Ernst & Young ShinNihon LLC

Building a better working world

Independent Auditor's Report

The Board of Directors
Keihan Holdings Co., Ltd.

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Convenience Translation

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

17 June 2016
Osaka, Japan

Ernst & Young ShinNihon LLC

Consolidated Balance Sheet
Keihan Holdings Co., Ltd. and Consolidated Subsidiaries
31 March 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	**2016**	2015	**2016**
CURRENT ASSETS:			
Cash and deposits (Notes 9, 20 and 21)	**¥ 25,072**	¥ 26,600	**$ 222,507**
Notes and accounts receivable (Note 21)	**23,702**	30,892	**210,348**
Short-term investments (Notes 5 and 21)	**2,188**	352	**19,418**
Land and buildings for sale	**100,742**	101,243	**894,059**
Inventories	**1,976**	1,894	**17,543**
Deferred tax assets (Note 16)	**2,533**	2,614	**22,481**
Other	**12,565**	8,110	**111,519**
Allowance for doubtful accounts	**(270)**	(260)	**(2,399)**
Total current assets	**168,510**	171,449	**1,495,478**
PROPERTY, PLANT AND EQUIPMENT:			
Buildings and structures, net (Notes 6, 7, 9, 15 and 18)	**198,994**	187,950	**1,766,016**
Machinery, equipment and vehicles, net (Notes 6, 7, 9 and 18)	**13,466**	12,979	**119,515**
Land (Notes 7, 8, 9 and 15)	**213,810**	206,616	**1,897,504**
Construction in progress	**6,076**	2,119	**53,929**
Other, net (Notes 6 and 9)	**8,898**	8,476	**78,969**
Total property, plant and equipment, net	**441,247**	418,141	**3,915,935**
INTANGIBLE ASSETS	**8,245**	8,820	**73,175**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 5, 9 and 21)	**39,959**	47,358	**354,628**
Long-term loans receivable	**388**	388	**3,447**
Deferred tax assets (Note 16)	**2,208**	1,656	**19,601**
Assets for retirement benefits (Note 12)	**21**	1,464	**188**
Other	**9,811**	15,033	**87,075**
Allowance for doubtful accounts	**(59)**	(75)	**(532)**
Total investments and other assets	**52,329**	65,825	**464,408**
TOTAL ASSETS (Note 25)	**¥ 670,333**	¥ 664,236	**$ 5,948,999**

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheet (continued)
Keihan Holdings Co., Ltd. and Consolidated Subsidiaries
31 March 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
LIABILITIES AND NET ASSETS	**2016**	2015	**2016**
CURRENT LIABILITIES:			
Notes and accounts payable (Notes 9 and 21)	¥ **10,775**	¥ 11,404	$ **95,630**
Short-term loans (Notes 9, 10 and 21)	**68,780**	106,105	**610,401**
Short-term bonds (Notes 10 and 21)	**5,000**	—	**44,373**
Current portion of bonds (Notes 10 and 21)	**10,245**	10,251	**90,929**
Income taxes payable (Note 16)	**5,619**	4,191	**49,868**
Deferred tax liabilities (Note 16)	**1**	2	**14**
Advances received	**8,011**	10,207	**71,097**
Allowance for employees' bonuses	**2,667**	2,637	**23,675**
Provision for unutilised gift tickets	**407**	384	**3,614**
Other (Notes 9 and 24)	**40,829**	46,956	**362,345**
Total current liabilities	**152,337**	192,141	**1,351,949**
NONCURRENT LIABILITIES:			
Bonds (Notes 10 and 21)	**80,257**	60,403	**712,258**
Long-term loans (Notes 9, 10, 21 and 22)	**161,430**	134,234	**1,432,648**
Long-term payables - other	**654**	253	**5,809**
Deferred tax liabilities (Note 16)	**7,944**	9,349	**70,504**
Deferred tax liabilities for land revaluation (Notes 8 and 16)	**31,087**	32,715	**275,892**
Accrued retirement benefits for directors and audit and supervisory board members	**447**	620	**3,974**
Liability for retirement benefits (Note 12)	**18,933**	19,665	**168,028**
Other (Note 24)	**25,448**	24,339	**225,848**
Total noncurrent liabilities	**326,204**	281,581	**2,894,963**
Total liabilities	**478,542**	473,722	**4,246,913**
COMMITMENTS AND CONTINGENT LIABILITIES (Note 23)			
NET ASSETS (Note 13) :			
Common stock:			
Authorised, 1,595,886,000 shares as at 31 March 2016 and 2015; Issued, 565,913,515 shares as at 31 March 2016 and 2015	**51,466**	51,466	**456,748**
Capital surplus	**28,794**	28,819	**255,545**
Retained earnings	**79,103**	60,525	**702,022**
Treasury stock, at cost, 24,193,867 shares as at 31 March 2016, and 3,822,672 shares as at 31 March 2015	**(17,199)**	(1,497)	**(152,643)**
Total shareholders' equity	**142,165**	139,314	**1,261,673**
Accumulated other comprehensive income:			
Net unrealised holding gain on securities (Notes 5 and 16)	**12,221**	15,187	**108,460**
Revaluation reserve for land (Notes 8 and 16)	**37,557**	35,496	**333,309**
Retirement benefit liability adjustment (Notes 12 and 16)	**(2,815)**	(1,881)	**(24,990)**
Total accumulated other comprehensive income, net	**46,962**	48,801	**416,779**
Non-controlling interests	**2,662**	2,398	**23,631**
Total net assets	**191,790**	190,513	**1,702,085**
TOTAL LIABILITIES AND NET ASSETS	¥ **670,333**	¥ 664,236	$ **5,948,999**

See accompanying notes to consolidated financial statements.

Consolidated Statement of Income
Keihan Holdings Co., Ltd. and Consolidated Subsidiaries
Year Ended 31 March 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	**2016**
OPERATING REVENUES (Notes 7 and 25)	**¥ 300,188**	¥ 294,906	**$ 2,664,080**
OPERATING EXPENSES:			
Transportation, other service expenses and cost of sales (Note 14)	**240,069**	238,680	**2,130,545**
Selling, general and administrative expenses (Note 7)	**28,594**	26,788	**253,763**
Total operating expenses	**268,663**	265,468	**2,384,309**
Operating income (Note 25)	**31,524**	29,437	**279,771**
OTHER INCOME (EXPENSES):			
Interest and dividend income	**790**	646	**7,011**
Interest expense	**(3,581)**	(3,931)	**(31,782)**
Loss on impairment of property, plant and equipment (Notes 7, 15 and 25)	**(61)**	(1,712)	**(543)**
Shares of profit of affiliates, net	**21**	1,177	**191**
Gain on contribution received for construction	**842**	18,617	**7,479**
Subsidies	**1,680**	1,144	**14,918**
Gain on sales of investment securities, net	**348**	11	**3,094**
Loss on sales or disposal of property, plant and equipment, net (Note 7)	**(511)**	(735)	**(4,539)**
Loss on deduction of contributions received for construction from acquisition costs of property, plant and equipment	**(1,475)**	(18,401)	**(13,097)**
Gain on bargain purchase	**4,709**	340	**41,795**
Loss on step acquisitions	**(2,119)**	—	**(18,807)**
Other, net	**(99)**	43	**(884)**
Other income (expenses), net	**544**	(2,802)	**4,835**
PROFIT BEFORE INCOME TAXES	**32,069**	26,640	**284,606**
INCOME TAXES (Note 16):			
Current	**9,094**	8,038	**80,715**
Deferred	**274**	527	**2,438**
Total income taxes	**9,369**	8,565	**83,153**
PROFIT	**22,699**	18,074	**201,453**
PROFIT ATTRIBUTABLE TO:			
Non-controlling interests	**313**	209	**2,786**
Owners of parent (Note 19)	**¥ 22,385**	¥ 17,864	**$ 198,666**

See accompanying notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income
Keihan Holdings Co., Ltd. and Consolidated Subsidiaries
Year Ended 31 March 2016

	Millions of Yen				Thousands of U.S. Dollars (Note 1)	
		2016		2015		**2016**
PROFIT	**¥**	**22,699**	¥	18,074	**$**	**201,453**
OTHER COMPREHENSIVE INCOME (Note 17):						
Net unrealised holding (loss) gain on securities		**(2,981)**		4,230		**(26,458)**
Revaluation reserve for land		**1,625**		3,456		**14,425**
Retirement benefit liability adjustment		**(934)**		619		**(8,289)**
Total other comprehensive (loss) income		**(2,289)**		8,306		**(20,322)**
COMPREHENSIVE INCOME	**¥**	**20,409**	¥	26,380	**$**	**181,130**
COMPREHENSIVE INCOME ATTRIBUTABLE TO:						
Owners of parent	**¥**	**20,111**	¥	26,162	**$**	**178,482**
Non-controlling interests		**298**		218		**2,648**

