

Annual Report 2020



Consolidated Financial Highlights

(Millions of yen, except per share information and where otherwise indicated)

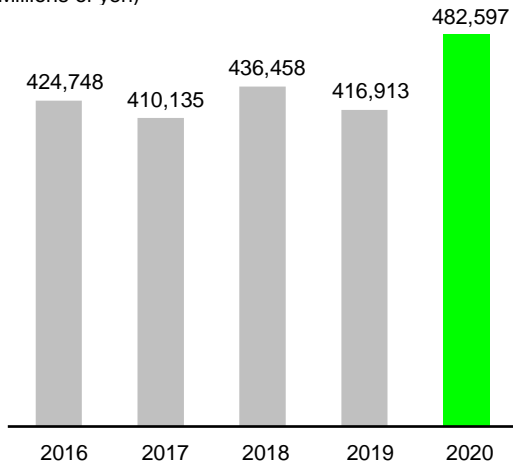
For the years ended March 31,	2016	2017	2018	2019	2020
Net sales	¥ 407,433	¥ 393,614	¥ 404,153	¥ 413,236	¥ 429,066
Profit attributable to owners of parent	26,224	28,518	26,610	25,514	23,594
Comprehensive income	19,214	30,656	30,237	26,105	22,225
Net assets	267,638	294,944	321,829	343,620	362,273
Total assets	472,492	496,182	508,638	521,758	540,774
Net cash provided by operating activities	31,726	30,639	22,015	2,960	43,194
Net cash used in investing activities	(11,122)	(15,937)	(18,077)	(15,238)	(25,753)
Net cash used in financing activities	(4,191)	(5,676)	(5,696)	(5,163)	(232)
Cash and cash equivalents at end of the year	114,170	124,668	124,317	107,906	126,871
Net assets per share	¥ 2,201.99	¥ 2,422.42	¥ 2,638.91	¥ 2,811.27	¥ 2,955.74
Earnings per share	220.18	239.46	223.45	214.25	198.13
Diluted earnings per share	—	—	—	—	—
Equity ratio	55.5%	58.1%	61.8%	64.2%	65.1%
Return on equity	10.31%	10.36%	8.83%	7.86%	6.87%
Price earnings ratio (times)	8.60	8.82	11.04	9.63	12.01
Employees (persons)	4,035	4,658	5,353	6,087	6,166
[Average number of temporary workers, etc.]	[2,320]	[2,035]	[1,318]	[673]	[682]

Notes: 1. Net sales are presented exclusive of consumption tax.

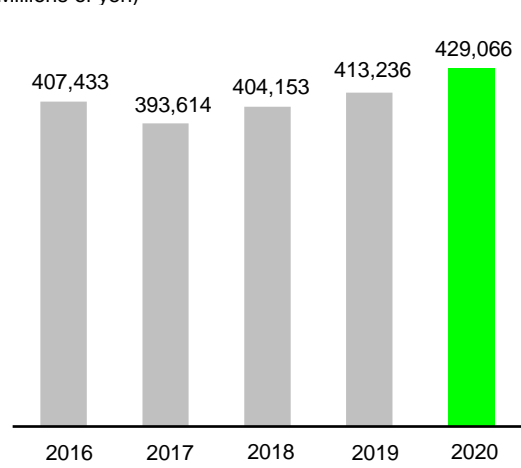
2. Diluted earnings per share are not presented because the Company has no potentially dilutive shares.

3. Each figure of key management indicators, etc. for FY2018 has been reclassified retroactively as the Company has been applying "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28; February 16, 2018), etc. from the beginning of FY2019.

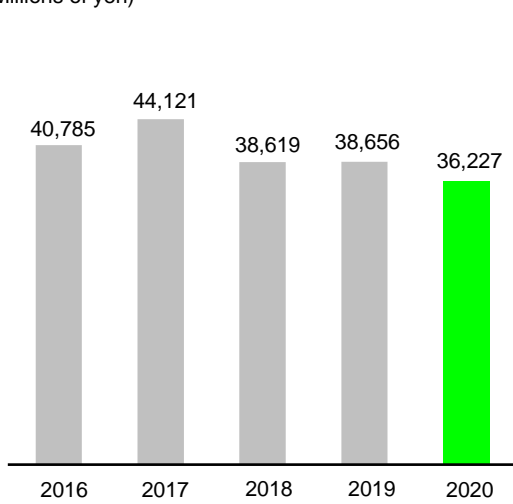
Orders
(Millions of yen)



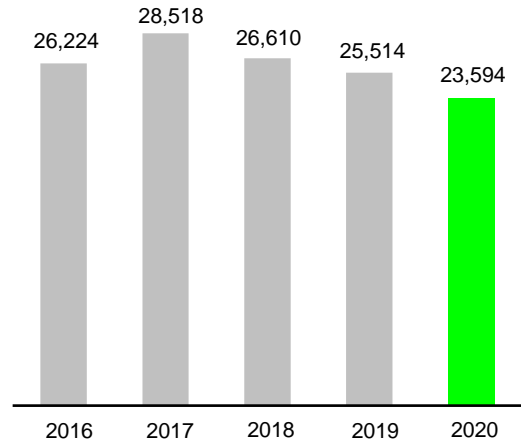
Net Sales
(Millions of yen)



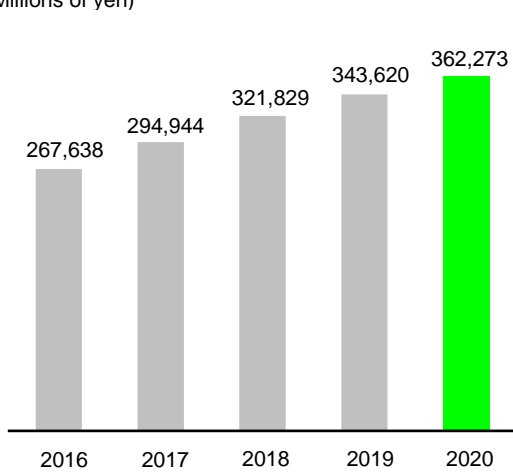
Operating Profit
(Millions of yen)



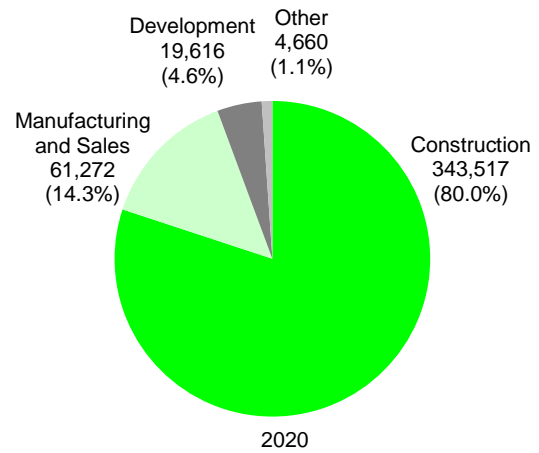
Profit Attributable to Owners of Parent
(Millions of yen)



Net Assets
(Millions of yen)



Net Sales by Segment
(Millions of yen)



To Our Shareholders

We appreciate your continued exceptional support.

We hereby present this Annual Report for the 119th term (from April 1, 2019, to March 31, 2020) and report on the business overview of NIPPO CORPORATION (the “Company”), its corporate initiatives and financial results, etc.

Financial results for the current fiscal year

Concerning Japan’s economy during the fiscal year under review, a moderate recovery trend continued as a result of the economic measures, amid ongoing improvement in employment and income conditions. However, the spread of the novel coronavirus infection has significantly pushed down the economy since the fourth quarter, and the situation has become severe.

In the construction industry, although public investments remained robust and private-sector capital expenditures almost stayed flat, a severe management environment continued with the trend of demand and supply for labor, raw material prices, etc. requiring attention.

In this environment, the Company and its consolidated subsidiaries (hereinafter the “Group”) strove to secure orders utilizing the superior proprietary technologies of each company and reinforce sales of asphalt mixture and other products. As a result, net sales for the fiscal year under review were ¥429,066 million, up 3.8% from the previous fiscal year. Operating profit was ¥36,227 million, down 6.3% from the previous fiscal year, and ordinary profit was ¥38,226 million, down 2.0% from the previous fiscal year. Profit attributable to owners of parent was ¥23,594 million, down 7.5% year over year.

Outlook for the next fiscal year

In the construction industry, public investments are expected to remain robust due to the execution of the relevant national budget. However, in the event that the spread of the novel coronavirus infection causes the prolongation of weakened consumption and sluggish production activities, private-sector capital expenditures may significantly decrease, potentially leading to a severe management environment.

Even under such circumstances, as a corporate group backed by superior technologies and management, the Group will strive to improve its technical capabilities, bolster its sales skills, and appropriately cope with rising raw material prices, while steadily increasing productivity and trimming costs to enhance its competitiveness. We will also make efforts to further reinforce the revenue bases in pavement works, civil engineering works and sale of products with mid-to-long-term management vision and stabilize the business revenue of building construction, development, overseas business, etc.

We ask for your continued understanding and support.

June 2020

Yoshikazu Yoshikawa
President, Representative Director
NIPPO CORPORATION



Overview of the Company

The Company and its affiliated companies are primarily engaged in construction, manufacturing/sales of asphalt mixture and other products, development and other businesses. The positioning of the Company, the Company's parent company, the Company's 238 subsidiaries and 26 affiliated companies, and their relations to segment information are as follows:

1. Construction business

The Company is engaged in pavement works, civil engineering and construction works, and receives orders for a portion of the works of JXTG Nippon Oil & Energy Corporation (the Company's fellow subsidiary).

Dai Nippon Construction (a consolidated subsidiary) is engaged in the construction and general civil engineering businesses; HASEGAWA SPORTS FACILITIES Co., Ltd. (a consolidated subsidiary) is mainly engaged in the construction of sports facilities; and NIPPO CONSTRUCTION CO., LTD. (a consolidated subsidiary) is engaged in general civil engineering.

Additionally, 101 consolidated subsidiaries, 27 non-consolidated subsidiaries, 6 affiliated companies and 1 affiliate accounted for using equity method are engaged in pavement works and civil engineering.

The Company contracts a portion of its works to the above companies and also receives orders for works from them.

2. Manufacturing and sales business

The Company is engaged in manufacturing and sales of asphalt mixture, asphalt emulsion and other materials related to pavement works, and purchases asphalt, the main material of asphalt mixture, from JXTG Nippon Oil & Energy Corporation.

Fair Road Co., Ltd. and 83 other consolidated subsidiaries, and other 16 non-consolidated subsidiaries and 8 affiliated companies are engaged in manufacturing and sales of asphalt mixture.

The Company supplies and sells asphalt mixture, asphalt emulsion and other products to the above companies and to a portion of the affiliated companies engaged in construction and also purchases asphalt mixture from the above companies.

3. Development business

The Company is engaged in the real-estate business, including housing-land development and sales and renting of condominiums. Ashinoko Skyline Co., Ltd. (a consolidated subsidiary) operates motorways, and 1 consolidated subsidiary is engaged in other development business.

4. Other businesses

The Company is engaged in leasing of construction machinery and other vehicles, the operation of golf courses and hotels, PFI, and other businesses.

