (Notes 5, 9 and 21)	44,680	45,362	410,552
Long-term loans receivable	411	539	3,783
Deferred tax assets (Note 16)	10,163	9,904	93,388
Assets for retirement benefits (Note 12)	598	1,072	5,501
Other	12,614	12,331	115,908
Allowance for doubtful accounts	(286)	(272)	(2,635)
Total investments and other assets	68,182	68,937	626,500
<b>TOTAL ASSETS (Note 25)</b>	¥ 732,824	¥ 731,750	\$ 6,733,661

**Consolidated Balance Sheet (continued)**  
**Keihan Holdings Co., Ltd. and Consolidated Subsidiaries**  
**31 March 2020**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES:</b>			
Notes and accounts payable (Notes 9 and 21)	¥ 9,450	¥ 11,544	\$ 86,838
Short-term loans and current portion of long-term loans (Notes 9, 10, 11 and 21)	75,224	96,076	691,209
Short-term bonds (Notes 10 and 21)	7,999	—	73,501
Current portion of bonds (Notes 10 and 21)	20,039	10,045	184,136
Income taxes payable (Note 16)	4,187	5,505	38,474
Advances received	6,293	8,439	57,826
Provision for employees' bonuses	2,971	2,867	27,301
Provision for unutilised gift tickets	702	634	6,457
Other	40,827	43,196	375,152
<b>Total current liabilities</b>	<b>167,695</b>	<b>178,310</b>	<b>1,540,898</b>
<b>NONCURRENT LIABILITIES:</b>			
Bonds (Notes 10 and 21)	80,000	90,059	735,091
Long-term loans (Notes 9, 10, 21 and 22)	143,869	138,164	1,321,964
Long-term payables - other	369	442	3,393
Deferred tax liabilities (Note 16)	8,825	9,110	81,092
Deferred tax liabilities for land revaluation (Notes 8 and 16)	33,046	33,047	303,653
Accrued retirement benefits for directors and audit and supervisory board members	228	297	2,103
Liability for retirement benefits (Note 12)	19,093	18,360	175,445
Other (Note 24)	25,636	25,262	235,562
<b>Total noncurrent liabilities</b>	<b>311,069</b>	<b>314,744</b>	<b>2,858,305</b>
<b>Total liabilities</b>	<b>478,765</b>	<b>493,055</b>	<b>4,399,204</b>
<b>COMMITMENTS AND CONTINGENT LIABILITIES (Note 23)</b>			
<b>NET ASSETS (Note 13) :</b>			
Common stock:			
Authorized, 319,177,200 shares as at 31 March 2020 and 2019;	51,466	51,466	472,906
Issued, 113,182,703 shares as at 31 March 2020 and 2019			
Capital surplus	28,792	28,789	264,561
Retained earnings	150,926	134,559	1,386,812
Treasury stock, at cost, 5,997,108 shares as at 31 March 2020, and 5,994,904 shares as at 31 March 2019	(21,640)	(21,626)	(198,845)
<b>Total shareholders' equity</b>	<b>209,545</b>	<b>193,189</b>	<b>1,925,434</b>
Accumulated other comprehensive income:			
Net unrealised holding gain on securities	6,648	8,191	61,093
Revaluation reserve for land (Note 8)	36,375	36,373	334,239
Foreign currency translation adjustments	71	(20)	660
Retirement benefit liability adjustment (Note 12)	(2,904)	(2,597)	(26,690)
<b>Total accumulated other comprehensive income, net</b>	<b>40,191</b>	<b>41,946</b>	<b>369,302</b>
Stock acquisition rights	110	75	1,015
Non-controlling interests	4,212	3,484	38,703
<b>Total net assets</b>	<b>254,058</b>	<b>238,695</b>	<b>2,334,457</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>¥ 732,824</b>	<b>¥ 731,750</b>	<b>\$ 6,733,661</b>

See accompanying notes to consolidated financial statements.

**Consolidated Statement of Income**  
**Keihan Holdings Co., Ltd. and Consolidated Subsidiaries**  
**Year Ended 31 March 2020**

Thousands of  
U.S. Dollars  
(Note 1)

	Millions of Yen		2020
	2020	2019	
<b>REVENUES (Notes 7 and 25)</b>	¥ 317,103	¥ 326,159	\$ 2,913,746
<b>OPERATING EXPENSES:</b>			
Transportation, other service expenses and cost of sales (Note 14)	241,547	249,885	2,219,490
Selling, general and administrative expenses (Notes 7 and 13)	44,432	42,558	408,271
Total operating expenses	285,979	292,443	2,627,762
Operating income (Note 25)	31,123	33,715	285,984
<b>OTHER INCOME (EXPENSES):</b>			
Interest and dividend income	1,000	937	9,189
Interest expense	(2,189)	(2,401)	(20,114)
Loss on impairment of property, plant and equipment (Notes 7, 15 and 25)	(505)	(1,333)	(4,641)
Share of loss of affiliates accounted for using equity method, net	(99)	(85)	(911)
Gain on contribution received for construction	658	318	6,051
Subsidies	1,183	1,366	10,874
Compensation income	1,093	132	10,044
Gain on sales of investment securities, net (Note 5)	827	1,922	7,606
Loss on sales or disposal of property, plant and equipment, net	(613)	(869)	(5,635)
Loss on deduction of contributions received for construction from acquisition costs of property, plant and equipment	(1,312)	(862)	(12,060)
Loss on valuation of shares of unconsolidated subsidiaries	(9)	—	(91)
Insurance income related to disaster	—	210	—
Loss on disaster	—	(936)	—
Other, net	57	(64)	527
Other income (expenses), net	91	(1,666)	838
<b>PROFIT BEFORE INCOME TAXES</b>	<b>31,214</b>	<b>32,048</b>	<b>286,822</b>
<b>INCOME TAXES (Note 16):</b>			
Current	10,602	11,322	97,420
Deferred	221	(1,160)	2,039
Total income taxes	10,824	10,162	99,460
<b>PROFIT</b>	<b>20,390</b>	<b>21,886</b>	<b>187,362</b>
<b>PROFIT ATTRIBUTABLE TO:</b>			
Non-controlling interests	269	405	2,473
Owners of parent	¥ 20,121	¥ 21,480	\$ 184,888

See accompanying notes to consolidated financial statements.

**Consolidated Statement of Comprehensive Income**  
**Keihan Holdings Co., Ltd. and Consolidated Subsidiaries**  
**Year Ended 31 March 2020**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)	
	2020	2019	2020	
<b>PROFIT</b>	¥ 20,390	¥ 21,886	\$	<b>187,362</b>
<b>OTHER COMPREHENSIVE LOSS (Note 17):</b>				
Net unrealised holding loss on securities	(1,543)	(2,627)		(14,179)
Retirement benefit liability adjustment	(307)	(56)		(2,823)
Share of other comprehensive income (loss) of affiliates accounted for using the equity method	92	(27)		853
Total other comprehensive loss	(1,757)	(2,710)		(16,149)
<b>COMPREHENSIVE INCOME</b>	¥ 18,633	¥ 19,175	\$	<b>171,213</b>
<b>COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>				
Owners of parent	¥ 18,364	¥ 18,801	\$	<b>168,744</b>
Non-controlling interests	268	374		<b>2,468</b>

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets  
Keihan Holdings Co., Ltd. and Consolidated Subsidiaries  
Year Ended 31 March 2020

Millions of Yen

	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity	Net Unrealised Holding Gain on Securities	Revaluation Reserve for Land	Foreign currency translation adjustments	Retirement Benefit Liability Adjustment	Total Accumulated Other Comprehensive Income, Net	Stock Acquisition Rights	Non- controlling Interests	Total Net Assets
BALANCE at 1 APRIL 2018	51,466	28,787	117,384	(21,603)	176,033	10,787	36,088	6	(2,540)	44,341	44	3,139	223,559
Cash dividends	—	—	(4,019)	—	(4,019)	—	—	—	—	—	—	—	(4,019)
Profit attributable to owners of parent for the period	—	—	21,480	—	21,480	—	—	—	—	—	—	—	21,480
Reversal of revaluation reserve for land	—	—	(285)	—	(285)	—	—	—	—	—	—	—	(285)
Change in scope of consolidation	—	—	(0)	—	(0)	—	—	—	—	—	—	—	(0)
Change in treasury shares of parent arising from transactions with non-controlling interests	—	2	—	—	2	—	—	—	—	—	—	—	2
Purchase of treasury stock	—	—	—	(23)	(23)	—	—	—	—	—	—	—	(23)
Disposal of treasury stock	—	0	—	0	0	—	—	—	—	—	—	—	0
Net changes in items other than shareholders' equity	—	—	—	—	—	(2,596)	285	(27)	(56)	(2,394)	30	344	(2,019)
<b>BALANCE at 1 APRIL 2019</b>	<b>51,466</b>	<b>28,789</b>	<b>134,559</b>	<b>(21,626)</b>	<b>193,189</b>	<b>8,191</b>	<b>36,373</b>	<b>(20)</b>	<b>(2,597)</b>	<b>41,946</b>	<b>75</b>	<b>3,484</b>	<b>238,695</b>
Cash dividends	—	—	(3,751)	—	(3,751)	—	—	—	—	—	—	—	(3,751)
Profit attributable to owners of parent for the period	—	—	20,121	—	20,121	—	—	—	—	—	—	—	20,121
Reversal of revaluation reserve for land	—	—	(1)	—	(1)	—	—	—	—	—	—	—	(1)
Change in scope of consolidation	—	—	(0)	—	(0)	—	—	—	—	—	—	—	(0)
Change in treasury shares of parent arising from transactions with non-controlling interests	—	2	—	—	2	—	—	—	—	—	—	—	2
Purchase of treasury stock	—	—	—	(22)	(22)	—	—	—	—	—	—	—	(22)
Disposal of treasury stock	—	(0)	—	8	8	—	—	—	—	—	—	—	8
Net changes in items other than shareholders' equity	—	—	—	—	—	(1,542)	1	92	(307)	(1,755)	35	728	(992)
<b>BALANCE at 31 MARCH 2020</b>	<b>¥ 51,466</b>	<b>¥ 28,792</b>	<b>¥ 150,926</b>	<b>¥ (21,640)</b>	<b>¥ 209,545</b>	<b>¥ 6,648</b>	<b>¥ 36,375</b>	<b>¥ 71</b>	<b>¥ (2,904)</b>	<b>¥ 40,191</b>	<b>¥ 110</b>	<b>¥ 4,212</b>	<b>¥ 254,058</b>

Thousands of U.S. Dollars (Note 1)

	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity	Net Unrealised Holding Gain on Securities	Revaluation Reserve for Land	Foreign currency translation adjustments	Retirement Benefit Liability Adjustment	Total Accumulated Other Comprehensive Income, Net	Stock Acquisition Rights	Non- controlling Interests	Total Net Assets
BALANCE at 1 APRIL 2019	\$ 472,906	\$ 264,538	\$ 1,236,417	\$ (198,716)	\$ 1,775,145	\$ 75,267	\$ 334,226	\$ (192)	\$ (23,866)	\$ 385,434	\$ 692	\$ 32,014	\$ 2,193,287
Cash dividends	—	—	(34,471)	—	(34,471)	—	—	—	—	—	—	—	(34,471)
Profit attributable to owners of parent for the period	—	—	184,888	—	184,888	—	—	—	—	—	—	—	184,888
Reversal of revaluation reserve for land	—	—	(12)	—	(12)	—	—	—	—	—	—	—	(12)
Change in scope of consolidation	—	—	(8)	—	(8)	—	—	—	—	—	—	—	(8)
Change in treasury shares of parent arising from transactions with non-controlling interests	—	22	—	—	22	—	—	—	—	—	—	—	22
Purchase of treasury stock	—	—	—	(208)	(208)	—	—	—	—	—	—	—	(208)
Disposal of treasury stock	—	0	—	79	79	—	—	—	—	—	—	—	79
Net changes in items other than shareholders' equity	—	—	—	—	—	(14,174)	12	853	(2,823)	(16,132)	323	6,689	(9,118)
<b>BALANCE at 31 MARCH 2020</b>	<b>\$ 472,906</b>	<b>\$ 264,561</b>	<b>\$ 1,386,812</b>	<b>\$ (198,845)</b>	<b>\$ 1,925,434</b>	<b>\$ 61,093</b>	<b>\$ 334,239</b>	<b>\$ 660</b>	<b>\$ (26,690)</b>	<b>\$ 369,302</b>	<b>\$ 1,015</b>	<b>\$ 38,703</b>	<b>\$ 2,334,457</b>

See accompanying notes to consolidated financial statements.