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 2016

	Millions of Yen										
	Common Stock	**Capital Surplus**	**Retained Earnings**	**Treasury Stock**	**Total Shareholders' Equity**	**Net Unrealised Holding Gain on Securities**	**Revaluation Reserve for Land**	**Retirement Benefit Liability Adjustment**	**Total Accumulated Other Comprehensive Income, Net**	**Non-controlling Interests**	**Total Net Assets**
BALANCE at 1 APRIL 2014	¥ 51,466	¥ 28,819	¥ 47,700	¥ (1,451)	¥ 126,535	¥ 10,966	¥ 32,008	¥ (2,501)	¥ 40,473	¥ 2,855	¥ 169,864
Cumulative effects of changes in accounting principles	–	–	(1,418)	–	(1,418)	–	–	–	–	–	(1,418)
BALANCE at 1 APRIL 2014 as adjusted	51,466	28,819	46,282	(1,451)	125,117	10,966	32,008	(2,501)	40,473	2,855	168,446
Cash dividends	–	–	(3,654)	–	(3,654)	–	–	–	–	–	(3,654)
Profit attributable to owners of parent for the period	–	–	17,864	–	17,864	–	–	–	–	–	17,864
Purchase of treasury stock	–	–	–	(47)	(47)	–	–	–	–	–	(47)
Disposal of treasury stock	–	0	–	0	0	–	–	–	–	–	0
Reversal of revaluation reserve for land	–	–	(31)	–	(31)	–	–	–	–	–	(31)
Change in scope of consolidation	–	–	63	–	63	–	–	–	–	–	63
Net changes in items other than shareholders' equity	–	–	–	–	–	4,220	3,487	619	8,328	(457)	7,870
BALANCE at 1 APRIL 2015	**51,466**	**28,819**	**60,525**	**(1,497)**	**139,314**	**15,187**	**35,496**	**(1,881)**	**48,801**	**2,398**	**190,513**
Cash dividends	**–**	**–**	**(3,372)**	**–**	**(3,372)**	**–**	**–**	**–**	**–**	**–**	**(3,372)**
Profit attributable to owners of parent for the period	**–**	**–**	**22,385**	**–**	**22,385**	**–**	**–**	**–**	**–**	**–**	**22,385**
Purchase of treasury stock	**–**	**–**	**–**	**(15,703)**	**(15,703)**	**–**	**–**	**–**	**–**	**–**	**(15,703)**
Disposal of treasury stock	**–**	**0**	**–**	**0**	**1**	**–**	**–**	**–**	**–**	**–**	**1**
Change in treasury shares of parent arising from transactions with non-controlling interests	**–**	**(25)**	**–**	**–**	**(25)**	**–**	**–**	**–**	**–**	**–**	**(25)**
Reversal of revaluation reserve for land	**–**	**–**	**(435)**	**–**	**(435)**	**–**	**–**	**–**	**–**	**–**	**(435)**
Net changes in items other than shareholders' equity	**–**	**–**	**–**	**–**	**–**	**(2,965)**	**2,060**	**(934)**	**(1,839)**	**264**	**(1,574)**
BALANCE at 31 MARCH 2016	**¥ 51,466**	**¥ 28,794**	**¥ 79,103**	**¥ (17,199)**	**¥ 142,165**	**¥ 12,221**	**¥ 37,557**	**¥ (2,815)**	**¥ 46,962**	**¥ 2,662**	**¥ 191,790**

	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**	**Retirement Benefit Liability Adjustment**	**Total Accumulated Other Comprehensive Income, Net**	**Non-controlling Interests**	**Total Net Assets**
BALANCE at 1 APRIL 2015	**$ 456,748**	**$ 255,762**	**$ 537,148**	**$ (13,290)**	**$ 1,236,368**	**$ 134,781**	**$ 315,020**	**$ (16,701)**	**$ 433,101**	**$ 21,281**	**$ 1,690,751**
Cash dividends	**–**	**–**	**(29,929)**	**–**	**(29,929)**	**–**	**–**	**–**	**–**	**–**	**(29,929)**
Profit attributable to owners of parent for the period	**–**	**–**	**198,666**	**–**	**198,666**	**–**	**–**	**–**	**–**	**–**	**198,666**
Purchase of treasury stock	**–**	**–**	**–**	**(139,360)**	**(139,360)**	**–**	**–**	**–**	**–**	**–**	**(139,360)**
Disposal of treasury stock	**–**	**7**	**–**	**7**	**14**	**–**	**–**	**–**	**–**	**–**	**14**
Change in treasury shares of parent arising from transactions with non-controlling interests	**–**	**(223)**	**–**	**–**	**(223)**	**–**	**–**	**–**	**–**	**–**	**(223)**
Reversal of revaluation reserve for land	**–**	**–**	**(3,863)**	**–**	**(3,863)**	**–**	**–**	**–**	**–**	**–**	**(3,863)**
Net changes in items other than shareholders' equity	**–**	**–**	**–**	**–**	**–**	**(26,320)**	**18,288**	**(8,289)**	**(16,321)**	**2,350**	**(13,971)**
BALANCE at 31 MARCH 2016	**$ 456,748**	**$ 255,545**	**$ 702,022**	**$ (152,643)**	**$ 1,261,673**	**$ 108,460**	**$ 333,309**	**$ (24,990)**	**$ 416,779**	**$ 23,631**	**$ 1,702,085**

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows
Keihan Holdings Co., Ltd. and Consolidated Subsidiaries
Year Ended 31 March 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	**2016**
OPERATING ACTIVITIES:			
Profit before income taxes	**¥ 32,069**	¥ 26,640	**$ 284,606**
Adjustments for:			
Depreciation and amortisation	**17,949**	17,349	**159,292**
Loss on impairment of property, plant and equipment	**61**	1,712	**543**
Gain on bargain purchase	**(4,709)**	(340)	**(41,795)**
Loss on step acquisitions	**2,119**	—	**18,807**
Loss on sales or disposal of property, plant and equipment, net	**643**	1,123	**5,711**
Loss on deduction of contributions received for construction from acquisition costs of property, plant and equipment	**1,475**	18,401	**13,097**
Gain on contribution received for construction	**(842)**	(18,617)	**(7,479)**
Gain on sales of investment securities, net	**(348)**	(11)	**(3,094)**
Share of profit of affiliates, net	**(21)**	(1,177)	**(191)**
Interest and dividend income	**(790)**	(646)	**(7,011)**
Interest expense	**3,581**	3,931	**31,782**
(Decrease) increase in allowance for doubtful accounts	**(3)**	32	**(34)**
Increase (decrease) in allowance for employees' bonuses	**23**	(190)	**207**
Decrease in liability for retirement benefits	**(369)**	(479)	**(3,281)**
Increase in assets for retirement benefits	**(296)**	(663)	**(2,630)**
Decrease (increase) in trade receivables	**6,817**	(4,559)	**60,499**
Decrease (increase) in inventories	**342**	(18,235)	**3,039**
Decrease in trade payables	**(753)**	(123)	**(6,685)**
Other, net	**(9,969)**	9,477	**(88,476)**
Subtotal	**46,977**	33,622	**416,906**
Interest and dividend income received	**837**	670	**7,429**
Interest expenses paid	**(3,604)**	(3,970)	**(31,990)**
Income taxes paid	**(7,874)**	(8,863)	**(69,884)**
Net cash provided by operating activities	**36,334**	21,459	**322,461**
INVESTING ACTIVITIES:			
(Increase) decrease in time deposits, net	**(0)**	0	**(0)**
Purchase of property, plant and equipment	**(28,696)**	(19,912)	**(254,673)**
Proceeds from sales of property, plant and equipment	**930**	16,349	**8,254**
Proceeds from contribution received for construction	**1,315**	1,176	**11,674**
Purchase of investment securities	**(2,111)**	(2,335)	**(18,741)**
Proceeds from sales of investment securities	**349**	20	**3,101**
Payment for additional investment in subsidiaries	**—**	(298)	**—**
Purchase of investment in subsidiaries resulting in change in scope of consolidation	**—**	(52)	**—**
(Increase) decrease in loans receivable	**(17)**	9	**(158)**
Other, net	**481**	569	**4,268**
Net cash used in investing activities	**(27,750)**	(4,473)	**(246,273)**
FINANCING ACTIVITIES:			
(Decrease) increase in short-term loans, net	**(10,701)**	2,726	**(94,974)**
Increase in short-term bonds, net	**5,000**	—	**44,373**
Proceeds from long-term loans	**75,672**	26,223	**671,569**
Repayments of long-term loans	**(75,099)**	(28,156)	**(666,484)**
Proceeds from issuance of bonds	**29,938**	—	**265,690**
Redemption of bonds	**(10,251)**	(10,331)	**(90,982)**
Repayments of long-term payables - other	**(15)**	(1,401)	**(139)**
Cash dividends paid	**(3,372)**	(3,651)	**(29,930)**
Dividends paid to non-controlling interests	**(25)**	(30)	**(229)**
Purchase of treasury stock	**(15,703)**	(47)	**(139,360)**
Other, net	**(1,208)**	(1,607)	**(10,727)**
Net cash used in financing activities	**(5,768)**	(16,275)	**(51,197)**
Net increase in cash and cash equivalents	**2,816**	710	**24,991**
Cash and cash equivalents at beginning of year	**26,552**	25,831	**235,645**
Increase in cash and cash equivalents resulting from mergers with unconsolidated subsidiaries	**4**	10	**38**
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 20)	**¥ 29,372**	¥ 26,552	**$ 260,675**

See accompanying notes to consolidated financial statements.

Keihan Holdings Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements
Year Ended 31 March 2016

1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Keihan Holdings Co., Ltd. (former name: Keihan Electric Railway 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.

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.

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. Such reclassification had no effect on consolidated profit or net assets.

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 ¥112.68 to $1, the approximate rate of exchange at 31 March 2016. 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.