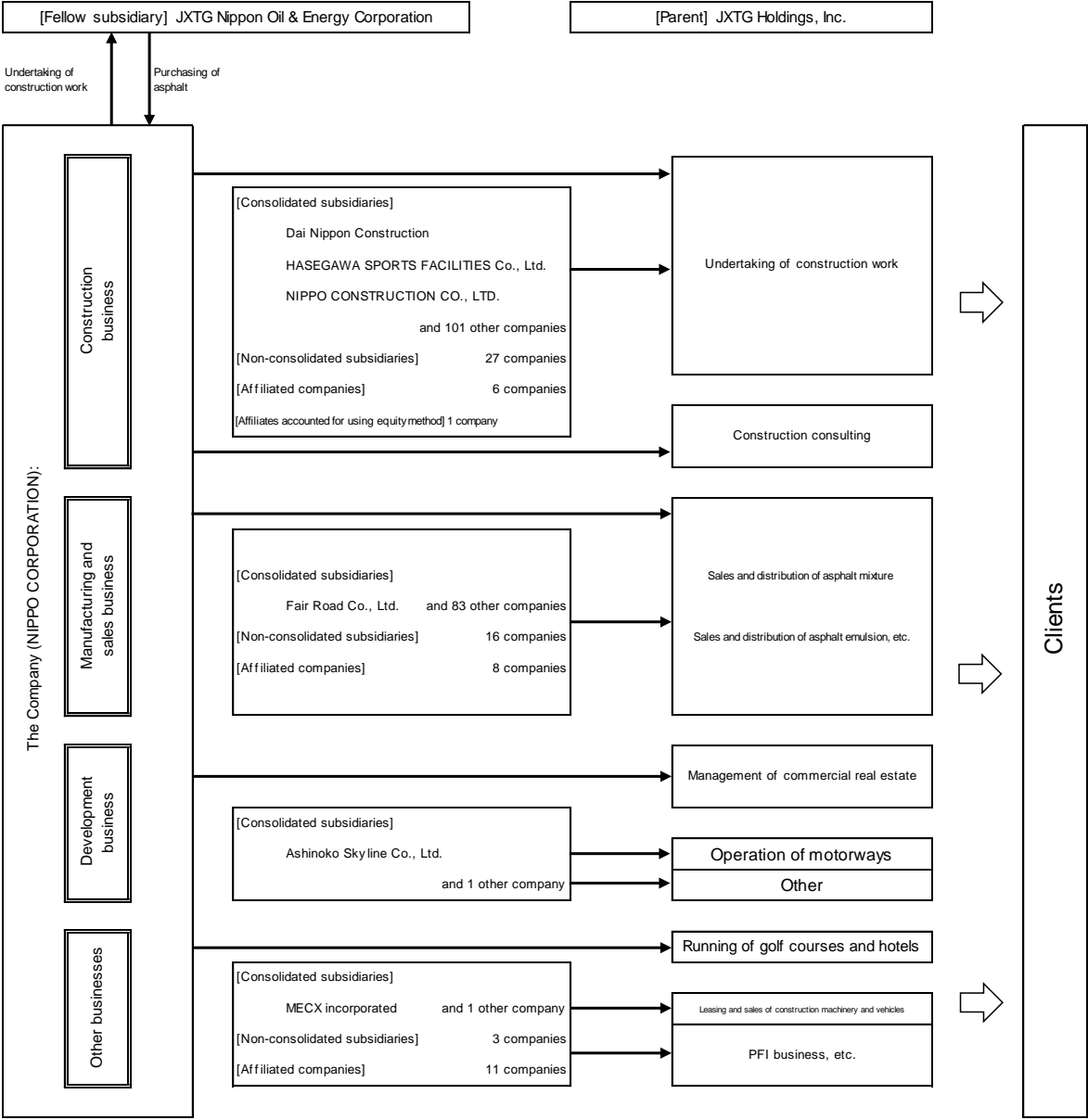
MECX incorporated (a consolidated subsidiary) and 2 affiliated companies are engaged in leasing, sales, manufacturing and maintenance of construction machinery and vehicles.

1 consolidated subsidiary is engaged in the PFI business; 1 non-consolidated subsidiary is engaged in the operation of a golf course and a hotel; 1 affiliated company is engaged in the soil-pollution investigation business; and 2 non-consolidated companies and 8 affiliated companies are engaged in other businesses.

The Company receives orders for construction work from some of the above companies and also places orders for the leasing, sales and maintenance of construction machinery to some of the above companies.

5. Business organizational chart

The facts stated thus far can be illustrated in a business organizational chart as below.



Note: Some of the above affiliated companies are operating multiple businesses. The above classification is based on the representative business of each company.

Overview of Affiliated Companies

Company name	Address	Share capital (¥ million)	Principal business	Ratio of voting rights holding (held) (%)	Relationship	
					Concurrent positions held by Directors	Business transactions and financial assistance
(Parent) JXTG Holdings, Inc. (Notes) 2, 4	Chiyoda-ku, Tokyo	100,000	Pure holding company	Ratio of voting rights held: 57.0 (0.0)	Yes	Interlocking Directors: 1
(Consolidated subsidiaries)						
Dai Nippon Construction (Notes) 3, 5	Gifu-shi, Gifu	2,000	(Construction business) Construction and civil engineering work, etc. by contract	Ratio of voting rights holding: 78.5	None	Receiving or placing order of construction work. The subsidiary is renting buildings, etc. owned by the Company.
HASEGAWA SPORTS FACILITIES, Co., Ltd.	Setagaya-ku, Tokyo	100	(Construction business) Construction of sports facilities, etc. by contract	Ratio of voting rights holding: 81.3	None	Receiving or placing order of construction work. The subsidiary is renting buildings, etc. owned by the Company.
NIPPO CONSTRUCTION CO., LTD.	Setagaya-ku, Tokyo	50	(Construction business) Civil engineering work by contract	Ratio of voting rights holding: 100.0	None	Receiving or placing order of construction work. The subsidiary is renting buildings, etc. owned by the Company.
MECX incorporated	Nishi-ku, Saitama-shi	30	(Other businesses) Lease, etc. of construction machinery and vehicles	Ratio of voting rights holding: 100.0	None	The subsidiary is leasing construction machinery and vehicles to, and repairing manufacturing equipment for the Company, etc. The subsidiary is renting buildings, etc. owned by the Company.
Fair Road Co., Ltd. and 187 other companies	-	-	-	-	-	-
(Affiliates accounted for using equity method) Sankyodouro Co., Ltd.	-	-	-	-	-	-

- Notes: 1. Principal business as stated in the segment information is quoted here.
2. A securities report issuing company.
3. Qualified as specified subsidiary.
4. Parentheses in ratio of voting rights held indicates percentage of voting rights indirectly owned.
5. Dai Nippon Construction's net sales (excluding net sales from the internal transactions with other consolidated subsidiaries) exceed 10% of the consolidated net sales.

Main profit or loss information, etc.

(1) Net sales	¥91,322 million
(2) Ordinary profit	¥5,448 million
(3) Profit	¥3,679 million
(4) Net assets	¥35,292 million
(5) Total assets	¥75,136 million

Major Shareholders

(As of March 31, 2020)

Name	Address	Number of shares held (Thousands of shares)	Percentage of shares held to the total number of issued shares (%)
JXTG Holdings, Inc.	1-2 Otemachi 1-chome, Chiyoda-ku, Tokyo	67,890	57.00
Japan Trustee Services Bank, Ltd. (Trust account)	8-11 Harumi 1-chome, Chuo-ku, Tokyo	6,791	5.70
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	50 BANK STREET, CANARY WHARF, LONDON E14 5NT, UK (11-1 Nihonbashi 3-chome, Chuo-ku, Tokyo)	4,937	4.14
The Master Trust Bank of Japan, Ltd. (Trust account)	11-3 Hamamatsucho 2-chome, Minato-ku, Tokyo	4,024	3.37
NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	50 BANK STREET, CANARY WHARF, LONDON E14 5NT, UK (11-1 Nihonbashi 3-chome, Chuo-ku, Tokyo)	2,537	2.13
NORTHERN TRUST CO. (AVFC) ACCOUNT NON TREATY (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	50 BANK STREET, CANARY WHARF, LONDON E14 5NT, UK (11-1 Nihonbashi 3-chome, Chuo-ku, Tokyo)	1,689	1.41
STATE STREET BANK AND TRUST COMPANY 505001 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Department)	P.O. BOX 351 BOSTON MASSACHUSETTS 02101 U.S.A. (15-1 Konan 2-chome, Minato-ku, Tokyo)	1,579	1.32
Japan Trustee Services Bank, Ltd. (Trust account 9)	8-11 Harumi 1-chome, Chuo-ku, Tokyo	1,285	1.07
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS TOBACCO FREE INTERNATIONAL VALUE EQUITY TRUST (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	50 BANK STREET, CANARY WHARF, LONDON E14 5NT, UK (11-1 Nihonbashi 3-chome, Chuo-ku, Tokyo)	1,077	0.90
THE BANK OF NEW YORK, TREATY JASDEC ACCOUNT (Standing proxy: MUFG Bank, Ltd.)	AVENUE DES ARTS, 35 KUNSTLAAN, 1040 BRUSSELS BELGIUM (7-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo)	1,067	0.89
Total	—	92,880	77.99

Note: Of the shares held by the major shareholders shown above as of March 31, 2020, the Company cannot accurately determine the number of shares related to trust services, and therefore, it is not stated in the above table.

Business Overview

The amounts stated below do not include consumption tax. Net sales by segment indicate “Sales to third parties” and operating profit indicates amounts prior to taking “adjustments” into account.

1. Financial results

Concerning Japan’s economy during the fiscal year ended March 31, 2020, a moderate recovery trend continued as a result of the economic measures, amid continued improvement in the employment and income environment. However, the spread of the novel coronavirus infection has significantly pushed down the economy since the fourth quarter, and the situation has become severe.

In the construction industry, although public investments remained robust and private-sector capital expenditures almost stayed flat, a severe management environment continued with the trend of demand and supply for labor, raw material prices, etc. requiring attention.

In this environment, the Group strove to secure orders utilizing the superior proprietary technologies of each company and reinforce sales of asphalt mixture and other products.

The consolidated business results of the Group for the current fiscal year ended March 31, 2020 are as follows. Net sales were ¥429,066 million, up 3.8% from the previous fiscal year. Operating profit was ¥36,227 million, down 6.3% year over year, and ordinary profit was ¥38,226 million, down 2.0% from the previous fiscal year. Profit attributable to owners of parent was ¥23,594 million, down 7.5% year over year.

Results by business segment were as follows:

a. Construction business

The construction business is a major segment of the Group, and orders received for construction for the current fiscal year increased by 19.7% from the previous fiscal year to ¥397,268 million; and net sales increased by 4.7% to ¥343,517 million. Meanwhile, operating profit fell below the year-earlier level, recording a decrease of 4.2% from the previous fiscal year to ¥30,598 million.

(Pavement and Civil Engineering)

Orders received for construction surpassed the year-earlier level, recording an increase of 12.1% from the previous fiscal year to ¥215,786 million, and net sales increased by 0.7% to ¥199,491 million. Meanwhile, operating profit decreased by 2.2% to ¥20,972 million.

(General Civil Engineering)

Orders received for construction surpassed the year-earlier level, recording an increase of 12.4% from the previous fiscal year to ¥93,036 million, net sales increased by 24.8% to ¥80,196 million, and operating profit was ¥5,835 million, up 21.0% from the previous fiscal year.

(Building Construction)

Orders received for construction surpassed the year-earlier level, up 55.9% from the previous fiscal year to ¥88,446 million. However, net sales decreased by 2.9% to ¥63,829 million, and operating profit was ¥3,790 million, down 33.3% from the previous fiscal year.

b. Manufacturing and sales business

Net sales decreased by 0.4% from the previous fiscal year to ¥61,272 million, since sales volume fell below the year-earlier level. Furthermore, operating profit decreased by 4.9% to ¥10,150 million, reflecting an increase in depreciation due to the renewal of manufacturing facilities.

c. Development business

Net sales increased by 5.7% from the previous fiscal year to ¥19,616 million, since sales of the condominium sales business surpassed the year-earlier level. Meanwhile, operating profit decreased by 13.9% to ¥2,752 million.

d. Other businesses

Net sales decreased by 9.0% from the previous fiscal year to ¥4,660 million, and operating profit increased by 27.2% to ¥783 million.

2. Cash flows

Cash and cash equivalents (hereinafter "cash") as at the end of the current fiscal year increased by ¥18,964 million, or 17.6%, from the end of the previous fiscal year to ¥126,871 million.

The status of cash flows during the current fiscal year and the factors related thereto are described below.