**Consolidated Statement of Cash Flows**  
**Keihan Holdings Co., Ltd. and Consolidated Subsidiaries**  
**Year Ended 31 March 2020**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
<b>OPERATING ACTIVITIES:</b>			
Profit before income taxes	¥ 31,214	¥ 32,048	\$ 286,822
Adjustments for:			
Depreciation and amortisation	21,228	20,228	195,057
Loss on impairment of property, plant and equipment	505	1,333	4,641
Loss on sales or disposal of property, plant and equipment, net	526	358	4,839
Loss on deduction of contributions received for construction from acquisition costs of property, plant and equipment	1,312	862	12,060
Gain on contribution received for construction	(658)	(318)	(6,051)
Loss on valuation of shares of subsidiaries	9	—	91
Gain on sales of investment securities, net	(827)	(1,916)	(7,606)
Share of loss of affiliates, net	99	85	911
Interest and dividend income	(1,000)	(937)	(9,189)
Interest expense	2,189	2,401	20,114
Increase in allowance for doubtful accounts	111	12	1,027
Increase in allowance for employees' bonuses	100	312	919
Increase in liability for retirement benefits	606	104	5,576
Decrease (increase) in assets for retirement benefits	128	(975)	1,181
Decrease in trade receivables	9,208	406	84,611
Increase in inventories	(11,562)	(7,042)	(106,247)
(Decrease) increase in trade payables	(2,217)	97	(20,371)
(Decrease) increase in other current liabilities	(8,770)	3,730	(80,586)
Other, net	2,913	(2,561)	26,770
Subtotal	45,117	48,232	414,572
Interest and dividend income received	1,000	939	9,193
Interest expenses paid	(2,188)	(2,394)	(20,105)
Income taxes paid	(11,896)	(10,303)	(109,312)
Net cash provided by operating activities	32,033	36,473	294,348
<b>INVESTING ACTIVITIES:</b>			
(Increase) decrease in time deposits, net	(0)	9	(0)
Purchase of property, plant and equipment	(24,953)	(43,329)	(229,292)
Proceeds from sales of property, plant and equipment	275	502	2,534
Proceeds from contribution received for construction	588	315	5,403
Purchase of investment securities	(3,202)	(5,867)	(29,426)
Proceeds from sales of investment securities	1,790	2,353	16,450
Purchase of shares of affiliates	(1,099)	(1,332)	(10,105)
Decrease in loans receivable, net	45	37	414
Other, net	193	(747)	1,776
Net cash used in investing activities	(26,363)	(48,059)	(242,244)
<b>FINANCING ACTIVITIES:</b>			
(Decrease) increase in short-term loans, net	(6,894)	2,400	(63,349)
Increase in short-term bonds, net	7,999	—	73,501
Proceeds from long-term loans	38,670	44,923	355,324
Repayments of long-term loans	(46,922)	(39,310)	(431,157)
Proceeds from issuance of bonds	9,923	19,862	91,180
Redemption of bonds	(10,045)	(10,045)	(92,308)
Cash dividends paid	(3,748)	(4,012)	(34,444)
Dividends paid to non-controlling interests	(26)	(26)	(238)
Purchase of treasury stock	(22)	(23)	(208)
Other, net	(1,070)	(1,112)	(9,838)
Net cash (used in) provided by financing activities	(12,138)	12,655	(111,540)
Net (decrease) increase in cash and cash equivalents	(6,468)	1,069	(59,437)
Cash and cash equivalents at beginning of year	21,377	20,300	196,432
Increase in cash and cash equivalents from newly consolidated subsidiary	2	7	20
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 20)</b>	<b>¥ 14,911</b>	<b>¥ 21,377</b>	<b>\$ 137,014</b>

See accompanying notes to consolidated financial statements.

## Keihan Holdings Co., Ltd. and Consolidated Subsidiaries

### Notes to Consolidated Financial Statements Year Ended 31 March 2020

#### 1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Keihan Holdings Co., Ltd. (the “Company”) and its consolidated subsidiaries (collectively, the “Group”) have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in conformity with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards (“IFRS”).

Japanese yen figures less than one million yen are rounded down to the nearest million yen and U.S. dollar figures less than one thousand dollars are rounded down to the nearest thousand dollars, except for per share data. As a result, the totals shown in the accompanying consolidated financial statements in Japanese yen and U.S. dollars do not necessarily agree with the sums of the individual amounts.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, the notes to the accompanying consolidated financial statements include information which is not required under Japanese GAAP but is presented herein as additional information.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥108.83 to \$1, the approximate rate of exchange at 31 March 2020. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Consolidation* - The accompanying consolidated financial statements include the accounts of the Company and the significant companies which it controls directly or indirectly. Companies over which the Company exercises significant influence in terms of their operating and financial policies have been included in the accompanying consolidated financial statements on an equity basis. Biostyle Co., Ltd. was newly included in the scope of consolidation from the year ended 31 March 2020 due to an increase in materiality.

For the purpose of consolidation, all significant intercompany balances and transactions have been eliminated in consolidation.

Certain subsidiaries are excluded from the scope of consolidation because the effect of their total assets, operating revenue, profit or loss, and retained earnings (each amount of net profit or loss and retained earnings in proportion to the interest held by the Group) on the accompanying consolidated financial statements is not significant individually or in the aggregate.

Investments in two affiliates are accounted for by the equity method for the years ended 31 March 2020 and 2019.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### a. Consolidation (continued)

Investments in unconsolidated subsidiaries and certain affiliates are not accounted for by the equity method but stated at cost, because the effect of their profit or loss and retained earnings (each amount in proportion to the interest held by the Group) on the accompanying consolidated financial statements is not significant individually or in the aggregate.

The fiscal year end of the consolidated subsidiaries is 31 March, which is same as that of the Company.

- b. **Securities** - Securities are classified into two categories: held-to-maturity debt securities or other securities. Held-to-maturity securities are stated at amortised cost, and amortisation for each period through to the maturity date is determined on a straight-line basis. Marketable securities classified as other securities are stated at fair value determined primarily by the average market price for one month prior to the year-end. Unrealised gains and losses on these securities are reported, net of applicable income taxes, as “Net unrealised holding gain on securities” in a separate component of net assets through the consolidated statement of comprehensive income. The cost of securities sold is determined primarily by the moving-average method. Non-marketable securities classified as other securities are stated at cost determined primarily by the moving-average method.
- c. **Inventories** - Inventories are stated at lower of cost or net selling value, determined by the following methods.  
Merchandise: Primarily by retail cost method  
Land and buildings for sale: Specific identification method  
Supplies: Primarily by moving-average method
- d. **Property, Plant and Equipment (excluding Leased Assets)** - Property, plant and equipment excluding leased assets are stated at cost. Depreciation is determined primarily by the declining-balance method. However, certain assets are depreciated using the straight-line method over the estimated useful lives of the respective assets.
- e. **Intangible Assets (excluding Leased Assets)** - Intangible assets excluding leased assets are amortised using the straight-line method. Software for internal use is amortised over its estimated useful life of 5 years.
- f. **Leased Assets** - Leased assets under finance lease transactions which do not transfer ownership to the lessee are capitalised and depreciated over the respective lease terms to a nil residual value by the straight-line method.
- g. **Goodwill** - Goodwill is amortised using the straight-line method over its estimated useful life. Insignificant amounts of goodwill are charged to expense as incurred.
- h. **Allowance for Doubtful Accounts** - Allowance for doubtful accounts is provided at an amount calculated based on the Company’s historical experience of bad debts on ordinary receivables and loan receivables plus an additional estimate of probable specific bad debts from customers experiencing financial difficulties.
- i. **Provision for Employees’ Bonuses** - Provision for employees’ bonuses is provided at an estimated amount of bonuses to be paid to employees.
- j. **Provision for Unutilised Gift Tickets** - Unutilised gift tickets are credited to income after a certain period has passed from their respective dates of issuance. Provision for unutilised gift tickets is provided at a reasonably estimated amount of future utilisation.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### k. *Employees' Retirement Benefits*

#### *(1) Attribution method of retirement benefits over the service period*

The assets and liability for retirement benefits are provided based on the amount of the projected benefit obligation after deducting plan assets at fair value at the end of the year.

The retirement benefit obligation is attributed to each period by the straight-line method.

#### *(2) Accounting for actuarial gains and losses and prior service costs*

Prior service costs are amortised as incurred by the straight-line method over a period of primarily 15 years, which is within the estimated average remaining years of service of the eligible employees.

Actuarial gains and losses are amortised from the year following the year in which the gain or loss is recognised, by the straight-line method over a period of primarily 15 years, which is within the estimated average remaining years of service of the eligible employees.

**l. Retirement Benefits for Directors and Audit and Supervisory Board Members** - Certain consolidated subsidiaries provide liability for retirement benefits for directors and audit and supervisory board members based on the amount required at the balance sheet date in accordance with the internal policies of such consolidated subsidiaries.

**m. Income Taxes** - Income taxes are calculated based on taxable income and charged to income on an accrual basis. Certain temporary differences exist between taxable income and profit reported for financial reporting purposes which enter into the determination of taxable income in a different period.

**n. Significant Hedge Accounting** - Three consolidated subsidiaries adopt hedge accounting. Under Japanese GAAP, interest rate swaps which meet certain conditions are accounted for as if the interest rates of the swaps had originally been applied of the underlying debt (the "special accounting treatment").

#### *(1) Method of accounting*

For interest rate swap contracts that meet certain conditions, the special accounting treatment is applied.