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, net sales, net 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 one affiliate are accounted for by the equity method for the year ended 31 March 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a. ***Consolidation (continued)***
Investments in unconsolidated subsidiaries are not accounted for by the equity method but stated at cost, because the effect of their net 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 three categories: trading securities, held-to-maturity debt securities or other securities. Trading securities, consisting of debt and marketable equity securities are stated at fair value. Gain and loss, both realised and unrealised, are charged to income. 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 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 (loss) 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 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.

The useful lives range from 5 to 60 years for buildings and structures, and 5 to 20 years for machinery, equipment and vehicles.

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. 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i. ***Allowance for Employees' Bonuses* -** Allowance 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.

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 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 10 to 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. ***Hedge Accounting* -** The Company and four 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n. Hedge Accounting (continued)

(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* -** For the Company and two consolidated subsidiaries, contributions for construction granted by municipal governments and others are deducted directly from the acquisition costs of the related assets at the time of completion of construction for seismic strengthening, the widening of railroad crossings and so forth for the railway business.

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. Non-deductible consumption taxes related to the Company's assets are included in the cost of each asset.

3. ACCOUNTING CHANGE

Accounting Standards for Business Combinations

The Company and its domestic subsidiaries adopted "Revised Accounting Standard for Business Combinations" (Accounting Standards Board of Japan ("ASBJ") Statement No. 21 of 13 September 2013), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22 of 13 September 2013), "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No.7 of 13 September 2013) and other standards. These revised accounting standards are applied from the fiscal year ended 31 March 2016. Accordingly, differences resulting from changes in ownership interest in a subsidiary when control over the subsidiary is retained are recognised under capital surplus, and acquisition-related costs are recorded as expenses for the period in which they arise. For business combinations conducted on or after the beginning of the year ended 31 March 2016, the accounting method has been changed to reflect adjustments of the allocation of acquisition costs on the finalisation of provisional accounting treatments in the consolidated financial statements for the year in which the business combination occurs. In addition, the presentation method of profit attributable to owners of parent was amended, and the reference to "minority interests" was changed to "non-controlling interests." Certain reclassifications were made to the previous year's consolidated financial statements to reflect these changes in presentation.

In the consolidated statement of cash flows for the year ended 31 March 2016, cash flows related to the acquisition of shares of subsidiaries not resulting in a change in the scope of consolidation are classified into "cash flows from financing activities," while cash flows related to expenses arising from acquisition of shares of subsidiaries resulting in a change in the scope of consolidation are classified into "cash flows from operating activities."

3. ACCOUNTING CHANGE (continued)

Accounting Standards for Business Combinations (continued)

From 1 April 2015, these revised standards are applied prospectively in accordance with the transitional treatment provided in Article 58 – 2 (4) of ASBJ Statement No.21, Article 44 – 5 (4) of ASBJ Statement No.22 and Article 57 – 4 (4) of ASBJ Statement No.7.

The effect on the consolidated financial statements for the year ended and as of 31 March 2016 was immaterial.

4. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

Implementation Guidance on Recoverability of Deferred Tax Assets

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

(1) Overview

The ASBJ basically continues to apply the framework used in "Audit Treatment of Judgments with Regard to Recoverability of Deferred Tax Assets" (Japanese Institute of Certified Public Accountants Audit Committee Report No. 66), where each entity is classified into one of five categories depending on past taxable income and the status of net operating tax loss carryforwards, and the recoverability of the deferred tax assets is assessed based on the entity's assigned category. However, the ASBJ reflected necessary changes in the guidance regarding the following accounting treatments:

*1 Accounting treatment for entities that are not included in any of the five categories
*2 Criteria for classifying entities that have generated stable income for the past three years and the current year classified as "Category 2" or which have experienced significant fluctuations of taxable income, however, with no significant net operating tax loss carryforwards for the past three years or the current year classified as "Category 3" entities
*3 Recoverability of deferred tax assets for unscheduled deductible temporary differences of "Category 2" entities
*4 Reasonable estimable period of future taxable income before adjustments of temporary differences for "Category 3" entities
*5 Accounting treatment for recoverability of deferred tax assets at "Category 4" entities with significant net operating tax loss carryforwards or that have had significant net operating tax loss carryforwards expire in the past three years or the current year or are expected to expire, which, are classified as "Category 2" or "Category 3" entities due to meeting certain conditions

(2) Scheduled date of adoption

The Company expects to adopt the revised implementation guidance from the beginning of the fiscal year ending 31 March 2017.

(3) Impact of adopting revised implementation guidance

The Company is currently evaluating the effect of adopting this revised implementation guidance on its consolidated financial statements.

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 2016 and 2015.

	Millions of Yen		
	2016		
	Carrying value	Fair value	Difference
Securities with fair value exceeding carrying value:			
National and municipal bonds	**¥ 172**	**¥ 172**	**¥ 0**
Corporate bonds	**1,401**	**1,496**	**94**
Other	**300**	**304**	**4**
Total	**¥ 1,873**	**¥ 1,973**	**¥ 99**

	Millions of Yen		
	2015		
	Carrying value	Fair value	Difference
Securities with fair value exceeding carrying value:			
National and municipal bonds	¥ 165	¥ 165	¥ 0
Securities with fair value not exceeding carrying value:			
National and municipal bonds	48	48	(0)
Total	¥ 213	¥ 214	¥ 0

	Thousands of U.S. Dollars		
	2016		
	Carrying value	Fair value	Difference
Securities with fair value exceeding carrying value:			
National and municipal bonds	**$ 1,526**	**$ 1,531**	**$ 4**
Corporate bonds	**12,441**	**13,281**	**839**
Other	**2662**	**2,698**	**35**
Total	**$ 16,630**	**$ 17,510**	**$ 880**

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 2016 and 2015.

	Millions of Yen		
	2016		
	Carrying value	Acquisition cost	Difference
Securities with carrying value exceeding acquisition cost:			
Equity securities	**¥ 24,673**	**¥ 8,413**	**¥ 16,259**
Other	**2,080**	**1,509**	**570**
Sub total	**26,753**	**9,923**	**16,829**
Securities with carrying value not exceeding acquisition cost:			
Equity securities	**76**	**88**	**(12)**
Debt securities	**307**	**307**	**–**
Sub total	**383**	**396**	**(12)**
Total	**¥ 27,137**	**¥ 10,320**	**¥ 16,816**

	Millions of Yen		
	2015		
	Carrying value	Acquisition cost	Difference
Securities with carrying value exceeding acquisition cost:			
Equity securities	¥ 29,161	¥ 8,482	¥ 20,678
Other	2,331	1,509	821
Sub total	31,492	9,992	21,500
Securities with carrying value not exceeding acquisition cost:			
Equity securities	19	19	(0)
Debt securities	11	11	–
Sub total	30	30	(0)
Total	¥ 31,523	¥ 10,023	¥ 21,499

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

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

	Thousands of U.S. Dollars		
	2016		
	Carrying value	Acquisition cost	Difference
Securities with carrying value exceeding acquisition cost:			
Equity securities	**$ 218,967**	**$ 74,670**	**$ 144,297**
Other	**18,461**	**13,400**	**5,060**
Sub total	**237,428**	**88,070**	**149,357**
Securities with carrying value not exceeding acquisition cost:			
Equity securities	**675**	**789**	**(114)**
Debt securities	**2,728**	**2,728**	**–**
Sub total	**3,404**	**3,518**	**(114)**
Total	**$ 240,832**	**$ 91,589**	**$ 149,243**

Unlisted equity securities with a carrying value of ¥4,546 million ($40,349 thousand) and ¥3,133 million as at 31 March 2016 and 2015, 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 2016 and 2015. Gain on sales are included in gain on sales of investment securities, net in the consolidated statement of income.

	Millions of Yen		
	2016		
	Proceeds	Gain on sale	Loss on sale
Equity securities	**¥ 0**	**¥ 0**	**¥ –**

	Millions of Yen		
	2015		
	Proceeds	Gain on sale	Loss on sale
Equity securities	¥ 20	¥ 11	¥ 0

	Thousands of U.S. Dollars		
	2016		
	Proceeds	Gain on sale	Loss on sale
Equity securities	**$ 1**	**$ 1**	**$ –**

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 2016 and 2015 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Investments in unconsolidated subsidiaries and affiliates	**¥ 8,590**	¥ 12,839	**$ 76,234**

6. PROPERTY, PLANT AND EQUIPMENT

Accumulated depreciation included in property, plant and equipment as at 31 March 2016 and 2015 amounted to ¥426,606 million ($3,786,004 thousand) and ¥394,550 million, respectively.

Accumulated contributions deducted from the acquisition costs of property, plant and equipment as at 31 March 2016 and 2015 amounted to ¥180,593 million ($1,602,710 thousand) and ¥179,904 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 2016, rental income, net of related expenses, relevant to these properties amounted to ¥9,508 million ($84,383 thousand) and net gain on sales of these properties amounted to ¥41 million ($370 thousand).

For the year ended 31 March 2015, rental income, net of related expenses, relevant to these rental properties amounted to ¥10,132 million and net loss on sales of these properties amounted to ¥483 million. Furthermore, loss on impairment of these real estate properties was recognised in the amount of ¥1,553 million.

Rental income is included in operating revenues and rental expenses are mainly included in operating expenses in the consolidated statements of income. Net loss on sales and impairment of these rental properties are included in other expenses in the consolidated statement of income.