(Net cash provided by operating activities)

Net cash provided by operating activities amounted to ¥43,194 million. (A net inflow of ¥2,960 million was recorded in the previous fiscal year.) This was primarily due to a cash increase resulting from profit before income taxes recorded and a decrease in trade receivables.

(Net cash used in investing activities)

Net cash used in investing activities amounted to ¥25,753 million. (A net outflow of ¥15,238 million was recorded in the previous fiscal year.) This was primarily due to purchases of machinery for the manufacturing and sales business and purchases of real estate for renting.

(Net cash used in financing activities)

Net cash used in financing activities amounted to ¥232 million. (A net outflow of ¥5,163 million was recorded in the previous fiscal year.) This was primarily due to a cash increase in proceeds from long-term borrowings associated with purchases of real estate rental properties and a cash decrease resulting from dividends paid.

CONSOLIDATED BALANCE SHEET

NIPPO CORPORATION
As of March 31, 2020

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
Current assets:			
Cash and deposits (Notes 3 & 22)	¥ 128,432	¥ 40,982	\$ 1,180,115
Notes receivable, accounts receivable from completed construction contracts and other (Notes 4 & 22)	150,890	154,936	1,386,474
Electronically recorded monetary claims - operating (Notes 4 & 22)	4,019	5,868	36,929
Lease receivables and investments in leases (Note 21)	2,704	2,805	24,846
Securities (Notes 5 & 22)	–	226	–
Inventories (Note 6)	45,636	50,913	419,332
Short-term loans receivable (Notes 3 & 22)	201	68,122	1,846
Other	20,710	19,965	190,296
Allowance for doubtful accounts (Note 22)	(343)	(347)	(3,151)
Total current assets	352,252	343,473	3,236,717
Property, plant and equipment: (Notes 8 & 17)			
Land (Notes 6 & 7)	73,597	67,333	676,256
Buildings and structures (Notes 6 & 7)	83,295	78,967	765,368
Machinery, equipment and vehicles	103,189	101,300	948,166
Tools, furniture and fixtures	6,771	6,352	62,216
Leased assets (Note 21)	1,088	1,158	9,997
Construction in progress	2,140	1,077	19,663
Total	270,083	256,190	2,481,696
Accumulated depreciation	(133,949)	(130,997)	(1,230,809)
Net property, plant and equipment	136,134	125,193	1,250,886
Intangible assets	3,390	1,668	31,149
Investments and other assets:			
Investment securities (Notes 5, 8 & 22)	43,675	46,359	401,313
Long-term loans receivable (Note 8)	371	293	3,408
Deferred tax assets (Note 18)	2,463	2,415	22,631
Other	3,371	3,225	30,974
Allowance for doubtful accounts	(885)	(870)	(8,131)
Total investments and other assets	48,997	51,422	450,215
Total assets	¥ 540,774	¥ 521,758	\$ 4,968,979

LIABILITIES AND NET ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
Current liabilities:			
Short-term borrowings, including current portion of long-term borrowings (Notes 8 and 22)	¥ 910	¥ 223	\$ 8,361
Notes payable, accounts payable for construction contracts and other (Note 22)	69,323	69,496	636,984
Electronically recorded obligations - operating (Note 22)	33,738	37,936	310,006
Income taxes payable	7,539	7,842	69,273
Advances received on construction contracts in progress	16,609	16,581	152,614
Provision for bonuses	4,151	4,040	38,142
Provision for warranties for completed construction	548	564	5,035
Provision for loss on construction contracts (Note 6)	335	280	3,078
Provision for loss on anti-monopoly act	—	317	—
Other	18,272	18,063	167,894
Total current liabilities	151,430	155,347	1,391,436
Non-current liabilities:			
Long-term borrowings (Notes 8 & 22)	6,182	1,482	56,804
Deferred tax liabilities (Note 18)	4,823	5,470	44,316
Provision for retirement benefits for directors (and other officers)	523	139	4,805
Retirement benefit liability (Note 9)	6,904	6,464	63,438
Asset retirement obligations (Note 10)	1,260	1,327	11,577
Other	7,374	7,904	67,757
Total non-current liabilities	27,069	22,789	248,727
Commitments and contingent liabilities (Notes 13 & 21)			
Net assets (Notes 11 & 20):			
Shareholders' equity:			
Share capital (Note 12):			
Authorized-240,000,000 shares in 2020 and 2019			
Issued-119,401,836 shares in 2020 and 2019	15,324	15,324	140,806
Capital surplus	16,363	16,363	150,353
Retained earnings	303,668	284,050	2,790,296
Treasury shares (Note 12):			
315,783 shares in 2020 and 315,378 shares in 2019	(255)	(254)	(2,343)
Total shareholders' equity	335,101	315,483	3,079,123
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities (Note 5)	18,459	20,226	169,613
Deferred gains or losses on hedges	—	30	—
Foreign currency translation adjustment	63	—	578
Remeasurements of defined benefit plans	(1,637)	(956)	(15,041)
Total accumulated other comprehensive income	16,886	19,300	155,159
Non-controlling interests	10,286	8,836	94,514
Total net assets	362,273	343,620	3,328,797
Total liabilities and net assets	¥ 540,774	¥ 521,758	\$ 4,968,979

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENT OF INCOME

NIPPO CORPORATION
Year ended March 31, 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
Net sales (Note 24)	¥ 429,066	¥ 413,236	\$ 3,942,534
Cost of sales (Note 14)	361,041	344,978	3,317,476
Gross profit	68,025	68,257	625,057
Selling, general and administrative expenses (Note 15)	31,797	29,601	292,171
Operating profit	36,227	38,656	332,876
Other income (expenses):			
Interest and dividend income	1,212	1,202	11,136
Interest expenses	(60)	(9)	(551)
Guarantee commission	(92)	(60)	(845)
Rental income (loss) on real estate, net	36	30	330
Compensation income	554	–	5,090
Gain (loss) on valuation of derivatives, net	(34)	88	(312)
Gain (loss) on disposal or sales of property, plant and equipment, net (Note 16)	(314)	(459)	(2,885)
Impairment loss (Note 17)	(116)	–	(1,065)
Share of profit (loss) of entities accounted for using equity method	15	(1,457)	137
Foreign exchange gains (losses), net	(23)	187	(211)
Gain (loss) on sales of investment securities, net	61	74	560
Loss on valuation of investment securities	(60)	(10)	(551)
Loss on redemption of securities	(47)	–	(431)
Reversal of provision for loss on anti-monopoly act	317	–	2,912
Loss on exchange from business combination	(814)	–	(7,479)
Other-net	437	386	4,015
Other income (expenses), net	1,072	(28)	9,850
Profit before income taxes	37,299	38,627	342,727
Income taxes (Note 18):			
Current	12,090	12,581	111,090
Deferred	471	(613)	4,327
Total income taxes	12,562	11,968	115,427
Profit	24,737	26,659	227,299
Profit attributable to non-controlling interests	1,142	1,144	10,493
Profit attributable to owners of parent	¥ 23,594	¥ 25,514	\$ 216,796

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

NIPPO CORPORATION
Year ended March 31, 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
Profit	¥ 24,737	¥ 26,659	\$ 227,299
Other comprehensive income (Note 19):			
Valuation difference on available-for-sale securities	(1,879)	(533)	(17,265)
Foreign currency translation adjustment	78	—	716
Remeasurements of defined benefit plans, net of tax	(680)	(50)	(6,248)
Share of other comprehensive income of entities accounted for using equity method	(30)	30	(275)
Total other comprehensive income	(2,512)	(553)	(23,081)
Comprehensive income	¥ 22,225	¥ 26,105	\$ 204,217
Total comprehensive income attributable to:			
Owners of parent	¥ 21,180	¥ 24,844	\$ 194,615
Non-controlling interests	1,044	1,260	9,592

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

NIPPO CORPORATION
Year ended March 31, 2020

	Millions of Yen				
	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of April 1, 2018	¥ 15,324	¥ 16,315	¥ 262,903	¥ (252)	¥ 294,290
Changes during the year:					
Dividends of surplus			(4,763)		(4,763)
Profit attributable to owners of parent			25,514		25,514
Purchase of treasury shares				(1)	(1)
Disposal of treasury shares				0	0
Changes in scope of consolidation			395		395
Other		47			47
Net changes in items other than shareholders' equity					
Balance as of March 31, 2019	¥ 15,324	¥ 16,363	¥ 284,050	¥ (254)	¥ 315,483
Changes during the year:					
Dividends of surplus			(4,763)		(4,763)
Profit attributable to owners of parent			23,594		23,594
Purchases of treasury shares				(1)	(1)
Disposal of treasury shares		0		0	0
Changes in scope of consolidation			787		787
Net changes in items other than shareholders' equity					
Balance as of March 31, 2020	¥ 15,324	¥ 16,363	¥ 303,668	¥ (255)	¥ 335,101

Millions of Yen

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance as of April 1, 2018	¥ 20,876	¥ 0	— ¥	(906) ¥	19,970 ¥	7,569 ¥	321,829
Changes during the year:							
Dividends of surplus							(4,763)
Profit attributable to owners of parent							25,514
Purchases of treasury shares							(1)
Disposal of treasury shares							0
Changes in scope of consolidation							395
Other							47
Net changes in items other than shareholders' equity	(650)	30		(50)	(670)	1,267	597
Balance as of March 31, 2019	¥ 20,226	¥ 30	— ¥	(956) ¥	19,300 ¥	8,836 ¥	343,620
Changes during the year:							
Dividends of surplus							(4,763)
Profit attributable to owners of parent							23,594
Purchases of treasury shares							(1)
Disposal of treasury shares							0
Changes in scope of consolidation							787
Net changes in items other than shareholders' equity	(1,766)	(30)	63	(680)	(2,414)	1,449	(964)
Balance as of March 31, 2020	¥ 18,459	— ¥	63 ¥	(1,637) ¥	16,886 ¥	10,286 ¥	362,273

Thousands of U.S. Dollars (Note 1)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of April 1, 2019	\$ 140,806	\$ 150,353	\$ 2,610,033	\$ (2,333)	2,898,860
Changes during the year:					
Dividends of surplus			(43,765)		(43,765)
Profit attributable to owners of parent			216,796		216,796
Purchases of treasury shares				(9)	(9)
Disposal of treasury shares		0		0	0
Changes in scope of consolidation			7,231		7,231
Net changes in items other than shareholders' equity					
Balance as of March 31, 2020	\$ 140,806	\$ 150,353	\$ 2,790,296	\$ (2,343)	3,079,123

Thousands of U.S. Dollars (Note 1)

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance as of April 1, 2019	\$ 185,849	\$ 275	\$ —	\$ (8,784)	\$ 177,340	\$ 81,190	\$ 3,157,401
Changes during the year:							
Dividends of surplus							(43,765)
Profit attributable to owners of parent							216,796
Purchases of treasury shares							(9)
Disposal of treasury shares							0
Changes in scope of consolidation							7,231
Other							
Net changes in items other than shareholders' equity	(16,227)	(275)	578	(6,248)	(22,181)	13,314	(8,857)
Balance as of March 31, 2020	\$ 169,613	\$ —	\$ 578	\$ (15,041)	\$ 155,159	\$ 94,514	\$ 3,328,797