#### *(2) Hedging instruments*

Interest rate swaps

#### *(3) Hedged items*

Interest on loans

#### *(4) Hedging policy*

Interest rate swaps are used to mitigate the fluctuation risk of interest rates on loans, and the hedged items are identified by individual contracts.

#### *(5) Assessment of hedge effectiveness*

Hedge effectiveness is not assessed as the notional principal, contractual terms (interest rates and dates of receipt and payment of interest), and maturities of the interest rate swap transactions are almost same as those of the respective hedged items, and thus, these transactions meet the criteria for application of the special accounting treatment.

**o. Contributions for Construction** - Three consolidated subsidiaries receive contributions for construction as part of construction cost from local authorities and others for the railway and tramway business. Contributions received are deducted directly from the acquisition costs of the related assets at the time of completion of construction.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### *o. Contributions for Construction (continued)*

Gain on contributions received for construction is included in other income (expenses) and the amount directly deducted from the acquisition costs of the assets is recorded as loss on deduction of contributions received for construction from the acquisition costs of property, plant and equipment in other income (expenses) in the consolidated statement of income.

*p. Cash and Cash Equivalents* - For the purpose of the consolidated statement of cash flows, cash and cash equivalents are composed of cash on hand, bank deposits available for withdrawal on demand, deposits and short-term investments which are readily convertible to cash and subject to little risk of any change in their value, and which were purchased with an original maturity of three months or less.

*q. Consumption Taxes* - Consumption taxes, in general, are not included in income and expenses but recorded at the net amount on the consolidated balance sheet.

## 3. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

- Accounting Standard and Implementation Guidance for Revenue Recognition

### (1) Summary

On 31 March 2020, the Accounting Standards Board of Japan (hereinafter referred to as the "ASBJ") issued "Accounting Standard for Revenue Recognition" (revised 2020) (ASBJ Statement No.29), "Implementation Guidance on Accounting Standard for Revenue Recognition" (revised 2020) (ASBJ Guidance No.30), and "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (revised 2020) (ASBJ Guidance No.19). The International Accounting Standards Board (hereinafter referred to as the "IASB") and the Financial Accounting Standards Board (hereinafter referred to as the "FASB") in the United States co-developed comprehensive accounting standards for revenue recognition and issued "Revenue from Contracts with Customers" (issued as IFRS 15 by the IASB and Accounting Standard Codification Topic 606 by the FASB) in May 2014. The ASBJ developed comprehensive accounting standards on revenue recognition and issued them in conjunction with the implementation guidance based on the fact that IFRS 15 is being applied from fiscal years starting on or after 1 January 2018 and Topic 606 is being applied from fiscal years starting after 15 December 2017.

As the basic policy in developing accounting standards for revenue recognition, the ASBJ developed the accounting standard starting with incorporating the basic principle of IFRS 15 from a standpoint of comparability between financial statements, which is one benefit of ensuring consistency with IFRS 15. Furthermore, the ASBJ added alternative accounting treatment without impairing comparability when there are matters to be considered related to accounting practices common in Japan.

### (2) Scheduled date of adoption

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

### (3) Effect of the adoption of accounting standard and implementation guidance

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

### 3. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

- Accounting Standard for Fair Value Measurement and Related Implementation Guidance

#### (1) Summary

On 4 July 2019, the ASBJ issued “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30), and “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31), along with related updates to “Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9), “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10), and “Implementation Guidance on Disclosures about Fair Value of Financial Instruments.” (ASBJ Guidance No. 19). The ASBJ promoted an initiative to enhance comparability of the requirements between the Japanese Standards and International Standards, primarily with regard to guidance on the fair values of financial instruments and their disclosures, and issued “Accounting Standard for Fair Value Measurement,” etc., based on the fact that the IASB and the FASB have issued almost the identical detailed guidance (IFRS 13 “Fair Value Measurement” issued by IASB and Accounting Standard Codification Topic 820 “Fair Value Measurement” issued by FASB).

The ASBJ’s fundamental policies adopted for developing “Accounting Standard for Fair Value Measurement,” etc. are, in principle, to implement all the requirements of IFRS 13 from the viewpoint of enhancing the comparability of the financial statements of domestic and overseas companies by prescribing unified measurement methods, but also to prescribe exceptional treatments for individual matters so that comparability would not be impaired in consideration of accounting practices that have conventionally been adopted in Japan.

#### (2) Scheduled date of adoption

The Company expects to adopt the accounting standards from the beginning of the fiscal year ending 31 March 2022.

#### (3) Effect of the adoption of accounting standard and implementation guidance

The effect of the adoption of the accounting standard and the implementation guidance on the Company’s consolidated financial statements is currently undetermined.

- Accounting Standard for Disclosure of Accounting Estimates

#### (1) Summary

On 31 March 2020, the ASBJ issued “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No.31). The IASB issued International Accounting Standard 1, “Presentation of Financial Statements,” (“IAS 1”) in 2003, and Paragraph 125 of this accounting standard requires disclosures of “sources of estimation uncertainty.” As such information would provide useful information to users of financial statements in Japan, the ASBJ issued “Accounting Standard for Disclosure of Accounting Estimates.” The ASBJ outlined the guiding principles and the purposes of disclosure of “sources of estimation uncertainty” and the items to be disclosed should be determined by management in a way that helps users of the financial statements understand the judgements applied. The nature and extent of the information to be disclosed will vary according to the nature of the assumptions and the other circumstances. This accounting standard was developed based on Paragraph 125 of IAS 1.

### 3. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

#### (2) Scheduled date of adoption

The Company expects to adopt the accounting standard from the end of the fiscal year ending 31 March 2021.

- Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections

#### (1) Summary

The ASBJ issued the revised “Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections” (ASBJ Statement No.24). The ASBJ has amended the standard to reflect recommendations for enhancing footnote information related to accounting policies and methods which have been adopted in the cases where the relevant accounting standards are not available.

In considering the notes on “accounting policies and methods which have been adopted in the cases where the relevant accounting standards are not available”, Notes 1-2 of Annotations on Corporate Accounting Principles should be referred to in order not to effect accounting practices in the cases where the relevant accounting standards are clear.

#### (2) Scheduled date of adoption

The Company expects to adopt the accounting standard from the end of the fiscal year ending 31 March 2021.

### 4. ADDITIONAL INFORMATION

Operating revenue decreased mainly in the transportation business, retail distribution business, and leisure and service business due to the spread of the COVID-19 pandemic causing restrictions on outings during the year ended 31 March 2020. In addition, despite the lifting of the state of emergency that was declared by the Japanese government on 7 April 2020, there seem to be significant impacts on the Group’s business performance for the year ending 31 March 2021 due to the sharp decline in transportation volume in the transportation business, suspension of operations or shortening of business hours at some facilities, and event cancellations.

In the process of making accounting estimates, although the Group’s businesses have varying degrees of impacts caused by the spread of the pandemic, the Group made judgements such as loss on impairment of property, plant and equipment based on certain assumptions, including that domestic demand gradually recovers by around September 2020 and so does inbound demand by around the end of 2020. However, there are many uncertain factors in rationally estimating the impact caused by the pandemic. Therefore, if the pandemic is prolonged or the impact on the business environment changes, the forecast based on the above estimates may be different than actual results, which may affect significantly the Group’s business performance for the year ending 31 March 2021.

## 5. SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

### (1) Held-to-maturity securities

The following table summarises the carrying value and fair value of held-to-maturity securities as at 31 March 2020 and 2019.

	Millions of Yen		
	2020		
	Carrying value	Fair value	Difference
Securities with fair value exceeding carrying value:			
National and municipal bonds	¥ 170	¥ 175	¥ 5
Corporate bonds	1,100	1,115	15
<b>Total</b>	<b>¥ 1,270</b>	<b>¥ 1,291</b>	<b>¥ 20</b>

	Millions of Yen		
	2019		
	Carrying value	Fair value	Difference
Securities with fair value exceeding carrying value:			
National and municipal bonds	¥ 176	¥ 183	¥ 7
Corporate bonds	1,400	1,439	38
<b>Total</b>	<b>¥ 1,577</b>	<b>¥ 1,623</b>	<b>¥ 45</b>

	Thousands of U.S. Dollars		
	2020		
	Carrying value	Fair value	Difference
Securities with fair value exceeding carrying value:			
National and municipal bonds	\$ 1,563	\$ 1,611	\$ 48
Corporate bonds	10,108	10,251	143
<b>Total</b>	<b>\$ 11,671</b>	<b>\$ 11,863</b>	<b>\$ 191</b>



## 5. SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES (continued)

### (2) Marketable securities classified as other securities

The following table summarises the carrying value and acquisition cost of marketable securities classified as other securities as at 31 March 2020 and 2019.

	Millions of Yen		
	2020		
	Carrying value	Acquisition cost	Difference
Securities with carrying value exceeding acquisition cost:			
Equity securities	¥ 13,819	¥ 4,515	¥ 9,304
Other	1,446	1,209	236
Sub total	15,266	5,724	9,541
Securities with carrying value not exceeding acquisition cost:			
Equity securities	179	220	(41)
Debt securities	300	300	–
Sub total	479	520	(41)
Total	¥ 15,745	¥ 6,245	¥ 9,500

  

	Millions of Yen		
	2019		
	Carrying value	Acquisition cost	Difference
Securities with carrying value exceeding acquisition cost:			
Equity securities	¥ 16,854	¥ 5,625	¥ 11,229
Other	1,556	1,209	346
Sub total	18,410	6,835	11,575
Securities with carrying value not exceeding acquisition cost:			
Equity securities	60	69	(9)
Debt securities	300	300	–
Sub total	360	369	(9)
Total	¥ 18,771	¥ 7,204	¥ 11,566

## 5. SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES (continued)

### (2) Marketable securities classified as other securities (continued)

	Thousands of U.S. Dollars		
	2020		
	Carrying value	Acquisition cost	Difference
Securities with carrying value exceeding acquisition cost:			
Equity securities	\$ 126,985	\$ 41,487	\$ 85,497
Other	13,293	11,116	2,176
Sub total	140,279	52,604	87,674
Securities with carrying value not exceeding acquisition cost:			
Equity securities	1,646	2,028	(381)
Debt securities	2,756	2,756	–
Sub total	4,403	4,785	(381)
Total	\$ 144,682	\$ 57,390	\$ 87,292

Unlisted equity securities with a carrying value of ¥17,527 million (\$161,056 thousand) and ¥14,573 million as at 31 March 2020 and 2019, respectively, are not included in the above tables because there is no market price and the fair value is not readily determinable.

- (3) The following table summarises other securities sold for the years ended 31 March 2020 and 2019. Gain on sales are included in gain on sales of investment securities, net and loss on sales are included in other, net in other income (expenses) in the consolidated statement of income, respectively.