Increases/(decreases) in the carrying value during the years ended 31 March 2016 and 2015, and the fair value of the rental properties as at 31 March 2016 and 2015 are as follows:

7. RENTAL PROPERTIES (continued)

Millions of Yen			
2016			
Carrying value			Fair value
1 April 2015	Increase/(Decrease)	31 March 2016	31 March 2016
¥ 142,930	**¥ 12,315**	**¥ 155,245**	**¥ 206,366**

Millions of Yen			
2015			
Carrying value			Fair value
1 April 2014	Increase/(Decrease)	31 March 2015	31 March 2015
¥ 162,595	¥ (19,665)	¥ 142,930	¥ 179,905

Thousands of U.S. Dollars			
2016			
Carrying value			Fair value
1 April 2015	Increase/(Decrease)	31 March 2016	31 March 2016
$ 1,268,463	**$ 109,293**	**$ 1,377,756**	**$ 1,831,440**

Notes: 1. Carrying value recognised in the consolidated balance sheet represents the acquisition cost less accumulated depreciation and accumulated losses on impairment.
2. The main components of net changes in the carrying value during the years ended 31 March 2016 and 2015 are the increase due to consolidation of a new subsidiary of ¥6,960 million ($61,768 thousand) and construction of logistics facilities of ¥4,428 million ($39,304 thousand) and the decrease due to sale of ¥16,862 million and loss on impairment of ¥1,553 million.
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 revaluates 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 2016 are summarised as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2016		2016	
	Total	The Group's Railway foundation mortgage	Total	The Group's Railway foundation mortgage
Assets pledged as collateral:				
Cash and deposits	¥ **1**	¥ **(–)**	$ **8**	$ **(–)**
Buildings and structures	**66,322**	**(62,870)**	**588,594**	**(557,955)**
Machinery, equipment and vehicles	**10,448**	**(10,448)**	**92,725**	**(92,725)**
Land	**71,845**	**(70,853)**	**637,608**	**(628,801)**
Other property, plant and equipment	**631**	**(631)**	**5,607**	**(5,607)**
Investment securities	**800**	**(–)**	**7,099**	**(–)**
Total	¥ **150,049**	¥ **(144,803)**	$ **1,331,644**	$ **(1,285,090)**

	Millions of Yen		Thousands of U.S. Dollars	
	2016		2016	
	Total	The Group's Railway foundation mortgage	Total	The Group's Railway foundation mortgage
Corresponding liabilities:				
Accounts payables	¥ **23**	¥ **(–)**	$ **212**	$ **(–)**
Other accounts payable included in other of current liabilities	**–**	**(–)**	**–**	**(–)**
Long-term loans (including current portion of long-term loans)	**50,478**	**(48,584)**	**447,983**	**(431,172)**
Total	¥ **50,502**	¥ **(48,584)**	$ **448,196**	$ **(431,172)**

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 LOANS, SHORT-TERM BONDS, BONDS AND LONG-TERM LOANS

The average interest rates applicable to the short-term bank loans, which are calculated as the weighted-average rates to the year end balances, were 0.626% and 0.660% for the years ended 31 March 2016 and 2015, respectively. The Company has issued short-term bonds of ¥5,000 million ($44,373 thousand) as at 31 March 2016.

Long-term debt as at 31 March 2016 and 2015 is summarised as follows:

Bonds

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Euro-yen zero coupon unsecured convertible bonds with stock acquisition rights in yen, due 30 March 2021	¥ **20,099**	¥ –	$ **178,380**
Unsecured Keihan Electric Railway bonds, payable in yen at rates ranging from 0.725% to 2.27%, due from 2016 through 2025	**70,000**	70,000	**621,228**
Unsecured Keifuku Electric Railroad bonds, payable in yen at rates ranging from 0.199% to 0.470%, due from 2016 through 2020	**403**	655	**3,579**
Less current portion	**(10,245)**	(10,251)	**(90,929)**
Bonds, less current portion	¥ **80,257**	¥ 60,403	$ **712,258**

The aggregate annual maturities of bonds subsequent to 31 March 2016 are summarised as follows:

Year ending 31 March,	Millions of Yen	Thousands of U.S. Dollars
2017	¥ **10,245**	$ **90,929**
2018	**45**	**407**
2019	**10,045**	**89,154**
2020	**10,045**	**89,154**
2021	**20,119**	**178,554**
2022 and thereafter	**40,000**	**354,987**
Total	¥ **90,503**	$ **803,188**

Euro-yen zero coupon unsecured convertible bonds with stock acquisition rights issued on 30 March 2016 are convertible at ¥1,063 ($9.43) per share in the period from 13 April 2016 to 16 March 2021 subject to adjustment in certain circumstances.

10. SHORT-TERM LOANS, SHORT-TERM BONDS, BONDS AND LONG-TERM LOANS (continued)

Loans

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Loans from banks and other financial institutions, due serially to 2036 at weighted-average rates ranging from 0.931% to 1.504%	**¥ 179,740**	¥ 179,167	**$ 1,595,143**
Less current portion	**(18,309)**	(44,933)	**(162,495)**
Long-term loans, less current portion	**¥ 161,430**	¥ 134,234	**$ 1,432,648**

The aggregate annual maturities of long-term loans subsequent to 31 March 2016 are summarised as follows:

Year ending 31 March,	Millions of Yen	Thousands of U.S. Dollars
2017	**¥ 18,309**	**$ 162,495**
2018	**22,627**	**200,808**
2019	**25,357**	**225,040**
2020	**58,940**	**523,079**
2021	**7,136**	**63,334**
2022 and thereafter	**47,369**	**420,386**
Total	**¥ 179,740**	**$ 1,595,143**

11. OVERDRAFT AND LOAN COMMITMENTS

The Company and consolidated subsidiaries entered into overdraft and loan commitment agreements with 23 banks for efficient funding of working capital as at 31 March 2016.

The unused portions of the credit line under these agreements as at 31 March 2016 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2016	**2016**
Total overdraft limits and loan commitments	**¥ 83,844**	**$ 744,093**
Loan executions	**(46,810)**	**(415,428)**
Unused credit line	**¥ 37,034**	**$ 328,665**

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. The Company also maintains a retirement benefit trust.

(1) The changes in the defined benefit obligation for the years ended 31 March 2016 and 2015 (except for the retirement benefit obligation calculated by the simplified method presented in (3) below) were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Balance at the beginning of year, as originally reported	**¥ 32,643**	¥ 31,840	**$ 289,697**
Cumulative effects of changes in accounting principle	**–**	1,893	**–**
Balance at the beginning of year, as adjusted	**32,643**	33,733	**289,697**
Service costs	**1,292**	1,334	**11,471**
Interest cost	**273**	292	**2,427**
Actuarial loss	**640**	446	**5,683**
Retirement benefits paid	**(2,504)**	(3,164)	**(22,230)**
Other	**233**	–	**2,074**
Balance at the end of year	**¥ 32,578**	¥ 32,643	**$ 289,124**

(2) The changes in plan assets for the years ended 31 March 2016 and 2015 (except for plan assets calculated by the simplified method presented in (3) below) were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Balance at the beginning of year	**¥ 16,932**	¥ 15,817	**$ 150,270**
Expected return on plan assets	**388**	364	**3,451**
Actuarial (loss) gain	**(1,374)**	728	**(12,199)**
Contributions by the Group	**1,273**	1,597	**11,302**
Retirement benefits paid	**(1,295)**	(1,575)	**(11,500)**
Other	**249**	–	**2,213**
Balance at the end of year	**¥ 16,173**	¥ 16,932	**$ 143,537**

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 2016 and 2015 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Balance at the beginning of year	**¥ 2,489**	¥ 2,545	**$ 22,094**
Retirement benefit expenses	**218**	285	**1,940**
Retirement benefits paid	**(202)**	(255)	**(1,793)**
Contributions to pension plans	**(72)**	(85)	**(644)**
Increase due to consolidation of a new subsidiary	**76**	–	**674**
Other	**(2)**	–	**(18)**
Balance at the end of year	**¥ 2,507**	¥ 2,489	**$ 22,253**

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 2016 and 2015

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Funded retirement benefit obligation	**¥ 15,852**	¥ 16,168	**$ 140,689**
Plan assets at fair value	**(16,554)**	(17,507)	**(146,915)**
	(701)	(1,338)	**(6,226)**
Unfunded retirement benefit obligation	**19,613**	19,539	**174,066**
Net of asset and liability for retirement benefits in the consolidated balance sheet	**18,912**	18,200	**167,840**
Liability for retirement benefit	**18,933**	19,665	**168,028**
Asset for retirement benefits	**(21)**	(1,464)	**(188)**
Net liability for retirement benefits in the consolidated balance sheet	**¥ 18,912**	¥ 18,200	**$ 167,840**

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 2016 and 2015 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Service costs	**¥ 1,292**	¥ 1,334	**$ 11,471**
Interest cost	**273**	292	**2,427**
Expected return on plan assets	**(388)**	(364)	**(3,451)**
Amortisation of actuarial loss	**962**	1,084	**8,539**
Amortisation of prior service costs	**(249)**	(249)	**(2,212)**
Retirement benefit expenses calculated by the simplified method	**218**	285	**1,940**
Other	**38**	–	**343**
Retirement benefit expenses for defined benefit plans	**¥ 2,147**	¥ 2,382	**$ 19,059**

(6) The components of retirement benefit liability adjustment (before tax effects) in other comprehensive income for the years ended 31 March 2016 and 2015 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Prior service costs	**¥ 249**	¥ 249	**$ 2,212**
Actuarial loss (gain)	**1,052**	(1,366)	**9,342**
Total	**¥ 1,302**	¥ (1,117)	**$ 11,555**

(7) The components of retirement benefit liability adjustment (before tax effects) in accumulated other comprehensive income as at 31 March 2016 and 2015 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Unrecognised prior service costs	**¥ (2,582)**	¥ (2,831)	**$ (22,918)**
Unrecognised actuarial gain	**6,662**	5,610	**59,130**
Total	**¥ 4,080**	¥ 2,778	**$ 36,211**

12. RETIREMENT BENEFITS (continued)

(8) Plan assets

a. The components of plan assets by major category as at 31 March 2016 and 2015 are as follows:

	2016	2015
Debt securities	**43%**	43%
Equity securities	**32**	35
General accounts	**14**	12
Cash and deposits	**5**	5
Other	**6**	5
Total	**100%**	100%

Note: 20% and 26% of the total plan assets are in the retirement benefit trust as at 31 March 2016 and 2015, 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 2016 and 2015 are set forth as follows:

	2016	2015
Discount rates	**0.1-0.9%**	0.7-0.9%
Long-term expected rates of return on plan assets	**1.0-4.0%**	2.5-4.0%

(10) Defined contribution plans for the years ended 31 March 2016 and 2015

The total contributions to be paid by the Company and its consolidated subsidiaries to defined contribution plans were ¥554 million ($4,921 thousand) and ¥534 million for the years ended 31 March 2016 and 2015, 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 and sale 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 the sale of new shares as additional paid-in capital included in capital surplus.