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

NIPPO CORPORATION
Year ended March 31, 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
Cash flows from operating activities:			
Profit before income taxes	¥ 37,299	¥ 38,627	\$ 342,727
Depreciation	8,976	8,486	82,477
Amortization of goodwill	98	2	900
Impairment loss	116	—	1,065
Reversal of provision for loss on anti-monopoly act	(317)	—	(2,912)
Net loss (gain) on sales and retirement of property, plant and equipment	314	459	2,885
Loss (gain) on sales of short-term and long-term investment securities	(49)	(74)	(450)
Loss (gain) on valuation of short-term and long-term investment securities	60	22	551
Loss (gain) on redemption of short-term and long-term investment securities	47	—	431
Loss (gain) on exchange from business combination	814	—	7,479
Loss on valuation of inventories	11	57	101
Increase (decrease) in allowance for doubtful accounts	10	(157)	91
Increase (decrease) in provision for bonuses	106	(80)	973
Increase (decrease) in retirement benefit liability	(764)	(81)	(7,020)
Increase (decrease) in provision for loss on construction contracts	55	115	505
Interest and dividend income	(1,213)	(1,202)	(11,145)
Interest expenses	60	9	551
Share of loss (profit) of entities accounted for using equity method	(15)	1,457	(137)
Foreign exchange losses (gains)	16	(57)	147
Decrease (increase) in trade receivables	5,968	(15,681)	54,837
Decrease (increase) in costs on construction contracts in progress	3,879	(3,040)	35,642
Decrease (increase) in inventories	3,399	(3,816)	31,232
Increase (decrease) in trade payables	(4,308)	(8,514)	(39,584)
Increase (decrease) in advances received on construction contracts in progress	(184)	2,536	(1,690)
Increase (decrease) in accrued consumption taxes	(1,189)	(1,221)	(10,925)
Other, net	1,445	(2,564)	13,277
Subtotal	54,636	15,281	502,030
Interest and dividends received	1,225	1,203	11,256
Interest paid	(51)	(10)	(468)
Income taxes paid	(12,615)	(13,208)	(115,914)
Payments related to anti-monopoly act	—	(306)	—
Net cash provided by operating activities	43,194	2,960	396,894
Cash flows from investing activities:			
Purchase of securities	—	(700)	—
Proceeds from sales and redemption of securities	202	450	1,856
Purchase of property, plant and equipment	(22,226)	(13,109)	(204,226)
Proceeds from sales of property, plant and equipment	639	449	5,871
Purchase of investment securities	(3,111)	(2,160)	(28,585)
Proceeds from sales of investment securities	622	402	5,715
Long-term loan advances	(1,343)	(1,369)	(12,340)
Collection of long-term loans receivable	1,265	1,434	11,623
Other, net	(1,802)	(635)	(16,557)
Net cash used in investing activities	(25,753)	(15,238)	(236,635)
Cash flows from financing activities:			
Proceeds from short-term borrowings	311	167	2,857
Repayments of short-term borrowings	(150)	(90)	(1,378)
Proceeds from long-term borrowings	4,800	50	44,105
Repayments of long-term borrowings	(222)	(375)	(2,039)
Dividends paid	(4,763)	(4,763)	(43,765)
Dividends paid to non-controlling interests	(73)	(28)	(670)
Other, net	(134)	(123)	(1,231)
Net cash used in financing activities	(232)	(5,163)	(2,131)

Effect of exchange rate change on cash and cash equivalents	22	57	202
Net increase (decrease) in cash and cash equivalents	17,230	(17,384)	158,320
Cash and cash equivalents at beginning of the year	107,906	124,317	991,509
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	1,733	973	15,923
<u>Cash and cash equivalents at end of the year (Note 3)</u>	<u>¥ 126,871</u>	<u>¥ 107,906</u>	<u>\$ 1,165,772</u>

The accompanying notes are an integral part of these statements

Notes to Consolidated Financial Statements

NIPPO CORPORATION and Consolidated Subsidiaries
Year ended March 31, 2020

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of NIPPO CORPORATION (the “Company”) and its consolidated subsidiaries (collectively, the “Group”) have been compiled from the statutory Japanese consolidated financial statements 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 application and disclosure requirements from International Financial Reporting Standards. Certain supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

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 that is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the financial statements for the year ended March 31, 2019 to conform to the classifications used in the financial statements for the year ended March 31, 2020.

As permitted by the Financial Instruments and Exchange Act, amounts of less than one million yen have been omitted. Consequently, the totals shown in the accompanying consolidated financial statements do not necessarily agree with the sums of the individual amounts.

The translation of the Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan, using the prevailing exchange rate as of March 31, 2020, which was ¥108.83 to U.S. \$1.00. The translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2. Summary of Significant Accounting Policies

(1) Consolidation

The consolidated financial statements include the accounts of the Company and its significant subsidiaries, the management of which is controlled by the Company. For the year ended March 31, 2020, the accounts of 192 (182 in 2019) subsidiaries have been included in the consolidated financial statements.

Under the control or influence concept, the companies over which the Company, directly or indirectly, is able to exercise control are fully consolidated, and those companies over which the Company has the ability to exercise significant influence are accounted for using the equity method.

Investment in 1 (2 in 2019) affiliate is accounted for using the equity method as of March 31, 2020. Investments in the remaining unconsolidated subsidiaries or affiliates are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

Intercompany transactions and accounts have been eliminated.

In the elimination of investments in consolidated subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to non-controlling shareholders, are evaluated using the fair value at the time when the Company acquired the control over the respective subsidiary. The consolidated subsidiaries, except for 8 companies, close their fiscal accounts on March 31.

In preparing the accompanying consolidated financial statements, Ashinoko Skyline Corporation and other 5 companies are consolidated using the financial statements at December 31 and other consolidated subsidiaries whose fiscal closing dates are different from the consolidated closing date are consolidated using the provisional

accounts made as of the consolidated closing date. Any necessary adjustments for consolidation are made in the consolidated financial statements to reflect significant transactions occurring in the period between December 31 and March 31.

a. Changes in the scope of consolidation during the year ended March 31, 2020

TSUKUBA GREEN ASCON CORPORATION and 8 other subsidiaries were newly included in the scope of consolidation effective from the year ended March 31, 2020 due to their increased materiality. In addition, Yotsuya Property Godo Kaisha was newly included in the scope of consolidation since it became a subsidiary due to investment in a silent partnership.

Major unconsolidated subsidiary as of March 31, 2020 is as follows:

DAINICHI GIKEN KOGYO CO., LTD.

This company was not consolidated because its effect on the consolidated financial statements was immaterial in terms of total assets, net sales, profit and retained earnings.

b. Major unconsolidated subsidiary or affiliate accounted for using the equity method

Sankyodouro Co., Ltd.

JX Engineering Corporation, which had been accounted for using the equity method until the year ended March 31, 2019, was merged into Shinko Plantech Co., Ltd. on July 1, 2019 as the absorbed company, and the ownership ratio decreased and accordingly, it was excluded from the scope of affiliates accounted for using the equity method in the year ended March 31, 2020. On the same date, Shinko Plantech Co., Ltd. changed its trade name to RAIZNEXT Corporation.

c. Major unconsolidated subsidiaries and affiliates not accounted for using the equity method

DAINICHI GIKEN KOGYO CO., LTD. is not accounted for using the equity method because its effect on the consolidated financial statements was immaterial in terms of the Company's share of profit and retained earnings.

The difference between the cost of investment in a subsidiary and the equity in the net assets of the subsidiary at the date of acquisition is amortized over the estimated years if available years are possible to estimate substantially. If it is not possible to estimate available years, the difference is amortized over five years.

Investments in unconsolidated subsidiaries and affiliates were included in "Other" under "Current assets," "Investment securities" and "Other" under "Investments and other assets" in the total amounts of ¥9,231 million (\$84,820 thousand) and ¥15,438 million as of March 31, 2020 and 2019, respectively.

(2) Securities

Securities other than investments in affiliates are classified into two categories, based on the Group's intent and ability as follows:

- Held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity and stated at amortized cost, and
- Available-for-sale securities, which are not classified as aforementioned security and stated at fair value which is determined based on the market price or other relevant value, as of the fiscal year-end, with unrealized gain (loss), net of applicable taxes, reported in net assets. Unrealized gain (loss), net of applicable income taxes, is reported as a separate component of accumulated other comprehensive income in net assets. Realized gain and loss on the sale of such securities are computed using the moving average method.
If the fair value of available-for-sale securities is extremely difficult to determine, such securities are reported at acquisition cost determined by the moving average method.
- Compound financial instruments which cannot be measured by segregating the embedded derivatives are measured at fair value as a whole, and unrealized gains or losses are recorded in the consolidated statement of income.

(3) Derivatives

Derivatives are stated at fair value.

(4) Inventories

Inventories consist of costs on construction contracts in progress, real estate for sale and development projects in progress and other inventories, including manufactured goods, raw material and supplies.

Inventories, other than costs on construction contracts in progress, are valued at the lower of cost or net realizable value. Cost is determined principally by the specific identification method, except for manufactured goods and materials that are determined principally by the moving average method.

(5) Depreciation and Amortization

Property, plant and equipment of the Group, except for leased assets, are depreciated by the straight-line method.

Major useful lives are as follows:

Buildings and structures: 2-64 years

Machinery, equipment and vehicles: 2-14 years

Intangible assets, except for leased assets, are amortized over the useful life using the straight-line method.

Cost for internally-used software is amortized over the useful life within five years.

Leased assets under finance leases are amortized by the straight-line method with no residual value over the lease term as the useful life.

(6) Leases

As lessor:

The Group recognizes net sales and cost of sales on finance lease transactions upon receipt of lease charges.

(7) Allowance for Doubtful Accounts

Allowance for doubtful accounts is provided principally at an amount based on the actual ratio of bad debts in the past plus the estimated uncollectible amounts of certain individual receivables.

(8) Provision for Bonuses

The Company and certain consolidated subsidiaries record provision for bonuses payable to employees to provide for payment of bonuses applicable to the current fiscal year.

(9) Provision for Warranties for Completed Construction

Provision for warranties for completed construction is provided for future payments on defects or post-sales costs to be incurred in connection with warranties for completed construction based on past experience.

(10) Provision for Loss on Construction Contracts

Provision for loss on construction contracts is provided with respect to construction contracts in progress on which estimated total costs would exceed the contract amounts and the related loss can be reasonably estimated.

(11) Provision for Retirement Benefits for Directors (and Other Officers)

Certain consolidated subsidiaries record necessary amounts to be paid based on the internal rule as of the fiscal year-end to provide for future payments for retirement benefits for directors and other officers.

(12) Accounting for Employees' Retirement Benefits

In determining retirement benefit obligations, the estimated amount of retirement benefits are attributed to periods on a benefit formula basis.

Past service cost is amortized by the straight-line method over periods which are shorter than the average remaining service years (12 years) of employees at the time of occurrence.

Actuarial gain and loss are amortized by the straight-line method over periods which are shorter than the average remaining service years (principally 12 years) of employees at the time of occurrence from the year following the year of occurrence.

Unrecognized actuarial gain and loss and unrecognized past service cost are adjusted for tax effects and recorded in "Remeasurements of defined benefit plans" under "Accumulated other comprehensive income" in the net assets section.

(13) Recognizing Revenues and Costs of Construction Contracts

The Company recognizes the construction revenue and construction costs by the percentage-of-completion method if the outcome of a construction contract can be estimated reliably. The percentage of completion is

determined using the percentage of the cost incurred to the estimated total cost. Revenue from other construction contracts is recognized based on the completed-contract method.

Revenue recognized by the percentage-of-completion method was ¥198,475 million (\$1,823,715 thousand) and ¥189,932 million for the years ended March 31, 2020 and 2019, respectively.

(14) Consumption Taxes

National and local consumption taxes are deducted from transaction amounts and recorded on the consolidated balance sheet.

(15) Cash and Cash Equivalents

In preparing the consolidated statement of cash flows, cash on hand, readily-available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

(16) Unapplied New Accounting Standards

On March 31, 2020, the ASBJ issued ASBJ Statement No. 29, "Accounting Standard for Revenue Recognition" and ASBJ Guidance No. 30, "Implementation Guidance on Accounting Standard for Revenue Recognition."

This accounting standard is a comprehensive accounting standard for revenue recognition. Revenue shall be recognized by applying the following five steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

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

The Company is in the process of measuring the effects of applying the new accounting standard and guidance at the time of preparing the accompanying consolidated financial statements.