	Millions of Yen		
	2020		
	Proceeds	Gain on sale	Loss on sale
Equity securities	¥ 1,790	¥ 827	¥ –

  

	Millions of Yen		
	2019		
	Proceeds	Gain on sale	Loss on sale
Equity securities	¥ 2,353	¥ 1,922	¥ 6

  

	Thousands of U.S. Dollars		
	2020		
	Proceeds	Gain on sale	Loss on sale
Equity securities	\$ 16,450	\$ 7,606	\$ –

## 5. SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES (continued)

### (4) Investments in unconsolidated subsidiaries and affiliates

Investments in unconsolidated subsidiaries and affiliates as at 31 March 2020 and 2019 consisted of the following:

	Millions of Yen		Thousands of
	2020	2019	U.S. Dollars
Investments in unconsolidated subsidiaries and affiliates	¥ 12,315	¥ 11,249	\$ 113,161

## 6. PROPERTY, PLANT AND EQUIPMENT

Accumulated depreciation included in property, plant and equipment as at 31 March 2020 and 2019 amounted to ¥467,875 million (\$4,299,142 thousand) and ¥454,172 million, respectively.

Accumulated contributions deducted from the acquisition costs of property, plant and equipment as at 31 March 2020 and 2019 amounted to ¥181,362 million (\$1,666,477 thousand) and ¥180,953 million, respectively.

## 7. RENTAL PROPERTIES

The Company and certain consolidated subsidiaries own rental properties including office buildings and commercial facilities in Osaka and other areas in Japan.

For the year ended 31 March 2020, rental income, net of related expenses, relevant to these properties amounted to ¥10,371 million (\$95,304 thousand).

For the year ended 31 March 2019, rental income, net of related expenses, relevant to these properties amounted to ¥10,640 million and loss on impairment of these properties was recognised in the amount of ¥1,171 million.

Rental income is included in operating revenues and expenses are mainly included in operating expenses in the consolidated statements of income. Net loss on impairment of these properties is included in loss on impairment of property, plant and equipment in other income (expenses) in the consolidated statement of income.

## 7. RENTAL PROPERTIES (continued)

Movements in the carrying value during the years ended 31 March 2020 and 2019, and the fair value of the rental properties as at 31 March 2020 and 2019 are as follows:

Millions of Yen			
<b>2020</b>			
Carrying value		Fair value	
1 April 2019	Net change	31 March 2020	31 March 2020
¥ 152,046	¥ 10,671	¥ 162,717	¥ 243,302

Millions of Yen			
<b>2019</b>			
Carrying value		Fair value	
1 April 2018	Net change	31 March 2019	31 March 2019
¥ 158,763	¥ (6,717)	¥ 152,046	¥ 225,909

Thousands of U.S. Dollars			
<b>2020</b>			
Carrying value		Fair value	
1 April 2019	Net Change	31 March 2020	31 March 2020
\$ 1,397,096	\$ 98,053	\$ 1,495,150	\$ 2,235,624

- Notes: 1. Carrying value recognised in the consolidated balance sheet represents the acquisition cost less accumulated depreciation and accumulated loss on impairment.
2. The main components of net changes in the carrying value during the years ended 31 March 2020 and 2019 are the increase due to the acquisition of an office building of ¥12,570 million (\$115,502 thousand) and the decrease due to changes of holding purpose of properties of ¥4,857 million, respectively.
3. Fair values of the major rental properties as at each year end are estimated in accordance with the appraisal standards for valuing real estate properties. Fair values of the other rental properties are estimated internally by the Group based on certain assessments and property indices that are considered to reflect applicable market value.

## 8. REVALUATION OF LAND

In accordance with the “Act on Revaluation of Land” (Act No. 34 promulgated on 31 March 1998) and the “Act for Partial Revision of the Act on Revaluation of Land” (Act No. 19 promulgated on 31 March 2001), the Company and two consolidated subsidiaries revalue its land held for business. The resulting revaluation difference, net of applicable tax effect on revaluation gains has been stated as “Revaluation reserve for land” in net assets. The applicable tax effect has been stated as “deferred tax liabilities for land revaluation” in liabilities.

Details of the revaluation are as follows:

- Method of revaluation  
Fair values are determined based on the appraisal value publicly announced for tax assessment purposes with certain reasonable adjustments in accordance with Article 2-3 and 2-5 of the “Ordinance for Enforcement of the Act on Revaluation of Land” (Cabinet Ordinance No. 119 promulgated on 31 March 1998)
- Date of revaluation  
31 March 2002

## 9. PLEDGED ASSETS

Assets pledged as collateral and the corresponding liabilities as at 31 March 2020 are summarised as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2020		2020	
	Total	The Group's Railway foundation mortgage	Total	The Group's Railway foundation mortgage
Assets pledged as collateral:				
Buildings and structures	¥ 64,572	¥( 64,357 )	\$ 593,331	\$( 591,358 )
Machinery, equipment and vehicles	13,631	( 13,631 )	125,251	( 125,251 )
Land	53,676	( 53,626 )	493,214	( 492,756 )
Other property, plant and equipment	868	( 868 )	7,976	( 7,976 )
Investment securities	800	( - )	7,350	( - )
Total	¥ 133,548	¥( 132,483 )	\$ 1,227,124	\$( 1,217,343 )
	Millions of Yen		Thousands of U.S. Dollars	
	2020		2020	
	Total	The Group's Railway foundation mortgage	Total	The Group's Railway foundation mortgage
Corresponding liabilities:				
Accounts payables	¥ 35	¥( - )	\$ 323	\$( - )
Long-term loans (including current portion of long-term loans)	58,031	( 57,911 )	533,234	( 532,130 )
Total	¥ 58,067	¥( 57,911 )	\$ 533,558	\$( 532,130 )

Figures in parentheses in the above table represent the amounts of assets pledged as the Group's railway foundation mortgage and the corresponding liabilities.

## 10. SHORT-TERM DEBT AND LONG-TERM DEBT

The average interest rates applicable to the short-term bank loans of ¥41,598 million (\$382,237 thousand) and ¥48,493 million, which are calculated as the weighted-average rates to the year end balances, were 0.517% and 0.526% for the years ended 31 March 2020 and 2019, respectively.

Long-term loans and bonds as at 31 March 2020 and 2019 are summarised as follows:

### Long-term loans

	Millions of Yen		Thousands of U.S. Dollars
	<u>2020</u>	<u>2019</u>	<u>2020</u>
Loans from banks and other financial institutions, due serially from 2019 to 2040 at weighted-average rates ranging from 0.455% to 0.669%	¥ 177,494	¥ 185,747	\$ 1,630,936
Less current portion	<u>(33,625)</u>	<u>(47,583)</u>	<u>(308,972)</u>
Long-term loans, less current portion	<u>¥ 143,869</u>	<u>¥ 138,164</u>	<u>\$ 1,321,964</u>

The aggregate annual maturities of long-term loans subsequent to 31 March 2020 are summarised as follows:

Year ending 31 March,	Millions of Yen	Thousands of U.S. Dollars
	<u></u>	<u></u>
2021	¥ 33,625	\$ 308,972
2022	30,030	275,940
2023	22,013	202,273
2024	10,273	94,401
2025	17,082	156,965
2026 and thereafter	64,469	592,383
Total	<u>¥ 177,494</u>	<u>\$ 1,630,936</u>

## 10. SHORT-TERM DEBT AND LONG-TERM DEBT (continued)

### Bonds

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Euro-yen zero coupon unsecured convertible bonds with stock acquisition rights in yen, due 30 March 2021	¥ 20,019	¥ 20,039	\$ 183,955
Unsecured Keihan Holdings bonds, payable in yen at rates ranging from 0.34% to 1.89%, due from 2019 through 2039	80,000	80,000	735,091
Unsecured Keifuku Electric Railroad bonds, payable in yen at rate of 0.210%, due 30 September 2020	19	65	180
Unsecured Keihan Holdings short-term bonds, payable in yen at rate of 0.033%, due 30 September 2020	7,999	–	73,501
Total	108,038	100,105	992,728
Less current portion	(28,038)	(10,045)	(257,637)
Bonds, less current portion	¥ 80,000	¥ 90,059	\$ 735,091

The aggregate annual maturities of bonds subsequent to 31 March 2020 are summarised as follows:

Year ending 31 March,	Millions of Yen	Thousands of U.S. Dollars
2021	¥ 28,019	\$ 257,462
2022	10,000	91,886
2023	10,000	91,886
2024	10,000	91,886
2025	–	–
2026 and thereafter	50,000	459,432
Total	¥ 108,019	\$ 992,554

Euro-yen zero coupon unsecured convertible bonds in the nominal amount of ¥20,000 million (\$183,772 thousand) with stock acquisition rights issued on 30 March 2016 are convertible at ¥5,301.2 (\$48.71) per share in the period from 13 April 2016 to 16 March 2021 subject to adjustment in certain circumstances. From 1 April 2020, these bonds are convertible at ¥5,295.5 (\$48.65). The price was adjusted pursuant to the clauses on price adjustment of the bonds because the proposal on dividend per share of ¥17.5 (\$0.16) was approved at the 98th Ordinary General Meeting of Shareholders held on 19 June 2020.

## 11. OVERDRAFT AND LOAN COMMITMENTS

The Company and 18 consolidated subsidiaries entered into overdraft and loan commitment agreements with 19 banks for efficient funding of working capital as at 31 March 2020.

The unused portions of the credit line under these agreements as at 31 March 2020 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
	<u>2020</u>	<u>2020</u>
Total overdraft limits and loan commitments	¥ 91,092	\$ 837,016
Loan executions	(37,589)	(345,391)
Unused credit line	<u>¥ 53,503</u>	<u>\$ 491,624</u>

## 12. RETIREMENT BENEFITS

The Company and its consolidated subsidiaries provide several defined benefit plans, such as defined benefit corporate pension plans, retirement lump-sum benefit plans and smaller enterprise retirement allowance mutual aid plans, and defined contribution pension plans. Certain consolidated subsidiaries maintain a retirement benefit trust.

- (1) The changes in the defined benefit obligation for the years ended 31 March 2020 and 2019 (except for the retirement benefit obligation calculated by the simplified method presented in (3) below) are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2020</u>	2019	<u>2020</u>
Balance at the beginning of year	¥ 31,979	¥ 33,548	\$ 293,848
Service costs	1,211	1,280	11,132
Interest cost	78	86	719
Actuarial gain	(313)	(563)	(2,879)
Retirement benefits paid	(1,278)	(2,371)	(11,745)
Balance at the end of year	<u>¥ 31,677</u>	<u>¥ 31,979</u>	<u>\$ 291,075</u>

- (2) The changes in plan assets for the years ended 31 March 2020 and 2019 (except for plan assets calculated by the simplified method presented in (3) below) are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2020</u>	2019	<u>2020</u>
Balance at the beginning of year	¥ 16,930	¥ 17,690	\$ 155,567
Expected return on plan assets	263	295	2,420
Actuarial loss	(1,242)	(605)	(11,418)
Contributions by the Group	326	705	3,001
Retirement benefits paid	(815)	(1,155)	(7,496)
Balance at the end of year	<u>¥ 15,461</u>	<u>¥ 16,930</u>	<u>\$ 142,074</u>



## 12. RETIREMENT BENEFITS (continued)

- (3) The changes in the assets and liabilities for retirement benefits calculated by the simplified method for the years ended 31 March 2020 and 2019 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Balance at the beginning of year	¥ 2,238	¥ 2,228	\$ 20,570
Retirement benefit expenses	264	253	2,426
Retirement benefits paid	(160)	(178)	(1,477)
Contributions to pension plans	(62)	(64)	(576)
Balance at the end of year	¥ 2,279	¥ 2,238	\$ 20,942

Under the simplified method, the retirement benefit obligation is calculated at the amount payable at the year-end if all eligible employees terminated their services voluntarily.