(1) Movements in issued shares of common stock and treasury stock during the years ended 31 March 2016 and 2015 are as follows:

	Number of shares			
	2016			
	1 April 2015	Increase	Decrease	31 March 2016
Issued shares:				
Common stock	**565,913,515**	**–**	**–**	**565,913,515**
Treasury stock (Notes 1 and 2)	**3,822,672**	**20,373,309**	**2,114**	**24,193,867**

Notes: 1. The increase in the number of shares of treasury stock of 20,373,309 shares was due to purchase of treasury stock under resolution of the Board of Directors and of 70,309 shares was due to repurchases of fractional shares of less than one voting unit.
2. The decrease in the number of shares of treasury stock of 2,114 shares was due to sales of fractional shares of less than one voting unit.

	Number of shares			
	2015			
	1 April 2014	Increase	Decrease	31 March 2015
Issued shares:				
Common stock	565,913,515	–	–	565,913,515
Treasury stock (Notes 1 and 2)	3,740,367	83,953	1,648	3,822,672

Notes: 1. The increase in the number of shares of treasury stock of 83,953 shares was due to repurchases of fractional shares of less than one voting unit.
2. The decrease in the number of shares of treasury stock of 1,648 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 2016 and 2015 is as follows:

<u>For the year ended 31 March 2016</u>

a. Dividend payment:

2016					
Resolutions	Type of shares	Dividends paid	Dividend per share	Record dates	Effective dates
General shareholders' meeting held on 17 June 2015	Common stock	**¥1,686 million ($14,965 thousand)**	**¥3.0 ($0.02)**	31 March 2015	18 June 2015
Board meeting held on 29 October 2015	Common stock	**¥1,686 million ($14,964 thousand)**	**¥3.0 ($0.02)**	30 September 2015	1 December 2015

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

2016						
Resolution	Type of shares	Dividends paid	Source of dividend	Dividend per share	Record date	Effective date
General shareholders' meeting held on 17 June 2016	Common stock	**¥1,625 million ($14,422 thousand)**	Retained earnings	**¥3.0 ($0.02)**	31 March 2016	20 June 2016

<u>For the year ended 31 March 2015</u>

a. Dividend payment:

2015					
Resolutions	Type of shares	Dividends paid (Millions of Yen)	Dividend per share (Yen)	Record dates	Effective dates
General shareholders' meeting held on 19 June 2014	Common stock	¥ 1,967	¥ 3.5	31 March 2014	20 June 2014
Board meeting held on 31 October 2014	Common stock	¥ 1,686	¥ 3.0	30 September 2014	1 December 2014

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

2015						
Resolution	Type of shares	Dividends paid (Millions of Yen)	Source of dividend	Dividend per share (Yen)	Record date	Effective date
General shareholders' meeting held on 17 June 2015	Common stock	¥ 1,686	Retained earnings	¥ 3.0	31 March 2015	18 June 2015

14. COST OF SALES

Cost of sales included loss on devaluation of inventories of ¥746 million ($6,628 thousand) and ¥665 million for the years ended 31 March 2016 and 2015, 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 ¥61 million ($543 thousand) and ¥1,712 million for the years ended 31 March 2016 and 2015, respectively. The details are summarised as follows:

For the year ended 31 March 2016

			2016	
Usage	Classification	Location	Millions of Yen	Thousands of U.S. Dollars
Idle assets	Land	Tsuzukigun, Kyoto	**¥ 30**	**$ 271**
Hotel facilities	Buildings and structures and other	Sakyo-ku, Kyoto	**23**	**212**
Commercial stores	Buildings and structures and other	Nishi-ku, Nagoya	**6**	**60**
		Total	**¥ 61**	**$ 543**

For the year ended 31 March 2015

		2015	
Usage	Classification	Location	Millions of Yen
Idle assets	Land	Chuo-ku, Tokyo	¥ 900
Rental properties	Land, buildings and structures and other	Moriguchi, Osaka and other	652
Hotel facilities	Buildings and structures and other	Sakyo-ku, Kyoto	118
Commercial stores	Buildings and structures and other	Nishi-ku, Nagoya and other	40
		Total	¥ 1,712

For assets, such as idle assets, rental properties, hotel facilities and commercial stores when a decline in market value is observed, a decline in profitability is expected to continue, or a decision to sell or dismantlement is made, respectively, the Group writes down the carrying value of the asset to the recoverable amount and loss on impairment of property, plant and equipment is recorded as other expense.

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

The recoverable amounts of idle assets were determined using net realizable value basically based on the appraisal value assessed by an external appraiser for the years ended 31 March 2016 and 2015.

The recoverable amounts of rental properties were determined using net realizable value basically based on the appraisal value assessed by an external appraiser or value in use calculated by the discounted cash flow method with a discount rate of 5% for the year ended 31 March 2015. Such properties to be dismantled were written down to the nominal value as future cash flow was not expected.

The recoverable amounts for hotel facilities were determined using net realisable value basically based on the appraisal value assessed by an external appraiser for the years ended 31 March 2016 and 2015.

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 not expected due to a decision to withdraw from the business during the year ended 31 March 2016.

The recoverable amounts of commercial stores were determined using value in use calculated by the discounted cash flow method with a discount rate of 5% for the year ended 31 March 2015. Certain commercial stores were written down to the nominal value as future cash flow was not expected.

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 normal statutory tax rates of approximately 33.0% for the year ended 31 March 2016 and approximately 35.6% for the year ended 31 March 2015.

The tax effects of significant temporary differences and tax loss carry forwards which resulted in net deferred tax assets and liabilities at 31 March 2016 and 2015 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Deferred tax assets:			
Liability for retirement benefits	**¥ 8,984**	¥ 9,691	**$ 79,733**
Loss on devaluation of land, buildings and structures for sale	**1,445**	1,613	**12,825**
Loss on impairment of property, plant and equipment	**1,338**	1,488	**11,880**
Tax loss carry forwards	**1,297**	1,504	**11,510**
Unrealised gain	**1,125**	1,054	**9,992**
Loss on devaluation of securities	**972**	1,082	**8,628**
Allowance for employees' bonuses	**866**	888	**7,688**
Accrued enterprise tax	**443**	418	**3,934**
Others	**2,681**	2,907	**23,794**
Sub-total	**19,154**	20,649	**169,989**
Valuation allowance	**(6,852)**	(7,684)	**(60,809)**
Total deferred tax assets	**12,302**	12,965	**109,179**
Offset by deferred tax liabilities	**(7,560)**	(8,694)	**(67,097)**
Net deferred tax assets	**¥ 4,741**	¥ 4,271	**$ 42,082**
Deferred tax liabilities:			
Difference on valuation of assets of consolidated subsidiaries	**¥ (8,085)**	¥ (8,327)	**$ (71,759)**
Net unrealised holding gain on securities	**(4,515)**	(6,217)	**(40,076)**
Gain on securities contributed to employee retirement benefit trust	**(2,461)**	(2,589)	**(21,841)**
Reserve for deduction in costs of property, plant and equipment	**(187)**	(164)	**(1,663)**
Assets for retirement benefits	**–**	(521)	**–**
Others	**(256)**	(225)	**(2,274)**
Total deferred tax liabilities	**(15,506)**	(18,046)	**(137,616)**
Offset by deferred tax assets	**7,560**	8,694	**67,097**
Net deferred tax liabilities	**¥ (7,946)**	¥ (9,351)	**$ (70,518)**

16. INCOME TAXES (continued)

A reconciliation between the statutory tax rates and the effective tax rates reflected in the accompanying consolidated statement of income for the years ended 31 March 2016 and 2015 is as follows:

	2016	2015
Statutory tax rates	**33.0%**	35.6%
Effect of:		
Permanent non-deductible expenses	**0.6**	0.7
Permanent non-taxable income	**(0.2)**	(0.4)
Per capita portion of inhabitants' tax	**0.4**	0.4
Effect of change in corporate tax rates	**(0.1)**	0.0
Valuation allowance	**(2.3)**	(2.6)
Amortisation of goodwill	**0.3**	0.4
Equity in loss of affiliates, net	**(0.0)**	(1.6)
Gain on bargain purchase	**(4.9)**	(0.5)
Loss on step acquisitions	**2.2**	–
Others	**0.2**	0.2
Effective tax rates	**29.2**	32.2

The "Act to Partially Revise the Income Tax Act and Others" (Act No.15 of 2016) and the "Act to Partially Revise the Local Tax Act and Others" (Act No.13 of 2016) were enacted during the Japanese Diet session on 29 March 2016. In line with these revisions, the Company changed the statutory tax rate used to calculate deferred tax assets and liabilities from 32.2% to 30.8% and to 30.6% for the temporary differences expected to be realised or settled in the years beginning 1 April 2016 and 2017, and for the temporary differences expected to be realised or settled from 1 April 2018, respectively. The effect of the announced reduction of the effective statutory tax rate was to decrease deferred tax liabilities after offsetting deferred tax assets, by ¥218 million ($1,937 thousand) and to increase net unrealised holding gain on securities by ¥235 million ($2,086 thousand) and to decrease income taxes-deferred by ¥45 million ($402 thousand) and retirement benefit liability adjustment by ¥62 million ($550 thousand) as of and for the year ended 31 March 2016.