(17) Additional Information

Impact of the spread of the novel coronavirus disease (COVID-19) on accounting estimates

The Japanese government declared a state of emergency (fully lifted on May 25) on April 7, 2020, in response to the spread of COVID-19. Although certain construction activity was suspended during this period, the impact on the Company's performance was immaterial.

The Company is making accounting estimates based on the assumption that the impact would continue to be immaterial.

3. Cash and Cash Equivalents

The reconciliation of "Cash and cash equivalents" in the consolidated statement of cash flows at the end of the fiscal year and "Cash and deposits" in the consolidated balance sheet as of March 31, 2020 and 2019 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Cash and deposits	¥128,432	¥40,982	\$1,180,115
Time deposits maturing over 3 months	(1,560)	(871)	(14,334)
Short-term loans which will be collected within 3 months	-	67,795	-
Cash and cash equivalents at the end of year	¥126,871	¥107,906	\$1,165,772

4. Notes Receivable

The Company settles notes receivable, etc. maturing on the balance sheet date based on the actual exchange date or settlement date of those notes. As March 31, 2019 fell on a bank holiday, the following notes receivable, etc., maturing on the balance sheet date are included in each account on the consolidated balance sheet date:

	Millions of Yen
	2019
Notes receivable	¥1,157
Electronically recorded monetary claims - operating	461

5. Investment Securities

Held-to-maturity securities:

	Millions of Yen		
	2020		
March 31	Carrying amount	Fair value	Unrealized gain (loss)
Fair value exceeds carrying amount:	¥-	¥-	¥-
Fair value does not exceed carrying amount:	¥2,500	¥2,487	¥(12)
Total	¥2,500	¥2,487	¥(12)

	Millions of Yen		
	2019		
March 31	Carrying amount	Fair value	Unrealized gain (loss)
Fair value exceeds carrying amount:	¥-	¥-	¥-
Fair value does not exceed carrying amount:	¥1,500	¥1,483	¥(16)
Total	¥1,500	¥1,483	¥(16)

	Thousands of U.S. Dollars		
	2020		
March 31	Carrying amount	Fair value	Unrealized gain (loss)
Fair value exceeds carrying amount	\$-	\$-	\$-
Fair value does not exceed carrying amount:	\$22,971	\$22,852	\$(110)
Total	\$22,971	\$22,852	\$(110)

Available-for-sale securities:

The following table summarizes carrying amounts, acquisition costs and unrealized gain (loss) of available-for-sale securities as of March 31, 2020 and 2019:

	Millions of Yen		
	2020		
March 31	Carrying amount	Acquisition cost	Unrealized gain (loss)
Carrying amount exceeds acquisition cost:			
Equity securities	¥36,469	¥9,267	¥27,201
Carrying amount does not exceed acquisition cost:			
Equity securities	¥794	¥903	¥(109)
Total	¥37,263	¥10,171	¥27,091

	Millions of Yen		
	2019		
March 31	Carrying amount	Acquisition cost	Unrealized gain (loss)
Carrying amount exceeds acquisition cost:			
Equity securities	¥35,741	¥5,939	¥29,802
Carrying amount does not exceed acquisition cost:			
Equity securities	¥199	¥245	¥(46)
Debt securities – Other	226	250	(23)
Total	¥36,167	¥6,434	¥29,732

	Thousands of U.S. Dollars		
	2020		
March 31	Carrying amount	Acquisition cost	Unrealized gain (loss)
Carrying amount exceeds acquisition cost:			
Equity securities	\$335,100	\$85,151	\$249,940
Carrying amount does not exceed acquisition cost:			
Equity securities	\$7,295	\$8,297	\$(1,001)
Total	\$342,396	\$93,457	\$248,929

Proceeds from sales of available-for-sale securities and realized gain (loss) for the years ended March 31, 2020 and 2019 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Sales proceeds	¥88	¥78	\$808
Realized gain	77	74	707
Realized loss	10	—	91

Impairment loss of ¥60 million (\$551 thousand) was recognized on securities (equity securities classified as available-for-sale securities) for the year ended March 31, 2020.

Impairment loss of ¥10 million was recognized on securities (equity securities classified as available-for-sale securities) for the year ended March 31, 2019.

The Company recognizes impairment loss if the fair value at the fiscal year-end declines more than 30% from the acquisition cost. Regarding securities for which there is no market value, the Company recognizes impairment loss if the substantial value at the fiscal year-end declines more than 50% from the acquisition cost, unless the recoverability can be sufficiently justified.

6. Inventories

Inventories as of March 31, 2020 and 2019 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Costs on construction contracts in progress	¥15,896	¥19,192	\$146,062
Real estate for sale	26,875	29,247	246,944
Manufactured goods	467	449	4,291
Raw material and supplies	2,397	2,024	22,025
Total	¥45,636	¥50,913	\$419,332

Inventories related to construction contracts on which losses are expected are presented on a gross basis without offsetting against provision for loss on construction contracts.

Inventories related to construction contracts that are covered by provision for loss on construction contracts were ¥116 million (\$1,065 thousand) and ¥114 million as of March 31, 2020 and 2019, respectively.

During the year ended March 31, 2020, land in the amount of ¥562 million (\$5,164 thousand) and buildings and structures in the amount of ¥828 million (\$7,608 thousand) were reclassified from property, plant and equipment to real estate for sale due to changes in holding purpose.

During the year ended March 31, 2019, land in the amount of ¥774 million, buildings and structures in the amount of ¥1,258 million and intangible assets in the amount of ¥346 million were reclassified from property, plant and equipment and intangible assets to real estate for sale due to changes in holding purpose.

7. Investment and Rental Property

The Company and certain consolidated subsidiaries own rental properties such as office buildings, commercial facilities, residential houses, parking lots and others in Tokyo and other areas for the purpose of earning rental income. Certain office buildings for rent are included in "Real estate including portions to be used for investment and rental properties," since the Company and certain consolidated subsidiaries use them.

The carrying amounts, changes in such balances and fair values of such properties for the years ended March 31, 2020 and 2019 were as follows.

	Millions of Yen			Fair value
	Carrying amounts			March 31, 2020
Year ended March 31, 2020	April 1, 2019	Changes	March 31, 2020	March 31, 2020
Investment and rental properties	¥21,231	¥7,883	¥29,114	¥31,540
Real estate including portions to be used for investment and rental properties	2,753	(27)	2,726	3,956

	Millions of Yen			Fair value
	Carrying amounts			March 31, 2019
Year ended March 31, 2019	April 1, 2018	Changes	March 31, 2019	March 31, 2019
Investment and rental properties	¥24,045	¥(2,814)	¥21,231	¥23,021
Real estate including portions to be used for investment and rental properties	2,821	(67)	2,753	3,874

Year ended March 31, 2020	Thousands of U.S. Dollars			
	Carrying amounts			Fair value
	April 1, 2019	Changes	March 31, 2020	March 31, 2020
Investment and rental properties	\$195,084	\$72,434	\$267,518	\$289,809
Real estate including portions to be used for investment and rental properties	25,296	(248)	25,048	36,350

Notes:

- Carrying amounts represent the net book values of acquisition costs, less accumulated depreciation and accumulated impairment losses.
- Changes during the year ended March 31, 2020 consist of an increase primarily due to buildings, etc. related to rental properties acquired in Shinjuku-ku, Tokyo in the amount of ¥6,642 million (\$61,030 thousand).
Changes during the year ended March 31, 2019 consist of a decrease primarily due to reclassification to real estate for sale in the amount of ¥2,378 million.
- The fair value is measured based on the real estate appraisal values by independent real estate appraisers for significant properties and internally measured based on the certain appraisal values and indices considered to be reflecting market prices properly for other properties.

Profit or loss on these properties for the years ended March 31, 2020 and 2019 was as follows:

Year ended March 31, 2020	Millions of Yen		
	Rental income	Rental costs	Profit
Investment and rental properties	¥2,660	¥1,268	¥1,392
Real estate including portions to be used for investment and rental properties	436	223	213

Year ended March 31, 2019	Millions of Yen		
	Rental income	Rental costs	Profit
Investment and rental properties	¥2,691	¥1,277	¥1,413
Real estate including portions to be used for investment and rental properties	453	222	231

Year ended March 31, 2020	Thousands of U.S. Dollars		
	Rental income	Rental costs	Profit
Investment and rental properties	\$24,441	\$11,651	\$12,790
Real estate including portions to be used for investment and rental properties	4,006	2,049	1,957

Note: Since real estate including portions to be used for investment and rental properties include portions used by the Company and certain consolidated subsidiaries, rental income for such portions is not included in the above table. However, such real estate expenses including depreciation, repair and maintenance expenses, insurance and taxes and dues are included in rental costs.

8. Short-term Borrowings, Long-term Borrowings and Lease Obligations

The annual weighted-average interest rates applicable to short-term borrowings were 3.35% and 1.42% for the years ended March 31, 2020 and 2019, respectively.

The annual weighted-average interest rates applicable to long-term borrowings were 4.25% and 1.90% for the years ended March 31, 2020 and 2019, respectively and the repayment due dates are from 2021 through 2025. The annual weighted-average interest rate applicable to non-recourse long-term borrowings for the years ended March 31, 2020 and 2019 was 0.97% and 0.80%, respectively, and the repayment due dates are from 2021 through 2035.

The due dates of long-term lease obligations are from 2021 through 2029.

Annual maturities within 5 years subsequent to March 31, 2021 of long-term borrowings, non-recourse long-term borrowings and long-term lease obligations, excluding current portions, were as follows:

Years ending March 31	Millions of Yen		
	Long-term borrowings	Non-recourse long-term borrowings	Long-term lease obligations
2022	¥140	¥81	¥305
2023	34	82	196
2024	4	82	127
2025	1	4,883	46

Years ending March 31	Thousands of U.S. Dollars		
	Long-term borrowings	Non-recourse long-term borrowings	Long-term lease obligations
2022	\$1,286	\$744	\$2,802
2023	312	753	1,800
2024	36	753	1,166
2025	9	44,868	422

Assets pledged as collateral for long-term borrowings as of March 31, 2020 and 2019 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
(Collateralized debt)			
Long-term borrowings (including current portion)	¥152	¥235	\$1,396
(Pledged assets)			
Land	¥540	¥540	\$4,961
Buildings and structures	111	102	1,019
Total	¥651	¥643	\$5,981

Assets pledged as collateral for loans of non-consolidated companies from financial institutions as of March 31, 2020 and 2019 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Investment securities	¥38	¥12	\$349
Long-term loans receivable	2	2	18
Total	¥40	¥14	\$367

Assets pledged as collateral for the following non-recourse debt as of March 31, 2020 and 2019 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
(Collateralized debt)			
Long-term borrowings (including current portion)	¥6,219	¥1,363	\$57,144
(Pledged assets)			
Business assets, etc.	¥8,161	¥1,713	\$74,988

9. Employees' Retirement Benefits

(1) Summary of retirement benefit plans of the Group

The Group has defined benefit corporate pension plans, welfare pension fund plans and lump-sum payment plans (including external funding plans) to cover the employees' retirement benefits. As of March 31, 2020, of the companies under the Group, one company has a funded defined benefit corporate pension plan, six companies have lump-sum payment plans (while these are unfunded plans, one company has changed to funded plans following the establishment of a retirement benefit trust) and two companies have a defined contribution pension plan. As lump-sum payment plans (external funding plans), certain subsidiaries participate in the Retirement Mutual Fund Plan for Small and Medium Size Companies or the Construction Industry Retirement Mutual Fund Plan.

Some consolidated subsidiaries adopt a short-cut method to calculate the retirement benefit liability and retirement benefit expenses for their lump-sum payment plans.

Japan Welfare Pension Fund of the Construction Industry in which certain Group companies had maintained the membership was dissolved on September 30, 2016 upon obtaining approval for dissolution from the Minister of Health, Labour and Welfare of Japan and a portion was transferred to defined benefit corporate pension plans of the Group on October 1, 2016.