- (4) Reconciliation of the ending balances of the retirement benefit obligation and plan assets and asset and liability for retirement benefits recorded in the consolidated balance sheet as at 31 March 2020 and 2019 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Funded retirement benefit obligation	¥ 14,833	¥ 15,099	\$ 136,301
Plan assets at fair value	(16,076)	(17,523)	(147,719)
	(1,242)	(2,423)	(11,417)
Unfunded retirement benefit obligation	19,737	19,711	181,361
Net liability for retirement benefits	18,494	17,287	169,943
Liability for retirement benefits	19,093	18,360	175,445
Asset for retirement benefits	(598)	(1,072)	(5,501)
Net liability for retirement benefits	¥ 18,494	¥ 17,287	\$ 169,943

Note: The above table includes the retirement benefit obligation calculated by the simplified method.

## 12. RETIREMENT BENEFITS (continued)

- (5) The components of retirement benefit expenses for the years ended 31 March 2020 and 2019 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Service costs	¥ 1,211	¥ 1,280	\$ 11,132
Interest cost	78	86	719
Expected return on plan assets	(263)	(295)	(2,420)
Amortisation of actuarial loss	680	234	6,256
Amortisation of prior service costs	(223)	(266)	(2,052)
Retirement benefit expenses calculated by the simplified method	264	253	2,426
Retirement benefit expenses for defined benefit plans	¥ 1,747	¥ 1,293	\$ 16,061

- (6) The components of retirement benefit liability adjustment (before tax effects) in other comprehensive income for the years ended 31 March 2020 and 2019 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Prior service costs	¥ 223	¥ 266	\$ 2,052
Actuarial loss (gain)	248	(193)	2,282
Total	¥ 471	¥ 73	\$ 4,334

- (7) The components of retirement benefit liability adjustment (before tax effects) in accumulated other comprehensive income as at 31 March 2020 and 2019 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Unrecognised prior service costs	¥ (1,563)	¥ (1,786)	\$ (14,362)
Unrecognised actuarial loss	5,989	5,741	55,039
Total	¥ 4,426	¥ 3,955	\$ 40,677

## 12. RETIREMENT BENEFITS (continued)

### (8) Plan assets

- a. The components of plan assets by major category as at 31 March 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Debt securities	50%	45%
Equity securities	27	33
Insurance company general accounts	14	13
Cash and deposits	4	4
Other	5	5
Total	<u>100%</u>	<u>100%</u>

Note: 14% and 18% of the total plan assets were in the retirement benefit trust as at 31 March 2020 and 2019, respectively.

- b. Method of determining long-term expected rate of return on plan assets

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

- (9) Assumptions used in accounting for the defined benefit plans for the years ended 31 March 2020 and 2019 are set forth as follows:

	<u>2020</u>	<u>2019</u>
Discount rates	0.0-0.7%	0.0-0.7%
Long-term expected rates of return on plan assets	1.5-2.5%	1.5-3.0%

- (10) Defined contribution plans for the years ended 31 March 2020 and 2019

The total contributions to be paid by the Company and its consolidated subsidiaries to defined contribution plans were ¥574 million (\$5,276 thousand) and ¥562 million for the years ended 31 March 2020 and 2019, respectively.

## 13. SHAREHOLDERS' EQUITY

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

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

### 13. SHAREHOLDERS' EQUITY (continued)

Under the Act, the distribution of retained earnings with respect to a given financial period is made by resolution of the shareholders at a general meeting held subsequent to the close of the financial period. The distribution of retained earnings with respect to the interim financial period is made by resolution of the Board of Directors. The accounts for the period do not reflect such distributions.

#### *Stock options*

The Company has stock option plans. Stock option expenses, included in selling, general and administrative expenses, charged to profit or loss for the years ended 31 March 2020 and 2019 amounted to ¥43 million (\$402 thousand) and ¥30 million, respectively.

The stock option plans of the Company as of 31 March 2020 are summarised as follows:

	The 2016 Plan	The 2017 Plan	The 2018 Plan
Individuals covered by the plan	5 Directors (excluding outside directors) 8 Executive officers	6 Directors (excluding Audit and Supervisory Committee Members and outside directors) 7 Executive officers	6 Directors (excluding Audit and Supervisory Committee Members and outside directors) 7 Executive officers
Class and number of options granted	Common stock 8,000 shares	Common stock 8,000 shares	Common stock 8,000 shares
Grant date	4 July 2016	6 July 2017	6 July 2018
Vesting conditions	None	None	None
Vesting period for services received	No vesting period for services received has been stipulated.	No vesting period for services received has been stipulated.	No vesting period for services received has been stipulated.
Exercisable period	From 5 July 2016 to 4 July 2046	From 7 July 2017 to 6 July 2047	From 7 July 2018 to 6 July 2048

	The 2019 Plan
Individuals covered by the plan	6 Directors (excluding Audit and Supervisory Committee Members and outside directors) 7 Executive officers
Class and number of options granted	Common stock 9,600 shares
Grant date	8 July 2019
Vesting conditions	None
Vesting period for services received	No vesting period for services received has been stipulated.
Exercisable period	From 9 July 2019 to 8 July 2049

### 13. SHAREHOLDERS' EQUITY (continued)

Size and movement of stock options are summarised as follows:

	The 2016 plan	The 2017 plan	The 2018 plan	The 2019 plan
<b>Number of stock options not yet vested:</b>				
Outstanding at 31 March 2019	–	–	–	–
Granted	–	–	–	9,600
Forfeited	–	–	–	–
Vested	–	–	–	9,600
Outstanding at 31 March 2020	–	–	–	–
<b>Number of stock options already vested:</b>				
Outstanding at 31 March 2019	5,000	8,000	8,000	–
Vested	–	–	–	9,600
Exercised	800	800	800	–
Forfeited	–	–	–	–
Outstanding at 31 March 2020	4,200	7,200	7,200	9,600

The fair value of stock options for the stock option plan of the Company during the year ended 31 March 2020 is summarised as follows:

	Yen		U.S. dollars		Yen		U.S. dollars		Yen		U.S. dollars	
	The 2016 plan	The 2016 plan	The 2016 plan	The 2016 plan	The 2017 plan	The 2017 plan	The 2017 plan	The 2017 plan	The 2018 plan	The 2018 plan	The 2018 plan	The 2018 plan
Exercise price	¥	1	\$	0	¥	1	\$	0	¥	1	\$	0
Average stock price at the exercise date		4,750		43		4,750		43		4,750		43
Fair value as of the grant date		3,485		32		3,425		31		3,811		35
	Yen		U.S. dollars									
	The 2019 plan	The 2019 plan	The 2019 plan	The 2019 plan								
Exercise price	¥	1	\$	0								
Average stock price at the exercise date		–		–								
Fair value as of the grant date		4,563		41								

The number of existing stock options as of 31 March 2020 represents the corresponding number of shares.

In addition, the number of shares has been converted due to the consolidation of the Company's common stock at a ratio of 1 share for 5 shares on 1 October 2017.

The valuation method for estimating fair value was the Black-Scholes model. The major assumptions used are as follows:

Major assumptions	Note	The 2019 plan
Expected volatility	(a)	20.842%
Expected holding period	(b)	4.1 years
Expected dividend	(c)	¥35 per share (\$0 per share)
Risk-free rate	(d)	(0.246%)

### 13. SHAREHOLDERS' EQUITY (continued)

- (a) Expected volatility was computed by the weekly historical volatility of the Company's stock during the period from 2 June 2015 to 8 July 2019.
- (b) Expected holding period was computed by estimating the expected tenure of new stock option holders and weighted average unit of stock options granted to each new stock option holder.
- (c) Expected dividend was calculated based on the actual amounts paid for the year ended 31 March 2019.
- (d) Risk-free rate was computed using the average of compound interest on long-term interest-bearing government bonds with redemption dates within a period of three months before and after the end of the holding period from the grant date of the stock acquisition rights.

The number of vested stock options is the same as the number of granted stock options as they vested on the grant date.

#### *Common stock and treasury stock*

- (1) Movements in issued shares of common stock and treasury stock during the years ended 31 March 2020 and 2019 are as follows:

	Number of shares			
	2020			
	1 April 2019	Increase	Decrease	31 March 2020
Issued shares:				
Common stock	<b>113,182,703</b>	–	–	<b>113,182,703</b>
Treasury stock (Notes 1 and 2)	<b>5,994,904</b>	<b>4,611</b>	<b>2,407</b>	<b>5,997,108</b>

- Notes: 1. The increase in the number of shares of treasury stock of 4,611 shares was due to repurchase of fractional shares of less than one voting unit.
2. The decrease in the number of shares of treasury stock of 2,407 shares was due to disposal of treasury stock of 2,400 shares as a result of exercise of stock options, and sales of fractional shares of less than one voting unit of 7 shares.

	Number of shares			
	2019			
	1 April 2018	Increase	Decrease	31 March 2019
Issued shares:				
Common stock	113,182,703	–	–	113,182,703
Treasury stock (Notes 1 and 2)	5,989,571	5,519	186	5,994,904

- Notes: 1. The increase in the number of shares of treasury stock of 5,519 shares was due to repurchase of fractional shares of less than one voting unit.
2. The decrease in the number of shares of treasury stock of 186 shares was due to sales of fractional shares of less than one voting unit.

### 13. SHAREHOLDERS' EQUITY (continued)

- (2) Information regarding dividend payments during the years ended 31 March 2020 and 2019 is as follows:

For the year ended 31 March 2020

- a. Dividend payment:

2020					
Resolutions	Type of shares	Dividends paid	Dividend per share	Record dates	Effective dates
General shareholders' meeting held on 19 June 2019	Common stock	<b>¥1,875 million</b> <b>(\$17,235 thousand)</b>	<b>¥17.5</b> <b>(\$0.16)</b>	31 March 2019	20 June 2019
Board meeting held on 6 November 2019	Common stock	<b>¥1,875 million</b> <b>(\$17,236 thousand)</b>	<b>¥17.5</b> <b>(\$0.16)</b>	30 September 2019	2 December 2019

- b. Dividend payment with an effective date in the following fiscal year:

2020						
Resolution	Type of shares	Dividends paid	Source of dividend	Dividend per share	Record date	Effective date
General shareholders' meeting held on 19 June 2020	Common stock	<b>¥1,875 million</b> <b>(\$17,235 thousand)</b>	Retained earnings	<b>¥17.5</b> <b>(\$0.16)</b>	31 March 2020	22 June 2020

For the year ended 31 March 2019

- a. Dividend payment:

2019					
Resolutions	Type of shares	Dividends paid	Dividend per share	Record dates	Effective dates
General shareholders' meeting held on 19 June 2018	Common stock	¥2,143 million	¥20.0	31 March 2018	20 June 2018
Board meeting held on 5 November 2018	Common stock	¥1,875 million	¥17.5	30 September 2018	3 December 2018

- b. Dividend payment with an effective date in the following fiscal year:

2019						
Resolution	Type of shares	Dividends paid	Source of dividend	Dividend per share	Record date	Effective date
General shareholders' meeting held on 19 June 2019	Common stock	¥1,875 million	Retained earnings	¥17.5	31 March 2019	20 June 2019

### 14. COST OF SALES

Cost of sales included loss on devaluation of inventories of ¥338 million (\$3,106 thousand) and ¥903 million for the years ended 31 March 2020 and 2019, respectively.