Additionally, deferred tax liability relating to revaluation reserve for land decreased by ¥1,625 million ($14,425 thousand) and revaluation reserve for land increased by the same amount as of 31 March 2016.

17. OTHER COMPREHENSIVE INCOME

Reclassification adjustments and related income tax effects on components of other comprehensive income (loss) for the years ended 31 March 2016 and 2015 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Net unrealised holding (loss) gain on securities:			
Amount arising during the year	**¥ (4,683)**	¥ 5,465	**$ (41,562)**
Reclassification adjustments for gain included in profit	**(0)**	(11)	**(1)**
Before tax effect	**(4,683)**	5,453	**(41,564)**
Tax effect	**1,702**	(1,223)	**15,105**
Total	**(2,981)**	4,230	**(26,458)**
Revaluation reserve for land:			
Amount arising during the year	**–**	–	**–**
Reclassification adjustments for gain included in profit	**–**	–	**–**
Before tax effect	**–**	–	**–**
Tax effect	**1,625**	3,456	**14,425**
Total	**1,625**	3,456	**14,425**
Retirement benefit liability adjustment:			
Amount arising during the year	**(2,015)**	281	**(17,882)**
Reclassification adjustments for loss included in profit	**712**	835	**6,327**
Before tax effect	**(1,302)**	1,117	**(11,555)**
Tax effect	**368**	(497)	**3,266**
Total	**(934)**	619	**(8,289)**
Other comprehensive (loss) income, net	**¥ (2,289)**	¥ 8,306	**$ (20,322)**

18. LEASES

(1) Finance Leases (as Lessee)

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 following *pro forma* amounts represent the acquisition costs, accumulated depreciation, accumulated loss on impairment and net book value of leased assets as at 31 March 2016 and 2015, which would have been reflected in the accompanying consolidated balance sheet if finance lease accounting had been applied to the finance lease transactions entered into by the Company and its consolidated subsidiaries as lessees, which are currently accounted for as operating leases:

<u>As at 31 March 2016</u>

The information is omitted because acquisition costs, accumulated depreciation and net book value are immaterial as at 31 March 2016.

<u>As at 31 March 2015</u>

	Millions of Yen		
	2015		
	Acquisition costs	Accumulated depreciation	Net book value
Buildings and structures	¥ 12	¥ 2	¥ 9
Machinery, equipment and vehicles	1,266	1,074	191
Total	¥ 1,278	¥ 1,077	¥ 201

Acquisition costs in the table above are calculated based on the original future minimum lease payments and accordingly they include interest expense. Under Japanese GAAP, this treatment is permitted when the ratio of the balance of the remaining lease payments at year end to the balance of property, plant and equipment is insignificant.

18. LEASES (continued)

(1) Finance Leases (as Lessee) (continued)

The following *pro forma* amounts represent future minimum lease payments (including the interest portion thereon) for finance leases accounted for as operating leases as at 31 March 2016 and 2015:

As at 31 March 2016

The information is omitted because the amount of future minimum lease payments is immaterial as at 31 March 2016.

As at 31 March 2015

	Millions of Yen
	2015
Future minimum lease payments	
Due within one year	¥ 119
Due after one year	81
Total	¥ 201

Future minimum lease payments include interest expense, which is permitted under Japanese GAAP when the ratio of the balance of the future minimum lease payments at year end to the balance of property, plant and equipment is insignificant.

The following *pro forma* amounts represent lease payments, and depreciation for finance leases accounted for in the same manner as operating leases for the years ended 31 March 2016 and 2015:

For the year ended 31 March 2016

The information is omitted because the amounts of lease payments and depreciation are immaterial for the year ended 31 March 2016.

For the year ended 31 March 2015

	Millions of Yen
	2015
Lease payments	¥ 123
Depreciation	¥ 123

(2) Operating Leases

Future minimum lease payments under non-cancelable operating leases as at 31 March 2016 and 2015 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Future minimum lease payments:			
Due within one year	**¥ 1,480**	¥ 1,480	**$ 13,137**
Due after one year	**5,742**	7,222	**50,963**
Total	**¥ 7,222**	¥ 8,703	**$ 64,101**

19. AMOUNTS PER SHARE

	Yen		U.S. Dollars
	2016	2015	**2016**
Net assets	**¥ 349.13**	¥ 334.67	**$ 3.09**
Profit attributable to owners of parent:			
Basic	**¥ 39.95**	¥ 31.78	**$ 0.35**

Profit attributable to owners of parent per share is computed based on profit attributable to owners of parent and the weighted-average number of shares of common stock outstanding during the period. Diluted profit attributable to owners of parent per share for the years ended 31 March 2016 and 2015 is not presented since there were no potentially dilutive securities for the year ended 31 March 2016 and no potential securities for the year ended 31 March 2015, respectively.

The financial data used in the computation of basic earnings per share for the years ended 31 March 2016 and 2015 in the table above is summarised as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Profit attributable to owners of parent	**¥ 22,385**	¥ 17,864	**$ 198,666**

	Thousands of shares	
	2016	2015
Weighted-average number of shares of common stock outstanding	**560,357**	562,135

Potential securities which do not have dilutive effect for the year ended 31 March 2016 are euro-yen zero coupon convertible bonds with stock acquisition rights (2,000 units) in yen, due 30 March 2021 in the aggregate amount of ¥20,000 million ($177,493 thousand).

20. CASH AND CASH EQUIVALENTS

The balances of cash and deposits reflected in the accompanying consolidated balance sheet as at 31 March 2016 and 2015 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
	2016	2015	**2016**
Cash and deposits	**¥ 25,072**	¥ 26,600	**$ 222,507**
Time deposits with a maturity of more than three months	**(48)**	(48)	**(429)**
Deposits included in other of current assets	**4,349**	–	**38,597**
Cash and cash equivalents	**¥ 29,372**	¥ 26,552	**$ 260,675**

The Company acquired all shares in Osaka Merchandise Mart Corporation (currently, Keihan Tatemono Co., Ltd.) on 30 June 2015 which became a newly consolidated subsidiary. Major components of assets and liabilities of the newly consolidated subsidiary due to acquisition of shares during the year ended 31 March 2016:

	Millions of yen	Thousands of U.S. Dollars
Current assets	**¥ 2,676**	**$ 23,754**
Non-current assets	**9,054**	**80,359**
Total assets	**11,731**	**104,113**
Current liabilities	**528**	**4,690**
Non-current liabilities	**1,921**	**17,053**
Total liabilities	**¥**	**$ 21,743**

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.

21. FINANCIAL INSTRUMENTS (continued)

(1) Overview (continued)

b. Nature of financial instruments, their related risk and risk management for financial instruments (continued)

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 the Company and four consolidated subsidiaries which utilise derivative instruments upon the approval of the proper 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		
	2016		
	Carrying value	Fair value	Difference
(1) Cash and deposits	**¥ 25,072**	**¥ 25,072**	**¥ –**
(2) Notes and accounts receivable	**23,702**	**23,702**	**–**
(3) Short-term investments and investment securities:			
Held-to-maturity debt securities	**1,873**	**1,973**	**99**
Other securities	**27,137**	**27,137**	**–**
Total assets	**¥ 77,785**	**¥ 77,884**	**¥ 99**
(4) Notes and accounts payable	**10,775**	**10,775**	**–**
(5) Short-term loans	**50,470**	**50,470**	**–**
(6) Short-term bonds	**5,000**	**5,000**	**–**
(7) Bonds (including current portion)	**90,503**	**94,657**	**4,154**
(8) Long-term loans (including current portion)	**179,740**	**184,420**	**4,679**
Total liabilities	**¥ 336,489**	**¥ 345,323**	**¥ 8,833**
(9) Derivative transactions	**¥ –**	**¥ –**	**¥ –**

	Millions of Yen		
	2015		
	Carrying value	Fair value	Difference
(1) Cash and deposits	¥ 26,600	¥ 26,600	¥ –
(2) Notes and accounts receivable	30,892	30,892	–
(3) Short-term investments and investment securities:			
Held-to-maturity debt securities	213	214	0
Other securities	31,523	31,523	–
Total assets	¥ 89,230	¥ 89,231	¥ 0
(4) Notes and accounts payable	11,404	11,404	–
(5) Short-term loans	61,171	61,171	–
(6) Short-term bonds	–	–	–
(7) Bonds (including current portion)	70,655	73,934	3,279
(8) Long-term loans (including current portion)	179,167	184,035	4,867
Total liabilities	¥ 322,399	¥ 330,546	¥ 8,146
(9) Derivative transactions	¥ –	¥ –	¥ –

21. FINANCIAL INSTRUMENTS (continued)

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

	Thousands of U.S. Dollars		
	2016		
	Carrying value	Fair value	Difference
(1) Cash and deposits	**$ 222,507**	**$ 222,507**	**$ –**
(2) Notes and accounts receivable	**210,348**	**210,348**	**–**
(3) Short-term investments and investment securities:			
Held-to-maturity debt securities	**16,630**	**17,510**	**880**
Other securities	**240,832**	**240,832**	**–**
Total assets	**$ 690,319**	**$ 691,199**	**$ 880**
(4) Notes and accounts payable	**95,630**	**95,630**	**–**
(5) Short-term loans	**447,906**	**447,906**	**–**
(6) Short-term bonds	**44,373**	**44,373**	**–**
(7) Bonds (including current portion)	**803,188**	**840,054**	**36,866**
(8) Long-term loans (including current portion)	**1,595,143**	**1,636,673**	**41,530**
Total liabilities	**$ 2,986,241**	**$ 3,064,638**	**$ 78,397**
(9) Derivative transactions	**$ –**	**$ –**	**$ –**

Notes:

1. 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.