Subsequently, the liquidation was completed following the approval by the Minister of Health, Labour and Welfare of the "financial report following completion of liquidation" of the Welfare Pension Fund on April 6, 2020.

(2) Defined benefit plans

- 1) The changes in retirement benefit obligations for the years ended March 31, 2020 and 2019, were as follows (excluding the plans to which a short-cut method is applied):

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Beginning balance of retirement benefit obligations	¥ 32,453	¥ 33,998	\$298,199
Service cost	1,178	1,327	10,824
Interest cost	117	122	1,075
Actuarial differences	608	384	5,586
Retirement benefits paid	(1,566)	(1,868)	(14,389)
Impact of changes in pension plans	-	(1,510)	-
Ending balance of retirement benefit obligations	¥ 32,791	¥ 32,453	\$ 301,304

- 2) The changes in plan assets for the years ended March 31, 2020 and 2019, were as follows (excluding the plans to which a short-cut method is applied):

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Beginning balance of plan assets	¥ 26,337	¥ 26,777	\$ 242,001
Expected return on plan assets	639	650	5,871
Actuarial differences	(1,062)	(292)	(9,758)
Contribution from the employer	1,590	696	14,609
Retirement benefits paid	(1,267)	(1,494)	(11,642)
Ending balance of plan assets	¥ 26,237	¥ 26,337	\$ 241,082

- 3) The changes in retirement benefit liability of the plans to which a short-cut method is applied for the years ended March 31, 2020 and 2019 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Beginning balance of retirement benefit liability	¥ 348	¥ 380	\$ 3,197
Retirement benefit expenses	45	40	413
Retirement benefits paid	(43)	(72)	(395)
Ending balance of retirement benefit liability	¥ 350	¥ 348	\$ 3,216

4) Reconciliation between the ending balances of retirement benefit obligations and plan assets and retirement benefit liability recorded in the consolidated balance sheet were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Funded defined benefit obligations	¥ 32,791	¥ 32,453	\$ 301,304
Plan assets	26,237	26,337	241,082
	6,554	6,116	60,222
Unfunded defined benefit obligations	350	348	3,216
Net liability recorded in the consolidated balance sheet	6,904	6,464	63,438
Retirement benefit liability	6,904	6,464	63,438
Net liability recorded in the consolidated balance sheet	¥ 6,904	¥ 6,464	\$ 63,438

Note: Above amounts include those plans to which a short-cut method is applied.

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

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Service cost	¥ 1,178	¥ 1,327	\$ 10,824
Interest cost	117	122	1,075
Expected return on plan assets	(639)	(650)	(5,871)
Amortization of actuarial differences	689	598	6,330
Amortization of past service cost	4	4	36
Retirement benefit expenses computed by a short-cut method	45	40	413
Retirement benefit expenses on defined benefit plans	¥ 1,396	¥ 1,443	\$ 12,827

6) The components of remeasurements of defined benefit plans (before adjusting for tax effects) for the years ended March 31, 2020 and 2019, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Past service costs	¥ 4	¥ 4	\$ 36
Actuarial differences	(980)	(77)	(9,004)
Total	¥ (976)	¥ (73)	\$(8,968)

7) The components of accumulated remeasurements of defined benefit plans (before adjusting for tax effects) as of March 31, 2020 and 2019, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Unrecognized past service costs	¥ 11	¥ 15	\$ 101
Unrecognized actuarial differences	2,287	1,306	21,014
Total	¥2,298	¥1,321	\$21,115

8) Plan assets

a. Components of plan assets

Plan assets consisted of the following:

	2020	2019
Debt securities	26.7%	33.1%
Equity securities	28.6%	36.8%
Cash and deposits	19.9%	7.9%
Alternative investments	12.7%	12.4%
General accounts of life insurance	8.4%	8.5%
Other	3.7%	1.3%
Total	100.0%	100.0%

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

The long-term expected rate of return on plan assets is determined considering the allocations of plan assets which are expected currently and in the future and the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

9) Actuarial assumptions used for the years ended March 31, 2020 and 2019, were set forth as follows:

	2020	2019
Discount rate	0.25%-0.5%	0.1%-0.4%
Long-term expected rate of return	2.0%-2.5%	2.0%-2.5%
Expected rate of salary increase	1.5%-4.0%	1.4%-3.8%

(3) Defined contribution plan

The amount of the required contribution to the defined contribution plan of a consolidated subsidiary was ¥119 million (\$1,093 thousand) and ¥119 million for the years ended March 31, 2020 and 2019, respectively.

10. Asset Retirement Obligations

The Group's asset retirement obligations represent obligations of restoration stipulated in the real estate rental contracts of land for business use.

Asset retirement obligations are measured by estimating the periods for use to be 2 years through 50 years after the beginning of the contract term and using the discount rates of (0.1)% through 2.3%.

The changes in asset retirement obligations during the years ended March 31, 2020 and 2019 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Beginning balance	¥1,327	¥1,664	\$12,193
Increase due to acquisition of tangible assets	1	6	9
Accretion expenses	3	3	27
Decrease due to settlement of obligations	(72)	(150)	(661)
Increase (decrease) due to changes in estimates*	-	(197)	-
Ending balance	¥1,260	¥1,327	\$11,577

*Regarding asset retirement obligations recorded as a result of obligations to restore a site to its original condition according to the real estate lease agreement, the estimation of the recovery cost is changed based on new information obtained by the Group.

11. Net Assets

Under the Japanese Companies Act (the "Act"), the entire amount paid for new shares is required to be designated as common shares. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding 50% of the price of the new shares as additional paid-in capital, which is a component of capital surplus.

Under the Act, an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common shares. Under the Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Act also provides that common shares, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon approval by the Board of Directors and/or upon resolution of the shareholders' meeting.

In addition, legal reserve and capital surplus could be used to eliminate or reduce a deficit or could be capitalized by a resolution of the shareholders' meeting.

12. Share Capital and Dividends Paid

The Company's share capital consists of only common shares.

The changes in the number of outstanding common shares and treasury shares during the years ended March 31, 2020 and 2019 were as follows:

Year ended March 31, 2020	Number of shares			
	April 1, 2019	Increase	Decrease	March 31, 2020
Outstanding shares issued:				
Common shares	119,401,836	—	—	119,401,836
Treasury shares	315,378	466	61	315,783

Year ended March 31, 2019	Number of shares			
	April 1, 2018	Increase	Decrease	March 31, 2019
Outstanding shares issued:				
Common shares	119,401,836	—	—	119,401,836
Treasury shares	314,804	619	45	315,378

Note: Increase in treasury shares during the years ended March 31, 2020 and 2019 is due to purchase of shares less than one unit. Decrease in treasury shares during the years ended March 31, 2020 and 2019 is due to sales of shares less than one unit.

The Company paid the following dividends during the years ended March 31, 2020 and 2019:

Year ended March 31, 2020

Cash dividends approved at the shareholders' meeting held on June 24, 2019:	Total amount (Millions of Yen) (Thousands of U.S. Dollars)	Per share amount (Yen) (U.S. Dollars)	Dividend cut-off date	Effective date
Common shares	¥4,763 (\$43,765)	¥40 (\$0.36)	Mar. 31, 2019	Jun. 25, 2019

Year ended March 31, 2019

Cash dividends approved at the shareholders' meeting held on June 22, 2018:	Total amount (Millions of Yen)	Per share amount (Yen)	Dividend cut-off date	Effective date
Common shares	¥4,763	¥40	Mar. 31, 2018	Jun. 25, 2018

Dividends whose cut-off date is in the year ended March 31, 2020 but whose effective date is in the following fiscal year

Cash dividends approved at the shareholders' meeting held on June 23, 2020:	Total amount (Millions of Yen) (Thousands of U.S. Dollars)	Source of dividends	Per share amount (Yen) (U.S. Dollars)	Dividend cut-off date	Effective date
Common shares	¥7,145 (\$65,652)	Retained earnings	¥60 (\$0.55)	Mar. 31, 2020	Jun. 24, 2020

13. Contingent Liabilities

The Group guarantees the following liabilities as of March 31, 2020 and 2019:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Housing loans of employees	¥4	¥8	\$ 36

14. Cost of Sales

Cost of sales for the years ended March 31, 2020 and 2019 includes the following costs:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Loss on valuation of inventories due to a decline of profitability	¥11	¥57	\$ 101
Provision for loss on construction contracts	306	269	2,811

15. Selling, General and Administrative Expenses

The major components of selling, general and administrative expenses for the years ended March 31, 2020 and 2019 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Salaries and wages	¥10,120	¥9,413	\$92,989
Provision for bonuses	1,488	1,526	13,672
Retirement benefit expenses	565	463	5,191
Research and development expenses	741	711	6,808
Miscellaneous expenses	3,339	3,229	30,680

16. Other Income (Expenses)

Net gain (loss) on sales and retirement of property, plant and equipment for the years ended March 31, 2020 and 2019 consists of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Gain on sales of property, plant and equipment:			
Land	¥45	¥0	\$ 413
Machinery, equipment and vehicles	37	46	339
Other	3	4	27
Subtotal	85	51	781
Loss on sales and retirement of property, plant and equipment:			
Buildings and structures	(330)	(411)	(3,032)
Machinery, equipment and vehicles	(43)	(49)	(395)
Other	(26)	(50)	(238)
Subtotal	(399)	(510)	(3,666)
Net gain (loss) on sales and retirement of property, plant and equipment	¥(314)	¥(459)	\$ (2,885)

17. Impairment Loss

The Group recognized impairment loss amounting to ¥116 million (\$1,065 thousand) for the year ended March 31, 2020.

The Group considers business units based on the business category for management accounting purposes as the minimum cash-generating unit and all corporate assets of the headquarters are treated as common assets for the purpose of grouping.

The Group reduced the carrying amounts of land (Koriyama City, Fukushima Prefecture) for which profitability declined and determined to be disposed of in the year ended March 31, 2020, and recorded the decrease in the amounts of such assets as impairment loss under "Other expenses" for the year ended March 31, 2020.

The recoverable amounts of the business assets (land) are reasonably determined based on net selling value in accordance with the contract amount.

No impairment loss was recognized for the year ended March 31, 2019.

18. Income Taxes

Major components of the Group's deferred income tax assets and liabilities as of March 31, 2020 and 2019 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Deferred tax assets:			
Provision for bonuses	¥1,680	¥1,806	\$15,436
Provision for loss on construction contracts	110	85	1,010
Allowance for doubtful accounts	354	370	3,252
Loss on valuation of real estate for sale and development projects in progress	906	918	8,324
Retirement benefit liability	2,686	2,160	24,680
Impairment loss	5,720	5,776	52,559
Other	2,659	3,348	24,432
Subtotal	14,118	14,467	129,725
Valuation allowance	(7,700)	(7,560)	(70,752)
Total deferred tax assets	¥6,418	¥6,907	\$58,972
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	¥(8,236)	¥(9,070)	\$(75,677)
Reserve for reduction entry of fixed assets	(512)	(512)	(4,704)
Other	(29)	(379)	(266)
Total deferred tax liabilities	¥(8,778)	¥(9,962)	\$(80,657)
Net deferred tax liabilities:	¥(2,359)	¥(3,055)	\$(21,676)

A reconciliation between the statutory tax rate and the effective tax rate for the year ended March 31, 2020 was as follows:

	2020
Statutory tax rate	30.6%
Expenses not deductible for income tax purpose, such as entertainment expense	0.8
Income not taxable for income tax purpose, such as dividend income	(0.2)
Per capita inhabitant tax	0.7
Enterprise tax corresponding to overseas income	(0.0)
Tax credit for research and development costs	(0.2)
Increase/decrease in valuation allowance	0.4
Income tax rate difference of consolidated subsidiaries	1.1
Other	0.5
Effective tax rate	33.7%

A reconciliation between the statutory tax rate and the effective tax rate for the year ended March 31, 2019 was omitted since the difference between the statutory tax rate and the effective tax rate was less than 5% of the statutory tax rate.