## 15. LOSS ON IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are assessed for impairment either on an individual asset basis such as property or store, or on a group basis such as business segment, which is determined based on the managerial accounting segment.

The Group recognised loss on impairment of property, plant and equipment in the amounts of ¥505 million (\$4,641 thousand) and ¥1,333 million for the years ended 31 March 2020 and 2019, respectively. The details are summarised as follows:

### For the year ended 31 March 2020

<b>2020</b>				
Usage	Location	Classification	Millions of Yen	Thousands of U.S. Dollars
Hotel facilities	Sakai, Fukui and other	Buildings and structures	¥ 265	\$ 2,439
		Land	35	329
		Sub-total	<u>301</u>	<u>2,769</u>
Commercial stores	Hirakata, Osaka	Buildings and structures	113	1,038
		Other	46	423
		Sub-total	<u>159</u>	<u>1,461</u>
Rental properties	Sakyo-ku, Kyoto	Land	44	410
		Total	<u>¥ 505</u>	<u>\$ 4,641</u>

### For the year ended 31 March 2019

2019				
Usage	Location	Classification	Millions of Yen	
Rental properties	Chuo-ku, Osaka and other	Buildings and structures	¥ 1,290	
		Land	24	
		Other	2	
		Sub-total	<u>1,317</u>	
Commercial stores	Yawata, Kyoto and other	Buildings and structures	8	
Idle assets	Katsuyama, Fukui	Land	6	
Hotel facilities	Sakyo-ku, Kyoto	Buildings and structures	1	
		Other	0	
		Sub-total	<u>1</u>	
Total			<u>¥ 1,333</u>	



## **15. LOSS ON IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT (continued)**

For some groups of assets, as a decline in profitability was expected, the Group wrote down the carrying value of the assets to the recoverable amount and loss on impairment of property, plant and equipment was recorded as other expenses for the year ended 31 March 2020.

For rental properties, as a decision to dismantle the corresponding properties was made or a decline in profitability was expected; for commercial stores, as a decision to withdraw from the business was made; for idle assets, as the usage of the assets was changed from assets used for business to idle assets; and for hotel facilities, as a decline in profitability was expected to continue, the Group wrote down the carrying value of the assets to the recoverable amount and loss on impairment of property, plant and equipment was recorded as other expenses for the year ended 31 March 2019.

The recoverable amounts of hotel facilities were determined using value in use or net realisable value for the year ended 31 March 2020. When using value in use, the recoverable amounts of hotel facilities were measured based on the present value of the future cash flow with a discount rate of 1.5%, and when using net realisable value, the recoverable amounts of hotel facilities were determined basically based on the appraisal value assessed by an external appraiser.

The recoverable amounts of hotel facilities were determined using net realisable value basically based on the appraisal value assessed by an external appraiser for the year ended 31 March 2019.

The recoverable amounts of commercial stores were determined using value in use. Commercial stores were written down to the nominal value as future cash flow was negative for the year ended 31 March 2020, and as future cash flow was not expected due to a decision to withdraw from the business for the year ended 31 March 2019.

The recoverable amounts of rental properties were determined using net realisable value basically based on the appraisal value assessed by an external appraiser for the year ended 31 March 2020.

The recoverable amounts of rental properties were determined using value in use or net realisable value for the year ended 31 March 2019. When using value in use, rental properties were written down to the nominal value as future cash flow was not expected due to decision to dismantle the corresponding properties was made, and when using net realisable value, the recoverable amounts of rental properties were determined basically based on the valuation used for property tax purposes.

The recoverable amounts of idle assets were determined using net realisable value basically based on the valuation used for property tax purposes for the year ended 31 March 2019.

## 16. INCOME TAXES

Income taxes applicable to the Company and its domestic subsidiaries comprise corporation tax, inhabitants' taxes and enterprise taxes which, in the aggregate, resulted in a normal statutory tax rate of approximately 30.6% for the years ended 31 March 2020 and 2019.

The tax effects of significant temporary differences and tax loss carry forwards which resulted in net deferred tax assets and liabilities at 31 March 2020 and 2019 are as follows:

	Millions of Yen		Thousands of
	2020	2019	U.S. Dollars
Deferred tax assets:			
Liability for retirement benefits	¥ 9,790	¥ 9,455	\$ 89,958
Difference arising from company split	4,248	4,248	39,039
Loss on devaluation of land, buildings and structures for sale	2,047	2,026	18,809
Loss on impairment of property, plant and equipment	1,658	1,615	15,242
Tax loss carry forwards	1,401	1,296	12,879
Unrealised gain	1,152	1,143	10,585
Provision for employees' bonuses	1,009	950	9,275
Loss on devaluation of securities	795	786	7,307
Others	3,671	3,681	33,734
Sub-total	25,774	25,203	236,833
Valuation allowance	(9,876)	(9,154)	(90,754)
Total deferred tax assets	15,897	16,048	146,078
Offset by deferred tax liabilities	(5,734)	(6,144)	(52,690)
Net deferred tax assets	¥ 10,163	¥ 9,904	\$ 93,388
Deferred tax liabilities:			
Difference on valuation of assets of consolidated subsidiaries	¥ (8,335)	¥ (8,312)	\$ (76,592)
Gain on securities contributed to employee retirement benefit trust	(2,774)	(2,774)	(25,496)
Net unrealised holding gain on securities	(2,628)	(3,231)	(24,150)
Reserve for deduction in costs of property, plant and equipment	(141)	(150)	(1,304)
Others	(678)	(786)	(6,238)
Total deferred tax liabilities	(14,559)	(15,255)	(133,782)
Offset by deferred tax assets	5,734	6,144	52,690
Net deferred tax liabilities	¥ (8,825)	¥ (9,110)	\$ (81,092)

## 16. INCOME TAXES (continued)

A reconciliation between the statutory tax rate and the effective tax rate reflected in the accompanying consolidated statement of income for the year ended 31 March 2020 is as follows:

	<u>2020</u>
Statutory tax rate	<b>30.6%</b>
Effect of:	
Permanent non-deductible expenses	<b>0.3</b>
Permanent non-taxable income	<b>(0.5)</b>
Per capita portion of inhabitants' tax	<b>0.4</b>
Valuation allowance	<b>2.5</b>
Different tax rates applied at subsidiaries	<b>2.0</b>
Others	<b>(0.6)</b>
Effective tax rate	<u><u><b>34.7</b></u></u>

A reconciliation between the statutory tax rate and the effective tax rate for the year ended 31 March 2019 is omitted as the effective tax rate in the accompanying consolidated statement of income for the year ended 31 March 2019 differs from the statutory tax rate by less than 5%.

## 17. OTHER COMPREHENSIVE LOSS

Reclassification adjustments and related income tax effects on components of other comprehensive loss for the years ended 31 March 2020 and 2019 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2020</u>	2019	<u>2020</u>
Net unrealised holding loss on securities:			
Amount arising during the year	¥ (1,329)	¥ (1,848)	\$ (12,215)
Reclassification adjustments for gain included in profit	<u>(816)</u>	<u>(1,900)</u>	<u>(7,503)</u>
Before tax effect	<b>(2,145)</b>	<b>(3,749)</b>	<b>(19,718)</b>
Tax effect	<b>602</b>	<b>1,122</b>	<b>5,539</b>
Total	<u><b>(1,543)</b></u>	<u><b>(2,627)</b></u>	<u><b>(14,179)</b></u>
Retirement benefit liability adjustment:			
Amount arising during the year	<b>(929)</b>	<b>(41)</b>	<b>(8,538)</b>
Reclassification adjustments for loss (gain) included in profit	<u>457</u>	<u>(32)</u>	<u>4,203</u>
Before tax effect	<b>(471)</b>	<b>(73)</b>	<b>(4,334)</b>
Tax effect	<b>164</b>	<b>17</b>	<b>1,511</b>
Total	<u><b>(307)</b></u>	<u><b>(56)</b></u>	<u><b>(2,823)</b></u>
Share of comprehensive income (loss) of affiliates accounted for using equity method			
Amount arising during the year	<u>92</u>	<u>(27)</u>	<u>853</u>
Other comprehensive loss, net	<u><u>¥ (1,757)</u></u>	<u><u>¥ (2,710)</u></u>	<u><u>\$ (16,149)</u></u>

## 18. LEASES

### (1) Finance Leases

Leased assets under finance lease transactions which do not transfer ownership to the lessee mainly consist of machinery, equipment and vehicles, such as buses used for the transportation business.

As described in Note 2 “SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (f) Leased Assets,” leased assets under finance lease transactions which do not transfer ownership to the lessee are capitalised and depreciated over the respective lease terms to a nil residual value by the straight-line method.

Finance lease transactions commencing on or before 31 March 2008 other than those in which the ownership of the leased assets is transferred to the lessee are accounted for in the same manner as operating leases. The details of these finance lease transactions are omitted because the amounts are immaterial.

### (2) Operating Leases

Future minimum lease payments under non-cancelable operating leases as at 31 March 2020 and 2019 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2020</u>	<u>2019</u>	<u>2020</u>
Future minimum lease payments:			
Due within one year	¥ 2,975	¥ 1,983	\$ 27,338
Due after one year	<u>42,636</u>	<u>45,268</u>	<u>391,776</u>
Total	<u>¥ 45,612</u>	<u>¥ 47,251</u>	<u>\$ 419,114</u>

## 19. AMOUNTS PER SHARE

Amounts per share at 31 March 2020 and 2019 are as follows:

	Yen		U.S. Dollars
	2020	2019	2020
Net assets	¥ <b>2,329.94</b>	¥ 2,193.68	\$ <b>21.40</b>
Profit attributable to owners of parent:			
Basic	¥ <b>187.72</b>	¥ 200.40	\$ <b>1.72</b>
Diluted	¥ <b>187.68</b>	¥ 200.36	\$ <b>1.72</b>

The financial data used in the computation of basic and diluted profit attributable to owners of parent for the years ended 31 March 2020 and 2019 in the table above is summarised as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Profit attributable to owners of parent	¥ <b>20,121</b>	¥ 21,480	\$ <b>184,888</b>

  

	Thousands of shares	
	2020	2019
Weighted-average number of shares of common stock outstanding	<b>107,187</b>	107,190
Increase in shares of common stock for the calculation of dilutive effect	<b>26</b>	18

Potential shares which do not have dilutive effect for the years ended 31 March 2020 and 2019 are euro-yen zero coupon convertible bonds with stock acquisition rights (400 units) in yen, due 30 March 2021 in the aggregate amount of ¥20,000 million (\$183,772 thousand).