(9) Derivative transactions

See Note 22 "DERIVATIVE FINANCIAL INSTRUMENTS."

2. Financial instruments for which it is extremely difficult to determine the fair value as at 31 March 2016 and 2015 are summarised as follows:

	Millions of Yen		Thousands of U.S. Dollars
Category	**2016**	2015	**2016**
Unlisted stocks	**¥ 4,546**	¥ 3,133	**$ 40,349**

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 2016 are as follows:

	Millions of Yen			
	2016			
	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	¥ **23,550**	¥ **–**	¥ **–**	¥ **–**
Notes and accounts receivable	**23,702**	**–**	**–**	**–**
Short-term investments and investment securities:				
Held-to-maturity debt securities				
National and municipal bonds	**114**	**1,157**	**300**	**300**
Other securities with maturities				
Corporate bonds	**3**	**3**	**–**	**300**
Total	¥ **47,370**	¥ **1,161**	¥ **300**	¥ **600**

	Thousands of U.S. Dollars			
	2016			
	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	$ **209,003**	$ **–**	$ **–**	$ **–**
Notes and accounts receivable	**210,348**	**–**	**–**	**–**
Short-term investments and investment securities:				
Held-to-maturity debt securities				
National and municipal bonds	**1,013**	**10,273**	**2,662**	**2,662**
Other securities with maturities				
Corporate bonds	**33**	**33**	**–**	**2,662**
Total	$ **420,398**	$ **10,306**	$ **2,662**	$ **5,324**

5. The redemption schedules for short-term loans, short-term bonds, bonds and long-term loans as at 31 March 2016

   Refer to Note 10. SHORT-TERM LOANS, SHORT-TERM BONDS, BONDS AND LONG-TERM LOANS.

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 2016 and 2015 were as follows:

			Millions of Yen		
			2016		
			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	**¥ 3,472**	**¥ 3,052**	(Note)

			Millions of Yen		
			2015		
			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	¥ 3,240	¥ 2,550	(Note)

			Thousands of U.S. Dollars		
			2016		
			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	**$ 30,812**	**$ 27,085**	(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 companies, which are other than consolidated subsidiaries, as at 31 March 2016 as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2016	**2016**
Nakanoshima Rapid Railway Co., Ltd.	**¥ 25,210**	**$ 223,735**
Bunkazai Service Co., Ltd.	**130**	**1,153**
Keifuku Community Service Co., Ltd.	**16**	**141**
Hachikenya Co., Ltd.	**13**	**123**
Total	**¥ 25,370**	**$ 225,154**

24. ASSET RETIREMENT OBLIGATIONS

(1) General information about asset retirement obligations

Asset retirement obligations included in the "Other" of current and 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 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Balance at the beginning of year	**¥ 384**	¥ 359	**$ 3,411**
Increase due to consolidation of a new subsidiary	**34**	–	**308**
Increase due to acquisition of property, plant and equipment	**–**	31	**–**
Adjustment with passing of time	**4**	4	**40**
Increase due to changes in estimate (Note)	**3**	37	**33**
Decrease due to settlement	**(8)**	(47)	**(72)**
Other	**(61)**	(1)	**(547)**
Balance at the end of year	**¥ 357**	¥ 384	**$ 3,174**

Note: The carrying amounts of asset retirement obligations increased by ¥3 million ($33 thousand) and ¥37 million for the years ended 31 March 2016 and 2015, respectively, due to a change in the estimated costs to be incurred at the time of retirement.

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. The Group classifies those businesses into certain segments and manages the performance of each business by segment.

Accordingly, the Group 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.

Effective 1 April 2015, the Group has transferred the business of Biomarket Co., Ltd., which was managed under the segment "Others," to the segment "Retail Distribution" due to changes in management categories. Along with this change in reportable segments, the Company has reclassified the segment information for the previous year.

(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 2016 and 2015

	Millions of Yen							
	2016							
	Reportable Segments							
	Transportation	Real Estate	Retail Distribution	Leisure and Service	Others	Total	Adjustments (Note 1)	Consolidated (Note 2)
Operating revenues:								
External customers	¥ **92,195**	¥ **76,649**	¥ **98,490**	¥ **31,775**	¥ **1,077**	¥ **300,188**	¥ **–**	¥ **300,188**
Inter-segment operating revenues or transfers	**1,367**	**12,383**	**384**	**37**	**678**	**14,852**	**(14,852)**	**–**
Total	¥ **93,562**	¥ **89,033**	¥ **98,875**	¥ **31,813**	¥ **1,755**	¥ **315,040**	¥ **(14,852)**	¥ **300,188**
Segment income (loss)	¥ **10,193**	¥ **13,882**	¥ **2,826**	¥ **4,599**	¥ **(12)**	¥ **31,490**	¥ **34**	¥ **31,524**
Segment assets	**266,694**	**303,245**	**28,664**	**34,871**	**7,006**	**640,481**	**29,851**	**670,333**
Other items:								
Depreciation and amortisation	**10,788**	**4,333**	**1,284**	**1,145**	**17**	**17,571**	**–**	**17,571**
Increase in property, plant and equipment, and intangible assets	**12,749**	**13,392**	**1,609**	**3,924**	**120**	**31,796**	**(398)**	**31,398**

Notes: 1. Details of adjustments are as follows:

(1) "Adjustments" to "Segment profit (loss)" represented elimination of inter-segment transactions.

(2) "Adjustments" to "Segment assets" represented elimination of inter-segment transactions and corporate assets. Corporate assets amounted to ¥43,502 million ($386,071 thousand) and principally consist of the Company's surplus funds (cash and deposits), long-term investment assets (investment securities) and deferred tax assets.

(3) "Adjustments" to "Increase in property, plant and equipment, and intangible assets" represented elimination of inter-segment transactions.

2. Segment profit (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 2016 and 2015 (continued)

	Millions of Yen							
	2015							
	Reportable Segments							
	Transportation	Real Estate	Retail Distribution	Leisure and Service	Others	Total	Adjustments (Note 1)	Consolidated (Note 2)
Operating revenues:								
External customers	¥ 88,959	¥ 77,332	¥ 97,845	¥ 29,729	¥ 1,039	¥ 294,906	¥ –	¥ 294,906
Inter-segment operating revenues or transfers	1,381	12,122	355	31	668	14,559	(14,559)	–
Total	¥ 90,341	¥ 89,454	¥ 98,200	¥ 29,761	¥ 1,707	¥ 309,465	¥ (14,559)	¥ 294,906
Segment income (loss)	¥ 8,086	¥ 14,752	¥ 3,161	¥ 3,299	¥ (4)	¥ 29,295	¥ 142	¥ 29,437
Segment assets	267,028	289,667	27,918	32,382	11,150	628,148	36,088	664,236
Other items:								
Depreciation and amortisation	10,468	4,242	1,348	1,042	5	17,107	–	17,107
Increase in property, plant and equipment, and intangible assets	11,601	2,351	683	1,223	18	15,878	–	15,878

Notes: 1. Details of adjustments are as follows:

(1) "Adjustments" to "Segment profit (loss)" represented elimination of inter-segment transactions.

(2) "Adjustments" to "Segment assets" represented elimination of inter-segment transactions and corporate assets. Corporate assets amounted to ¥48,976 million and principally consist of the Company's surplus funds (cash and deposits), long-term investment assets (investment securities) and deferred tax assets.