19. Other Comprehensive Income

The reclassification adjustment and tax effects allocated to each component of other comprehensive income for the years ended March 31, 2020 and 2019 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Valuation difference on available-for-sale securities:			
Amount recognized during the year	¥ (2,483)	¥ (993)	\$ (22,815)
Amount before tax effect	(2,483)	(993)	(22,815)
Tax effect	604	459	5,549
Valuation difference on available-for-sale securities	(1,879)	(533)	(17,265)
Foreign currency translation adjustment:			
Amount recognized during the year	78	-	716
Remeasurements of defined benefit plans:			
Amount recognized during the year	(1,670)	(676)	(15,345)
Reclassification adjustment to profit	693	602	6,367
Amount before tax effect	(976)	(73)	(8,968)
Tax effect	295	22	2,710
Remeasurements of defined benefit plans	(680)	(50)	(6,248)
Share of other comprehensive income of entities accounted for using equity method:			
Amount recognized during the year	(30)	30	(275)
Other comprehensive income	¥ (2,512)	¥ (553)	\$ (23,081)

20. Per Share Data

March 31	Yen		U.S. Dollars
	2020	2019	2020
Net assets per share	¥2,955.74	¥2,811.27	\$27.15

Net assets per share are calculated based on the following:

March 31	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Total net assets	¥362,273	¥343,620	\$3,328,797
Amount to be deducted from total net assets: (Non-controlling interests)	(10,286)	(8,836)	(94,514)
Net assets attributable to common shares	351,987	334,783	3,234,282

March 31	Number of shares	
	2020	2019
Number of common shares as of fiscal year-end	119,086,053	119,086,458

Years ended March 31	Yen		U.S. Dollars
	2020	2019	2020
Earnings per share	¥198.13	¥214.25	\$1.82

*Diluted earnings per share was not presented because the Company had no potentially dilutive shares for the years ended March 31, 2020 and 2019.

Earnings per share is calculated based on the following:

Years ended March 31	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Profit attributable to owners of parent	¥23,594	¥25,514	\$216,796
Profit attributable to common shareholders of parent	23,594	25,514	216,796

Years ended March 31	Number of shares	
	2020	2019
Average number of common shares during the year	119,086,338	119,086,756

21. Leases

1. Financial leases

As lessee:

The leased assets are some tangible fixed assets such as construction machinery (machinery, equipment and vehicles) for construction business use.

As lessor:

The accounting standard requires that all finance leases that deem to transfer ownership of the leased property to the lessee shall be recognized as lease receivables, and all finance leases that deem not to transfer ownership of the leased property to the lessee shall be recognized as investments in leases.

Investments in leases classified as current assets consist of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Receivable portion of lease charges	¥2,506	¥2,495	\$23,026
Estimated residual value	58	103	532
Interest income portion	108	136	992
Investments in leases	¥2,673	¥2,735	\$24,561

Collection schedules of lease receivables and receivable portion of lease charges on investments in leases subsequent to March 31, 2020 were as follows:

Year ending March 31	Millions of Yen		Thousands of U.S. Dollars	
	Lease receivables	Investments in leases	Lease receivables	Investments in leases
2021	¥8	¥942	\$73	\$8,655
2022	8	682	73	6,266
2023	6	476	55	4,373
2024	3	270	27	2,480
2025	1	100	9	918
2026 and thereafter	0	34	0	312

2. Operating leases

Future minimum lease payments under non-cancellable operating leases were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Due within one year	¥826	¥777	\$7,589
Due over one year	4,685	3,413	43,048
Total	¥5,512	¥4,191	\$50,647

3. Subleases

Subleases recorded in the amounts before deducting interest income in the accompanying consolidated balance sheet were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Investments in leases:			
Current assets	¥581	¥522	\$5,338
Lease obligations:			
Current liabilities	167	208	1,534
Non-current liabilities	381	277	3,500

22. Financial Instruments

a. Policy for Financial Instruments

The Group invests only in safe financial assets. Its temporary surplus funds are invested in financial assets such as bonds with highly safe principal based on external ratings. In addition, the Group primarily raises its funds using its own capital, while certain consolidated subsidiaries use bank loans to a limited extent as a means of raising funds. Derivatives are used, not for speculative purposes, but to avoid risks arising from future changes in foreign exchange rates.

b. Nature and Related Risks Arising from Financial Instruments and Risk Management System

Trade receivables such as notes receivable and accounts receivable from completed construction contracts and electronically recorded monetary claims - operating are exposed to customer credit risk. With respect to such risks, the Company controls the outstanding balances of the whole Group at the Credit Risk Control Committee on a regular basis in accordance with the Company's Credit Control Rules and monitors the credit status of major customers.

Investment securities mainly consist of held-to-maturity debt securities and equity securities issued by trade customers and are exposed to credit risk of the issuers and the risk of market price fluctuations. With respect to held-to-maturity debt securities, the credit risk is minimal since the Company efficiently controls investment amounts and invests only in debt securities with high credit ratings, in accordance with the Fund Investment Rules. Concerning equity securities issued by the trade customers, the Company efficiently controls the outstanding balances, monitor the market values and financial positions of the issuers (trade customers) and continuously review the holding status considering the relationship with the trade customers as well as control market risks.

Payment terms of trade payables such as notes payable, accounts payable on construction contracts and electronically recorded obligations - operating are mostly less than six months. Long-term borrowings are mainly non-recourse loans financed from financial institutions for each project of consolidated subsidiaries operating PFI business or development business.

The Group maintains sufficient funds on hand at present, but controls such liquidity risk associated with funding by preparing and updating funding plans on a timely basis. In addition, appropriate liquidity on hand is secured by using the Cash Management System (CMS) to effectively utilize funds among the Group companies.

Derivatives are used to avoid the risk of changes in foreign exchange rates exposed to foreign currency denominated receivables and payables and to secure stable profit. Derivative transactions are executed in accordance with the internal rule which defines authorization policies. In addition, the counterparties to derivative contracts are limited to large financial institutions to mitigate credit risk.

c. Supplementary Information on Fair Values

Fair values of financial instruments are based on quoted prices in active markets. If market quoted prices are not available, other rational valuation techniques are used instead. The results of valuations may differ based upon assumptions used because rational valuation techniques include variable factors.

Note that contract amounts of derivative transactions disclosed in Note 23 "Derivative Transactions" do not indicate the extent of market risk on derivative transactions.

Fair Value of Financial Instruments

Carrying amounts of the financial instruments included in the consolidated balance sheet and their fair values as of March 31, 2020 and 2019 were as follows:

March 31, 2020	Millions of Yen		
	Carrying amount	Fair value	Unrealized gain (loss)
(1) Cash and deposits	¥128,432	¥128,432	¥—
(2) Notes receivable, accounts receivable from completed construction contracts and other	150,890		
Allowance for doubtful accounts ^{*1}	(309)		
	150,580	150,659	79
(3) Electronically recorded monetary claims - operating	4,019		
Allowance for doubtful accounts ^{*1}	(8)		
	4,010	4,010	—
(4) Short-term loans receivable	201		
Allowance for doubtful accounts ^{*1}	(0)		
	201	201	—
(5) Investment securities:			
Held-to-maturity debt securities	2,500	2,487	(12)
Available-for-sale securities	37,263	37,263	—
Total assets	322,988	323,055	66
(1) Notes payable, accounts payable from construction contracts and other	69,323	69,323	—
(2) Electronically recorded obligations - operating	33,738	33,738	—
(3) Long-term borrowings ^{*2}	6,370	6,371	1
Total liabilities	109,433	109,434	1
Derivatives ^{*3}	6	6	—

March 31, 2019	Millions of Yen		
	Carrying amount	Fair value	Unrealized gain (loss)
(1) Cash and deposits	¥40,982	¥40,982	¥—
(2) Notes receivable, accounts receivable from completed construction contracts and other	154,936		
Allowance for doubtful accounts ^{*1}	(223)		
	154,712	154,767	54
(3) Electronically recorded monetary claims - operating	5,868		
Allowance for doubtful accounts ^{*1}	(8)		
	5,859	5,859	—
(4) Short-term loans receivable	68,122		
Allowance for doubtful accounts ^{*1}	(98)		
	68,024	68,024	—
(5) Investment securities:			
Held-to-maturity debt securities	1,500	1,483	(16)
Available-for-sale securities	36,167	36,167	—
Total assets	307,246	307,284	38
(1) Notes payable, accounts payable from construction contracts and other	69,496	69,496	—
(2) Electronically recorded obligations - operating	37,936	37,936	—
(3) Long-term borrowings ^{*2}	1,672	1,588	(83)
Total liabilities	109,104	109,021	(83)
Derivatives ^{*3}	57	57	—

Thousands of U.S. Dollars

March 31, 2020	Carrying amount	Fair value	Unrealized gain (loss)
(1) Cash and deposits	\$1,180,115	\$1,180,115	\$—
(2) Notes receivable, accounts receivable from completed construction contracts and other Allowance for doubtful accounts* ¹	1,386,474 (2,839)		
	1,383,625	1,384,351	725
(3) Electronically recorded monetary claims - operating Allowance for doubtful accounts* ¹	36,929 (73)		
	36,846	36,846	—
(4) Short-term loans receivable Allowance for doubtful accounts* ¹	1,846 (0)		
	1,846	1,846	—
(5) Investment securities: Held-to-maturity debt securities	22,971	22,852	(110)
Available-for-sale securities	342,396	342,396	—
Total assets	2,967,821	2,968,437	606
(1) Notes payable, accounts payable from construction contracts and other	636,984	636,984	—
(2) Electronically recorded obligations - operating	310,006	310,006	—
(3) Long-term borrowings* ²	58,531	58,540	9
Total liabilities	1,005,540	1,005,549	9
Derivatives* ³	55	55	—

*¹ General allowance for doubtful accounts corresponding to "Notes receivable, accounts receivable from completed construction contracts, electronically recorded monetary claims - operating and short-term loans receivable" is deducted.

*² Current portion of long-term borrowings (current liabilities) is included in long-term borrowings.

*³ Receivables or payables arising from derivative transactions are shown in net.

Note 1: Method used for determining fair values of financial instruments and matters concerning securities and derivative transactions

Assets:

(1) Cash and deposits

The carrying amount is presented as the fair value, since the fair value approximates such carrying amount because of their short maturities.

(2) Notes receivable, accounts receivable from completed construction contracts and other

The fair value is based on the present value determined by discounting receivables categorized by fixed periods using interest rates considering the maturities and the credit risk.

(3) Electronically recorded monetary claims - operating

The carrying amount is presented as the fair value, since the fair value approximates such carrying amount because of their short maturities.

(4) Short-term loans receivable

The fair value is based on the present value determined by discounting receivables categorized by fixed periods using interest rates considering the maturities and the credit risk.

(5) Investment securities

The fair value of equity securities is determined by the quoted prices at the exchanges and that of debt securities is determined by the quoted prices at the exchanges or prices presented by the financial institutions.

With respect to notes on securities by holding purposes, please see Note 5 "Investment Securities."

Liabilities:

(1) Notes payable, accounts payable from construction contracts and other

The fair value is based on the present value determined by discounting payables categorized by fixed periods using interest rates considering the maturities.

(2) Electronically recorded obligations - operating

The carrying amount is presented as the fair value, since the fair value approximates the carrying amount because of their short maturities.

(3) Long-term borrowings

The fair value is based on the present value determined by discounting the aggregated amount of principal and interest using interest rates that would be applied to new similar borrowings.

Derivative transactions:

Please see Note 23 “Derivative Transactions.”

Note 2: Financial instruments whose fair values are extremely difficult to estimate were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Unlisted equity securities	¥3,912	¥8,917	\$35,945

The above items are not included in “(5) Investment securities” since market prices are not available and it is extremely difficult to determine their fair values.