## 20. CASH AND CASH EQUIVALENTS

The balances of cash and deposits reflected in the accompanying consolidated balance sheet as at 31 March 2020 and 2019 are reconciled with cash and cash equivalents presented in the accompanying consolidated statement of cash flows for the years then ended as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Cash and deposits	¥ <b>14,918</b>	¥ 21,385	\$ <b>137,082</b>
Time deposits with a maturity of more than three months	<b>(7)</b>	<b>(7)</b>	<b>(67)</b>
Cash and cash equivalents	¥ <b>14,911</b>	¥ 21,377	\$ <b>137,014</b>

## 21. FINANCIAL INSTRUMENTS

### (1) Overview

#### a. Group policy for financial instruments

The Group restricts its investment activities of surplus cash to short-term deposits and others. In terms of financing activities, the Group mainly raises funds by loans from banks and other financial institutions and the issuance of bonds. Derivative transactions are utilised, not for speculative purposes, but to avoid the risks described below.

#### b. Nature of financial instruments, their related risk and risk management for financial instruments

Trade receivables, such as notes and accounts receivable, are exposed to the credit risk of customers. The Group mitigates the credit risk mainly by managing due dates and outstanding balances by individual customers.

Short-term investments and investment securities mainly consist of held-to-maturity debt securities and equity securities issued by companies with which the Group has business relationships. Since these securities are exposed to the risk of market price fluctuations, the Group regularly monitors the fair value of the securities and financial conditions of the issuers.

Trade payables, such as notes and accounts payable, are mostly due in one year or less.

Proceeds from short-term loans and short-term bonds are mainly used for working capital, and proceeds from bonds and long-term loans are mainly used for capital investments. Among them, those to which variable interest rates apply are exposed to the risk of interest rate fluctuations. However, for certain long-term loans, the derivative transactions (such as interest rate swaps) by individual contracts are used as hedging instruments to hedge the risk of fluctuations of interest rates and stabilise interest payments.

Hedge effectiveness is not assessed as the interest rate swaps meet the criteria for application of the special accounting treatment.

Derivative transactions are executed and managed by the treasury department of three consolidated subsidiaries which utilise derivative instruments upon the approval of the decision-making authority. In addition, the counterparties of the derivative transactions are limited to highly-rated financial institutions in order to mitigate credit risk.

In addition, trade payables and loans are exposed to liquidity risk. However, the Group manages liquidity risk mainly by preparing monthly cash flow management plans.

#### c. Supplementary explanation on fair value of financial instruments and related matters

The fair value of financial instruments is based on quoted market prices, if available. If a quoted market price is not available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair value. In addition, the notional amounts of derivatives in Note 22 “DERIVATIVE FINANCIAL INSTRUMENTS” are not necessarily indicative of the actual market risk involved in the derivative transactions.

## 21. FINANCIAL INSTRUMENTS (continued)

### (2) Fair value of financial instruments and related matters

Carrying value, fair value and the difference between them are as follows:

	Millions of Yen		
	2020		
	Carrying value	Fair value	Difference
(1) Cash and deposits	¥ 14,918	¥ 14,918	¥ –
(2) Notes and accounts receivable	21,947	21,947	–
(3) Short-term investments and investment securities:			
Held-to-maturity debt securities	1,270	1,291	20
Other securities	15,745	15,745	–
Total assets	<u>¥ 53,882</u>	<u>¥ 53,903</u>	<u>¥ 20</u>
(4) Notes and accounts payable	9,450	9,450	–
(5) Short-term loans	41,598	41,598	–
(6) Short-term bonds	7,999	7,999	–
(7) Bonds (including current portion)	100,039	101,593	1,554
(8) Long-term loans (including current portion)	177,494	180,626	3,131
Total liabilities	<u>¥ 336,582</u>	<u>¥ 341,268</u>	<u>¥ 4,686</u>

	Millions of Yen		
	2019		
	Carrying value	Fair value	Difference
(1) Cash and deposits	¥ 21,385	¥ 21,385	¥ –
(2) Notes and accounts receivable	31,189	31,189	–
(3) Short-term investments and investment securities:			
Held-to-maturity debt securities	1,577	1,623	45
Other securities	18,771	18,771	–
Total assets	<u>¥ 72,922</u>	<u>¥ 72,968</u>	<u>¥ 45</u>
(4) Notes and accounts payable	11,544	11,544	–
(5) Short-term loans	48,493	48,493	–
(6) Bonds (including current portion)	100,105	103,111	3,006
(7) Long-term loans (including current portion)	185,747	188,612	2,864
Total liabilities	<u>¥ 345,891</u>	<u>¥ 351,762</u>	<u>¥ 5,870</u>

## 21. FINANCIAL INSTRUMENTS (continued)

### (2) Fair value of financial instruments and related matters (continued)

	Thousands of U.S. Dollars		
	<b>2020</b>		
	Carrying value	Fair value	Difference
(1) Cash and deposits	\$ 137,082	\$ 137,082	\$ –
(2) Notes and accounts receivable	201,671	201,671	–
(3) Short-term investments and investment securities:			
Held-to-maturity debt securities	11,671	11,863	191
Other securities	144,682	144,682	–
Total assets	<u>\$ 495,109</u>	<u>\$ 495,301</u>	<u>\$ 191</u>
(4) Notes and accounts payable	86,838	86,838	–
(5) Short-term loans	382,237	382,237	–
(6) Short-term bonds	73,501	73,501	–
(7) Bonds (including current portion)	919,227	933,508	14,280
(8) Long-term loans (including current portion)	1,630,936	1,659,714	28,777
Total liabilities	<u>\$ 3,092,740</u>	<u>\$ 3,135,798</u>	<u>\$ 43,058</u>

#### Notes:

- Method to determine the estimated fair value of financial instruments and other matters related to securities and derivative transactions

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

As these items are settled in a short period of time, their carrying value approximates fair value.

#### (3) Short-term investments and investment securities

The fair value of equity securities is estimated based on the market price on stock exchanges, and the fair value of debt securities is estimated based on the market price on stock exchanges or the quoted price from the counterparty financial institutions.

#### (4) Notes and accounts payable, (5) Short-term loans, and (6) Short-term bonds

As these items are settled in a short period of time, their carrying value approximates the fair value.

#### (7) Bonds

The fair value of bonds issued by the Group is estimated mainly based on the quoted market price.



## 21. FINANCIAL INSTRUMENTS (continued)

### (2) Fair value of financial instruments and related matters (continued)

Notes (continued):

#### (8) Long-term loans

As long-term loans with variable interest rates reflect market interest rates in a short period of time, the carrying value approximates the fair value. The fair value of long-term loans with fixed interest rates is estimated based on the present value of the total amounts of principal and interest payments discounted at an interest rate to be applied if similar new loans are made. In terms of long-term loans hedged by interest rate swaps accounted for by the special accounting treatment (see Note 22 “DERIVATIVE FINANCIAL INSTRUMENTS”), the fair value is estimated based on the present value of the total amounts of principal and interest payments which are accounted for by the special accounting treatment discounted by the interest rates to be applied assuming that new loans under similar conditions to the existing loans are made.

2. Financial instruments for which it is extremely difficult to determine the fair value as at 31 March 2020 and 2019 are summarised as follows:

Category	Millions of Yen		Thousands of
	2020	2019	U.S. Dollars
Unlisted stocks	¥ 17,527	¥ 14,573	\$ 161,056

Because a quoted market price is not available and the future cash flows cannot be reasonably estimated for these instruments, it is extremely difficult to determine their fair value. Therefore, the above financial instruments are not included in the tables above.

3. Investments in unconsolidated subsidiaries and affiliates are not included in the table above.

## 21. FINANCIAL INSTRUMENTS (continued)

### (2) Fair value of financial instruments and related matters (continued)

Notes (continued):

4. The redemption schedules for cash and deposits, notes and accounts receivable and short-term investments and investment securities with maturities as at 31 March 2020 are as follows:

	Millions of Yen			
	2020			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and deposits	¥ 13,574	¥ –	¥ –	¥ –
Notes and accounts receivable	21,947	–	–	–
Short-term investments and investment securities:				
Held-to-maturity debt securities				
National and municipal bonds	800	470	–	–
Other securities with maturities				
Corporate bonds	–	–	–	300
Total	¥ 36,321	¥ 470	¥ –	¥ 300

	Thousands of U.S. Dollars			
	2020			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and deposits	\$ 124,726	\$ –	\$ –	\$ –
Notes and accounts receivable	201,671	–	–	–
Short-term investments and investment securities:				
Held-to-maturity debt securities				
National and municipal bonds	7,350	4,323	–	–
Other securities with maturities				
Corporate bonds	–	–	–	2,756
Total	\$ 333,749	\$ 4,323	\$ –	\$ 2,756

5. The redemption schedules for short-term loans, bonds and long-term loans as at 31 March 2020

Refer to Note 10. SHORT-TERM DEBT AND LONG-TERM DEBT.

## 22. DERIVATIVE FINANCIAL INSTRUMENTS

The notional amounts and the estimated fair value of the derivative positions outstanding qualifying for hedge accounting as at 31 March 2020 and 2019 are as follows:

			Millions of Yen		
			<b>2020</b>		
			Contractual value		
Hedge accounting method	Transaction type	Major hedged items	Notional amount	Due after 1 year	Fair value
Special accounting treatment of interest rate swaps	Interest rate swap Receive-floating/pay-fixed	Long-term loans	¥ 1,834	¥ 643	(Note)

  

			Millions of Yen		
			2019		
			Contractual value		
Hedge accounting method	Transaction type	Major hedged items	Notional amount	Due after 1 year	Fair value
Special accounting treatment of interest rate swaps	Interest rate swap Receive-floating/pay-fixed	Long-term loans	¥ 2,194	¥ 1,955	(Note)

  

			Thousands of U.S. Dollars		
			<b>2020</b>		
			Contractual value		
Hedge accounting method	Transaction type	Major hedged items	Notional amount	Due after 1 year	Fair value
Special accounting treatment of interest rate swaps	Interest rate swap Receive-floating/pay-fixed	Long-term loans	\$ 16,856	\$ 5,909	(Note)

Note: Because interest rate swaps are accounted for as if the interest rates applied to the swaps had been originally applied to the long-term loans, their fair value was included in long-term loans.

### 23. CONTINGENT LIABILITIES

The Company provides guarantees for the borrowings of the following company, which is other than consolidated subsidiaries, as at 31 March 2020 as follows:

	Millions of Yen	Thousands of U.S. Dollars
	<b>2020</b>	<b>2020</b>
Nakanoshima Rapid Railway Co., Ltd.	¥ <b>20,259</b>	\$ <b>186,160</b>

### 24. ASSET RETIREMENT OBLIGATIONS

(1) General information about asset retirement obligations

Asset retirement obligations included in the “Other” of noncurrent liabilities are mainly legal obligations for the removal of asbestos under the Ordinance on Prevention of Asbestos Hazards and the restoration under certain real estate lease agreements.