2. Segment profit (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 2016 and 2015 (continued)

	Thousands of U.S. Dollars							
	2016							
	Reportable Segments							
	Transportation	Real Estate	Retail Distribution	Leisure and Service	Others	Total	Adjustments (Note 1)	Consolidated (Note 2)
Operating revenues:								
External customers	**$ 818,205**	**$ 680,242**	**$ 874,071**	**$ 281,999**	**$ 9,562**	**$ 2,664,080**	$ –	**$ 2,664,080**
Inter-segment operating revenues or transfers	**12,135**	**109,904**	**3,415**	**334**	**6,017**	**131,807**	**(131,807)**	–
Total	**$ 830,340**	**$ 790,146**	**$ 877,487**	**$ 282,333**	**$ 15,580**	**$ 2,795,887**	**$ (131,807)**	**$ 2,664,080**
Segment income (loss)	**$ 90,462**	**$ 123,206**	**$ 25,086**	**$ 40,822**	**$ (109)**	**$ 279,468**	**$ 302**	**$ 279,771**
Segment assets	**2,366,827**	**2,691,206**	**254,387**	**309,470**	**62,183**	**5,684,075**	**264,923**	**5,948,999**
Other items:								
Depreciation and amortisation	**95,748**	**38,462**	**11,401**	**10,169**	**158**	**155,939**	–	**155,939**
Increase in property, plant and equipment, and intangible assets	**113,147**	**118,854**	**14,286**	**34,830**	**1,067**	**282,186**	**(3,535)**	**278,650**

(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 2016 and 2015, 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 2016 and 2015, 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							
	2016							
	Reportable Segments							
	Transportation	Real Estate	Retail Distribution	Leisure and Service	Others	Total	Adjustments	Consolidated
Impairment losses	**¥ 37**	**¥ –**	**¥ –**	**¥ 23**	**¥ –**	**¥ 61**	**¥ –**	**¥ 61**

	Millions of Yen							
	2015							
	Reportable Segments							
	Transportation	Real Estate	Retail Distribution	Leisure and Service	Others	Total	Adjustments	Consolidated
Impairment losses	¥ 62	¥ 1,511	¥ 18	¥ 118	¥ –	¥ 1,712	¥ –	¥ 1,712

	Thousands of U.S. Dollars							
	2016							
	Reportable Segments							
	Transportation	Real Estate	Retail Distribution	Leisure and Service	Others	Total	Adjustments	Consolidated
Impairment losses	**$ 331**	**$ –**	**$ –**	**$ 212**	**$ –**	**$ 543**	**$ –**	**$ 543**

(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 2016 and 2015 and for the years then ended was omitted because the amounts were immaterial.

(7) Information on negative goodwill by reportable segment

Relating to the segment “Real Estate,” the Company acquired additional shares of Osaka Merchandise Mart Corporation, making it a consolidated subsidiary. As a result, the Company recognised gain on bargain purchase of ¥4,709 million ($41,795 thousand) and loss on step acquisitions of ¥2,119 million ($18,807 thousand) for the year ended 31 March 2016.

Information on the ending balance and amortisation of negative goodwill by reportable segment as at 31 March 2015 and for the year then ended, respectively, was omitted because the amounts were immaterial.

26. RELATED PARTY TRANSACTIONS

Transactions of the Company with related parties as at and for the years ended 31 March 2016 and 2015 are as follows:

Company's unconsolidated subsidiaries and affiliates

2016

Category	Company name	Location	Capital	Business	Percentage of voting rights	Relationship	Transaction	Transaction amount	Account	Year-end balance
Affiliates	Nakano-shima Rapid Railway Co., Ltd.	Chuo-ku, Osaka	**¥26,135 million ($231,946 thousand)**	Railway operations	(Direct voting rights) 33.50%	Reservation of guarantees on loans Holding concurrent post of directors	Guarantees (Note 1)	**¥25,210 million ($223,735 thousand)**	–	–

2015

Category	Company name	Location	Capital	Business	Percentage of voting rights	Relationship	Transaction	Transaction amount	Account	Year-end balance
Affiliates	Nakano-shima Rapid Railway Co., Ltd.	Chuo-ku, Osaka	¥26,135 million	Railway operations	(Direct voting rights) 33.50%	Reservation of guarantees on loans Holding concurrent post of directors	Guarantees (Note 1)	¥26,532 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 ¥25,210 million ($223,735 thousand) and ¥26,532 million for the years ended 31 March 2016 and 2015, respectively.

27. BUSINESS COMBINATION

Business combination through acquisition

1) An outline of this business combination is as follows:

(a) Name of acquired company and business
Name of acquired company: Osaka Merchandise Mart Corporation
Business: Lease and administrative operations of Osaka Merchandise Mart Building

(b) Main reasons for business combination
The purposes of the business combination are as follows:
Temmabashi, where the Company was founded and Osaka Merchandise Mart Corporation is located, is considered an important area for revitalisation along the Keihan Railway lines as one of the main strategies determined in the Medium-term Management Plan "Bravely Pursuing Creation" (FY2016-FY2018). The Company also expects that the operations of the acquired company will be lucrative going forward as rental property to strengthen the profitability of the real estate leasing business.

(c) Date of business combination
30 June 2015

(d) Legal form of business combination
Business combination, in which the company was acquired through a cash consideration

27. BUSINESS COMBINATION (continued)

Business combination through acquisition (continued)

1) An outline of this business combination is as follows: (continued)

(e) Name of company after business combination
The company's name is unchanged.

(f) Percentage of voting rights acquired by the Company

Percentage of voting rights before the business combination	45%
Additionally acquired percentage of voting rights on the date of business combination	55
Percentage of voting rights after the business combination	100%

(g) Main reason for determination of the acquiring company
The Company acquired all voting rights of the acquired company through a cash consideration.

2) Period during which the financial results of the acquired company are included in the consolidated statement of income

The Company included the financial results of the acquired company for the period from 1 July 2015 to 31 March 2016. As the deemed acquisition date is 30 June 2015, the financial results of the acquired company from 1 April 2015 to 30 June 2015 are accounted for by the equity method.

3) Details on acquisition cost of acquired company

	Millions of yen	Thousands of U.S. dollars
Fair value of the shares of the acquired company at the business combination date, which the Company retained before the business combination	**¥ 2,057**	**$ 18,258**
Fair value of the additionally acquired shares of the acquired company at the business combination date	**2,514**	**22,316**
Total acquisition costs	**¥ 4,572**	**$ 40,575**

4) Major acquisition-related costs and amounts

Valuation fees ¥1 million ($15 thousand)

5) Difference between acquisition costs of the acquired company and the total amount of costs of transactions for share acquisition

Loss on step acquisitions ¥2,119 million ($18,807 thousand)

6) Amount of gain on bargain purchase and reason for recognition

(a) Amount of gain on bargain purchase ¥4,709 million ($41,795 thousand)

(b) Reason for recognition
The fair value of net assets of the acquired company at the date of the business combination exceeded the acquisition cost.

27. BUSINESS COMBINATION (continued)

Business combination through acquisition (continued)

7) Information on assets acquired and liabilities assumed on the date of the business combination

	Millions of yen	Thousands of U.S. dollars
Current assets	**¥ 2,676**	**$ 23,754**
Fixed assets	**9,054**	**80,359**
Total assets	**11,731**	**104,113**
Current liabilities	**528**	**4,690**
Fixed liabilities	**1,921**	**17,053**
Total liabilities	**¥ 2,450**	**$ 21,743**

8) Effects on the consolidated statement of income for the fiscal year assuming that the business combination was completed at beginning of the fiscal year and its calculation method

Information is omitted because the effect is immaterial.

28. SUBSEQUENT EVENTS

Company split

The Company shifted to a holding company structure by splitting railway business and other business to wholly owned subsidiaries, Keihan Electric Railway Split Preparation Co., Ltd. and Keihan Electric Railway Real Estate Co., Ltd. as at 1 April 2016. As a result of this company split, the names of the Company and Keihan Electric Railway Split Preparation Co., Ltd. were changed to Keihan Holdings Co., Ltd. and Keihan Electric Railway Co., Ltd. as at 1 April 2016. Assets and liabilities transferred to Keihan Electric Railway Split Preparation Co., Ltd. and Keihan Electric Railway Real Estate Co., Ltd. are as follows:

i) Assets and liabilities transferred to Keihan Electric Railway Split Preparation Co., Ltd.

	Millions of yen	Thousands of U.S. dollars
Assets	¥ 183,165	$ 1,625,533
Liabilities	124,107	1,101,419
Valuation or translation differences	24,053	213,468

ii) Assets and liabilities transferred to Keihan Electric Railway Real Estate Co., Ltd.

	Millions of yen	Thousands of U.S. dollars
Assets	¥ 62,086	$ 551,001
Liabilities	43,851	389,165
Valuation or translation differences	539	4,786

This company split is accounted for as a transaction under common control based on “Revised Accounting Standard for Business Combinations” (ASBJ Statement No.21 of 13 September 2013), the “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No. 7 of 13 September 2013) and the “Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10 of 13 September 2013).

28. SUBSEQUENT EVENTS (continued)

Granting of share-based compensation stock options

Share-based compensation stock options are to be issued to directors (excluding outside directors) of the Company by the resolutions at the general meeting of shareholders on 17 June 2016 and information of the stock option plan is as follows:

	The stock option plan
Individuals covered by the plan	5 directors
Class and number of shares to be granted	Annually up to 50,000 shares of common stock
Amount to be paid in upon exercise	¥1 ($0.00) per share
Exercisable conditions	In the event a grantee resigns from any position of director, audit and supervisory board member and executive officer, all the stock acquisition rights are exercisable together for ten days after their resignation dates
Transfer of stock acquisition rights	Transfer of stock acquisition rights requires approval of the Board of Directors
Exercisable period	Within 30 years at maximum from the grant date, to be determined by the Board of Directors

Issuance of unsecured bonds

The Company resolved at the Board of Directors' meeting held on 28 April 2016 to issue the 29th unsecured bonds in the aggregate amount of ¥10,000 million ($88,746 thousand) in order to finance redemption of bonds and issued these bonds on 16 June 2016.

The unit price for the bond issuance was set at ¥100 ($0.88) per ¥100 ($0.88) nominal value, and the annual interest rate is 0.340%. These bonds will be redeemed at once on the maturity date of 16 June 2026.