(2) Basis of measurement for asset retirement obligations

Asset retirement obligations are calculated individually based on individual estimates of the usage period depending on the situation of each asset retirement obligation, and the discount rates of Japanese government bonds at the time of application of the relevant accounting standards or at the time of acquisition of the assets.

(3) Changes in the balance of asset retirement obligations for the years ended 31 March 2020 and 2019 are as follows:

	Millions of yen		Thousands of U.S. Dollars
	<b>2020</b>	2019	<b>2020</b>
Balance at the beginning of year	¥ <b>1,154</b>	¥ 503	\$ <b>10,612</b>
Increase due to acquisition of property, plant and equipment	–	649	–
Adjustment with passing of time	<b>8</b>	5	<b>75</b>
Decrease due to settlement	–	(3)	–
Other	<b>(2)</b>	–	<b>(24)</b>
Balance at the end of year	¥ <b>1,160</b>	¥ 1,154	\$ <b>10,662</b>

## 25. SEGMENT INFORMATION

### (1) Outline of reportable segments

The Group's reportable segments are divisions of the Group for which separate financial information is available, and whose operating results are regularly reviewed by the Board of Directors of the Company in order to allocate management resources and assess performance of operations.

The Group is engaged in transportation and various other businesses and has five business segments: "Transportation," "Real Estate," "Retail Distribution," "Leisure and Service" and "Others."

"Transportation" involves mainly railway and bus services. "Real Estate" mainly involves sales or leasing of real estate, wholesale of construction materials, and surveying and designing of real estate. "Retail Distribution" involves mainly operations of department stores, other stores, and malls. "Leisure and Service" involves mainly hotel and sightseeing cruise businesses. "Others" involves credit card business.

### (2) Calculation method used for operating revenues, income or loss, assets, and other items of each reportable segment

The accounting policies of the reportable segments are substantially the same as those described in Note 2 "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES."

The segment income or loss is based on the operating income of each reportable segment.

Inter-segment operating revenues or transfers are determined based on market prices.

## 25. SEGMENT INFORMATION (continued)

- (3) Information about operating revenues, income or loss, assets and other items by reportable segment for the years ended 31 March 2020 and 2019

	Millions of Yen							
	2020							
	Reportable Segments					Total	Adjustments (Note 1)	Consolidated (Note 2)
Transportation	Real Estate	Retail Distribution	Leisure and Service	Others				
Operating revenues:								
External customers	¥ 91,157	¥ 94,947	¥ 97,633	¥ 31,425	¥ 1,635	¥ 316,799	¥ 303	¥ 317,103
Inter-segment operating revenues or transfers	2,207	15,281	552	655	1,272	19,970	(19,970)	–
Total	¥ 93,365	¥ 110,228	¥ 98,186	¥ 32,081	¥ 2,908	¥ 336,770	¥ (19,667)	¥ 317,103
Segment income (loss)	¥ 10,862	¥ 16,906	¥ 3,258	¥ 1,336	¥ (921)	¥ 31,443	¥ (319)	¥ 31,123
Segment assets	242,585	408,379	30,060	35,569	8,908	725,503	7,320	732,824
Other items:								
Depreciation	11,735	5,986	1,255	1,438	113	20,529	255	20,784
Increase in property, plant and equipment, and intangible assets	13,283	11,824	1,073	1,933	862	28,976	348	29,324

Notes: 1. Details of adjustments are as follows:

- (1) “Adjustments” to “Segment income (loss)” represented elimination of inter-segment transactions and operating income or loss of the Company not allocated to each reportable segment.
  - (2) “Adjustments” to “Segment assets” represented elimination of inter-segment transactions and the Company assets not allocated to each reportable segment. The Company assets amounted to ¥25,636 million (\$235,562 thousand) and principally consist of the Company’s surplus funds (cash and deposits), long-term investment assets (investment securities).
  - (3) “Adjustments” to “Increase in property, plant and equipment, and intangible assets” represented elimination of inter-segment transactions amounted to ¥45 million (\$413 thousand) and the Company assets not allocated to each reportable segment amounted to ¥393 million (\$3,615 thousand).
2. Segment income (loss) was adjusted to operating income in the consolidated statement of income.

## 25. SEGMENT INFORMATION (continued)

- (3) Information about operating revenues, income or loss, assets and other items by reportable segment for the years ended 31 March 2020 and 2019 (continued)

	Millions of Yen								
	2019								
	Reportable Segments					Total	Adjustments (Note 1)	Consolidated (Note 2)	
Transportation	Real Estate	Retail Distribution	Leisure and Service	Others					
Operating revenues:									
External customers	¥ 91,715	¥ 104,921	¥ 98,248	¥ 30,124	¥ 1,145	¥ 326,155	¥ 3	¥ 326,159	
Inter-segment operating revenues or transfers	2,211	13,685	479	496	698	17,570	(17,570)	–	
Total	¥ 93,926	¥ 118,607	¥ 98,727	¥ 30,621	¥ 1,843	¥ 343,726	¥ (17,567)	¥ 326,159	
Segment income (loss)	¥ 11,221	¥ 17,468	¥ 2,923	¥ 1,817	¥ (57)	¥ 33,373	¥ 342	¥ 33,715	
Segment assets	244,887	396,874	31,783	37,446	7,802	718,795	12,954	731,750	
Other items:									
Depreciation	11,898	5,197	1,306	1,116	37	19,556	262	19,819	
Increase in property, plant and equipment, and intangible assets	14,609	26,080	1,428	3,364	9	45,492	(1,860)	43,631	

Notes: 1. Details of adjustments are as follows:

- (1) “Adjustments” to “Segment income (loss)” represented elimination of inter-segment transactions and operating income or loss of the Company not allocated to each reportable segment.
  - (2) “Adjustments” to “Segment assets” represented elimination of inter-segment transactions and the Company assets not allocated to each reportable segment. The Company assets amounted to ¥31,637 million and principally consist of the Company’s surplus funds (cash and deposits), long-term investment assets (investment securities).
  - (3) “Adjustments” to “Increase in property, plant and equipment, and intangible assets” represented elimination of inter-segment transactions amounted to ¥2,132 million and the Company assets not allocated to each reportable segment amounted to ¥271 million.
2. Segment income (loss) was adjusted to operating income in the consolidated statement of income.

## 25. SEGMENT INFORMATION (continued)

- (3) Information about operating revenues, income or loss, assets and other items by reportable segment for the years ended 31 March 2020 and 2019 (continued)

	Thousands of U.S. Dollars							
	2020							
	Reportable Segments					Total	Adjustments (Note 1)	Consolidated (Note 2)
Transportation	Real Estate	Retail Distribution	Leisure and Service	Others				
Operating revenues:								
External customers	\$ 837,612	\$ 872,435	\$ 897,122	\$ 288,761	\$ 15,028	\$ 2,910,960	\$ 2,785	\$ 2,913,746
Inter-segment operating revenues or transfers	20,288	140,417	5,076	6,026	11,695	183,504	(183,504)	–
Total	\$ 857,900	\$ 1,012,852	\$ 902,199	\$ 294,788	\$ 26,724	\$ 3,094,465	\$ (180,719)	\$ 2,913,746
Segment income (loss)	\$ 99,812	\$ 155,347	\$ 29,941	\$ 12,280	\$ (8,463)	\$ 288,918	\$ (2,934)	\$ 285,984
Segment assets	2,229,034	3,752,451	276,213	326,834	81,861	6,666,394	67,266	6,733,661
Other items:								
Depreciation	107,831	55,008	11,534	13,218	1,045	188,639	2,345	190,984
Increase in property, plant and equipment, and intangible assets	122,059	108,647	9,862	17,762	7,923	266,254	3,202	269,456

- (4) Related information

- a. Information by product and service

Information by product and service was omitted because it was the same as that of reportable segment information.

- b. Geographical information

### *Operating revenues*

As revenue located in Japan accounted for more than 90% of revenue recognised in the consolidated statement of income for the years ended 31 March 2020 and 2019, information on revenue by geographical segment was omitted.

### *Property, plant and equipment*

As the balance of property, plant and equipment located in Japan accounted for more than 90% of the balance of property, plant and equipment recognised in the consolidated balance sheet as at 31 March 2020 and 2019, information on property, plant and equipment by geographical segment was omitted.

- c. Information by major customer

As operating revenues to any single external customer do not exceed 10% of operating revenues in the consolidated statement of income, information by major customer was omitted.



## 25. SEGMENT INFORMATION (continued)

### (5) Information about loss on impairment of property, plant and equipment by reportable segment

		Millions of Yen								
		<b>2020</b>								
		Reportable Segments								
		Retail			Leisure and					
	Transportation	Real Estate	Distribution	Service	Others	Total	Adjustments	Consolidated		
Impairment loss	¥ 272	¥ -	¥ 159	¥ 73	¥ -	¥ 505	¥ -	¥ 505		

		Millions of Yen								
		2019								
		Reportable Segments								
		Retail			Leisure and					
	Transportation	Real Estate	Distribution	Service	Others	Total	Adjustments	Consolidated		
Impairment loss	¥ 15	¥ 1,264	¥ 1	¥ 97	¥ -	¥ 1,378	¥ (45)	¥ 1,333		

		Thousands of U.S. Dollars								
		<b>2020</b>								
		Reportable Segments								
		Retail			Leisure and					
	Transportation	Real Estate	Distribution	Service	Others	Total	Adjustments	Consolidated		
Impairment loss	\$ 2,508	\$ -	\$ 1,461	\$ 671	\$ -	\$ 4,641	\$ -	\$ 4,641		

### (6) Information on amortisation of goodwill and remaining unamortised balance by reportable segment

Information on amortisation of goodwill and remaining unamortised balance by reportable segment as at 31 March 2020 and 2019 and for the years then ended was omitted because the amounts were immaterial.

### (7) Information on negative goodwill by reportable segment

There was no gain on negative goodwill recognised for the years ended 31 March 2020 and 2019.

## 26. RELATED PARTY TRANSACTIONS

Transactions of the Company with related parties as at and for the years ended 31 March 2020 and 2019 are as follows:

2020								
Category	Company name	Location	Capital	Business	Percentage of voting rights	Relationship	Transaction	Transaction amount
Affiliates	Nakanoshima Rapid Railway Co., Ltd.	Chuo-ku, Osaka	¥26,135 million (\$240,151 thousand)	Railway operations	(Direct voting rights)  33.50%	Reservation of guarantees on loans  Holding concurrent position of directors	Guarantees (Note 1)	¥20,259 million (\$186,160 thousand)
2019								
Category	Company name	Location	Capital	Business	Percentage of voting rights	Relationship	Transaction	Transaction amount
Affiliates	Nakanoshima Rapid Railway Co., Ltd.	Chuo-ku, Osaka	¥26,135 million	Railway operations	(Direct voting rights)  33.50%	Reservation of guarantees on loans  Holding concurrent position of directors	Guarantees (Note 1)	¥21,511 million

Note: 1. Guarantees are provided for the loans of the affiliate obtained from the Development Bank of Japan and other banks in the amounts of ¥20,259 million (\$186,160 thousand) and ¥21,511 million for the years ended 31 March 2020 and 2019, respectively.