Note 3: Annual maturities of monetary receivables and securities with maturity subsequent to March 31, 2020 were as follows:

	Millions of Yen			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	¥128,432	¥—	¥—	¥—
Notes receivable, accounts receivable from completed construction contracts and other	137,760	13,084	44	—
Electronically recorded monetary claims - operating	4,019	—	—	—
Short-term loans receivable	201	—	—	—
Investment securities:				
Held-to-maturity debt securities	—	—	2,500	—
Available-for-sale securities	—	—	—	—
Total	¥270,413	¥13,084	¥2,544	¥—

	Thousands of U.S. Dollars			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	\$1,180,115	\$—	\$—	\$—
Notes receivable, accounts receivable from completed construction contracts and other	1,265,827	120,224	404	—
Electronically recorded monetary claims - operating	36,929	—	—	—
Short-term loans receivable	1,846	—	—	—
Investment securities:				
Held-to-maturity debt securities	—	—	22,971	—
Available-for-sale securities	—	—	—	—
Total	\$2,484,728	\$120,224	\$23,375	\$—

Note 4: Annual maturities of long-term borrowings and lease obligations subsequent to March 31, 2020:

Please see Note 8 “Short-term Borrowings, Long-term Borrowings and Lease Obligations.”

23. Derivative Transactions

The Company uses derivatives (foreign exchange forward contracts) to hedge the foreign exchange risk arising from changes in foreign exchange rates.

Derivative transactions to which hedge accounting was not applied were as follows:

March 31, 2020		Millions of Yen			
Category	Transaction type	Contract amount	Contract amount due after one year	Fair value	Unrealized gain (loss)
Over-the-counter transactions	Foreign exchange forward contracts:				
	Bought:				
	USD	¥7,505	¥687	¥70	¥70
	EUR	2,168	—	(64)	(64)
Total		¥9,673	¥687	¥6	¥6

March 31, 2019		Millions of Yen			
Category	Transaction type	Contract amount	Contract amount due after one year	Fair value	Unrealized gain (loss)
Over-the-counter transactions	Foreign exchange forward contracts:				
	Bought:				
	USD	¥3,527	¥1,512	¥57	¥57
	EUR	625	—	(0)	(0)
Total		¥4,153	¥1,512	¥57	¥57

March 31, 2020		Thousands of U.S. Dollars			
Category	Transaction type	Contract amount	Contract amount due after one year	Fair value	Unrealized gain (loss)
Over-the-counter transactions	Foreign exchange forward contracts:				
	Bought:				
	USD	\$68,960	\$6,312	\$643	\$643
	EUR	19,920	—	(588)	(588)
Total		\$88,881	\$6,312	\$55	\$55

Note: The fair value is determined based on the prices presented by the financial institutions.

There is no derivative transaction to which hedge accounting is applied as of March 31, 2020 and 2019.

24. Segment Information

1. Description of reportable segments

The Company's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is performed in order to decide how resources are allocated among the Group. The Company has established business divisions by product and service and deploys operating activities. The Company's reportable segments consist of five main business lines including "Pavement and Civil Engineering," "General Civil Engineering," "Building Construction," "Manufacturing and Sales" and "Development." The "Pavement and Civil Engineering," "General Civil Engineering" and "Building Construction" business lines consist of pavement works, civil engineering works and building construction works among construction businesses. The "Manufacturing and Sales" business line consists of manufacturing of pavement materials such as asphalt composite and the "Development" business line consists of development and sales of real estate and rental business.

2. Methods of measurement for the amounts of sales, profit (loss), assets and other items for each reportable segment

The accounting policies of each reportable segment are consistent to those disclosed in Note 2 "Summary of Significant Accounting Policies."

Intersegment sales or transfers are determined based on market prices.

3. Information about sales, profit (loss), assets and other items by reportable segment was as follows.

	Millions of Yen									
	2020									
	Reportable Segments						Other (Note 1)	Total	Reconciliation (Notes 2 and 3)	Consolidated (Note 4)
	Construction			Manufacturing and Sales	Development	Total				
Pavement and Civil Engineering	General Civil Engineering	Building Construction								
Sales:										
Sales to external customers	199,491	80,196	63,829	61,272	19,616	424,405	4,660	429,066	—	429,066
Intersegment sales or transfers	932	2,168	1,228	36,400	36	40,766	8,316	49,082	(49,082)	—
Total	200,423	82,364	65,058	97,672	19,652	465,171	12,977	478,149	(49,082)	429,066
Segment profit	20,972	5,835	3,790	10,150	2,752	43,500	783	44,283	(8,056)	36,227
Segment assets	110,526	68,810	46,691	146,378	65,627	438,034	18,764	456,799	83,975	540,774
Other items:										
Depreciation	1,315	165	61	5,519	707	7,770	1,019	8,789	256	9,045
Amortization of goodwill	98	—	—	—	—	98	—	98	—	98
Increase in tangible and intangible fixed assets	2,836	518	9	6,892	10,689	20,946	1,829	22,775	1,932	24,708

	Millions of Yen									
	2019									
	Reportable Segments						Other (Note 1)	Total	Reconciliation (Notes 2 and 3)	Consolidated (Note 4)
	Construction			Manufacturing and Sales	Development	Total				
Pavement and Civil Engineering	General Civil Engineering	Building Construction								
Sales:										
Sales to external customers	198,076	64,246	65,741	61,493	18,558	408,116	5,119	413,236	—	413,236
Intersegment sales or transfers	1,293	2,103	1,023	34,992	36	39,449	7,541	46,991	(46,991)	—
Total	199,370	66,349	66,765	96,486	18,594	447,566	12,661	460,227	(46,991)	413,236
Segment profit	21,437	4,822	5,683	10,676	3,197	45,816	615	46,432	(7,776)	38,656
Segment assets	110,606	59,253	52,002	149,838	60,766	432,468	23,898	456,366	65,391	521,758
Other items:										
Depreciation	1,460	143	67	4,916	665	7,253	989	8,243	239	8,482
Amortization of goodwill	2	—	—	1	—	3	—	3	—	3
Investment in affiliates accounted for by the equity method	—	—	—	—	—	—	3,898	3,898	—	3,898
Increase in tangible and intangible fixed assets	3,181	193	30	5,242	264	8,911	2,104	11,016	1,563	12,579

Thousands of U.S. Dollars										
2020										
Reportable Segments										
	Construction			Manufacturing and Sales	Development	Total	Other (Note 1)	Total	Reconciliation (Notes 2 and 3)	Consolidated (Note 4)
	Pavement and Civil Engineering	General Civil Engineering	Building Construction							
Sales:										
Sales to external customers	\$1,833,051	\$736,892	\$586,501	\$563,006	\$180,244	\$3,899,705	\$42,819	\$3,942,534	\$—	\$3,942,534
Intersegment sales or transfers	8,563	19,920	11,283	334,466	330	374,584	76,412	450,996	(450,996)	—
Total	1,841,615	756,813	597,794	897,473	180,575	4,274,290	119,241	4,393,540	(450,996)	3,942,534
Segment profit	192,704	53,615	34,824	93,264	25,287	399,705	7,194	406,900	(74,023)	332,876
Segment assets	1,015,583	632,270	429,026	1,345,015	603,023	4,024,937	172,415	4,197,362	771,616	4,968,979
Other items:										
Depreciation	12,083	1,516	560	50,712	6,496	71,395	9,363	80,758	2,352	83,111
Amortization of goodwill	900	—	—	—	—	900	—	900	—	900
Increase in tangible and intangible fixed assets	26,058	4,759	82	63,328	98,217	192,465	16,806	209,271	17,752	227,032

Notes:

1. "Other" represents a business segment which is not included in any reportable segment and includes leasing, manufacturing and repairs of construction machines, leasing of vehicles, management of hotels and golf courses, construction consulting, PFI business and other.
2. A reconciliation of segment profit is corporate expenses not allocated to each reportable segment. Corporate expenses mainly consist of headquarter control division expenses which are not attributable to any reportable segment.
3. A reconciliation of segment assets represents corporate assets not allocated to each reportable segment.
4. Segment profit is reconciled with operating profit of the accompanying consolidated statement of income.

Related information:

1. Information by product and service

This information is omitted because the same information is disclosed in segment information.

2. Information by geographic segment

(Sales)

This information is omitted because sales to external customers in Japan exceed 90% of consolidated sales.

(Tangible fixed assets)

This information is omitted because tangible fixed assets in Japan exceed 90% of tangible fixed assets of the consolidated balance sheet.

3. Information by major customer

This information is omitted because there is no specific external customer to whom sales exceed 10% of consolidated sales.

Impairment loss by reportable segment

Millions of Yen									
2020									
Reportable Segments									
	Construction			Manufacturing and Sales	Development	Total	Other	Corporate/ Elimination	Total
	Pavement and Civil Engineering	General Civil Engineering	Building Construction						
Loss on impairment	¥—	¥—	¥—	¥116	¥—	¥116	¥—	¥—	¥116

Thousands of U.S. Dollars									
2020									
Reportable Segments									
	Construction			Manufacturing and Sales	Development	Total	Other	Corporate/ Elimination	Total
	Pavement and Civil Engineering	General Civil Engineering	Building Construction						
Loss on impairment	\$—	\$—	\$—	\$1,065	\$—	\$1,065	\$—	\$—	\$1,065

There was no impairment loss recognized for the year ended March 31, 2019.

Amortization and balance of goodwill by reportable segment

As of March 31, 2020 and 2019 and for the years then ended

Millions of Yen									
2020									
Reportable Segments									
	Construction			Manufacturing and Sales	Development	Total	Other	Corporate/ Elimination	Total
	Pavement and Civil Engineering	General Civil Engineering	Building Construction						
Amortization for the year	¥98	¥—	¥—	¥—	¥—	¥98	¥—	¥—	¥98
Unamortized balance	304	—	—	—	—	304	—	—	304

Millions of Yen									
2019									
Reportable Segments									
	Construction			Manufacturing and Sales	Development	Total	Other	Corporate/ Elimination	Total
	Pavement and Civil Engineering	General Civil Engineering	Building Construction						
Amortization for the year	¥2	¥—	¥—	¥1	¥—	¥3	¥—	¥—	¥3
Unamortized balance	—	—	—	—	—	—	—	—	—

Thousands of U.S. Dollars									
2020									
Reportable Segments									
	Construction			Manufacturing and Sales	Development	Total	Other	Corporate/ Elimination	Total
	Pavement and Civil Engineering	General Civil Engineering	Building Construction						
Amortization for the year	\$900	\$—	\$—	\$—	\$—	\$900	\$—	\$—	\$900
Unamortized balance	2,793	—	—	—	—	2,793	—	—	2,793

25. Related Party Transactions

Transactions between the Company and related parties were as follows:

For the year ended March 31, 2020

	Related parties who are owned by the common parent company	
	JXTG Nippon Oil & Energy Corporation	JX Nippon Finance Corporation
Name of the parties:	JXTG Nippon Oil & Energy Corporation	JX Nippon Finance Corporation
Location:	Chiyoda-ku, Tokyo	Chiyoda-ku, Tokyo
Capital:	¥30,000 million (\$275,659 thousand)	¥400 million (\$3,675 thousand)
Business:	Manufacturing of oil and petrochemical products	Financing services for JXTG Group companies
Ownership of voting rights:	—	—
Business relations:	Construction works, purchase of asphalt and other materials	Loans Interest income
Nature of business:	Order acknowledgement of works	Loans Interest income
Transaction amount:	¥5,542 million (\$50,923 thousand)	¥65,093 million ¥38 million (\$598,116 thousand) (\$349 thousand)
Account title:	Accounts receivable from completed construction contracts	Short-term loans receivable
Balance at fiscal year-end:	¥3,076 million (\$28,264 thousand)	¥— (\$— thousand)

Notes:

- The above transaction amounts do not include consumption taxes, but the balances at fiscal year-end include consumption taxes, except for short-term loans receivable.
- Trading conditions and policies for deciding such conditions:
Transaction amounts are determined in the same manner as those with the third parties. The interest rates on loans are reasonably determined considering market interest rates.
- Transaction amounts of loans represent the average outstanding balance after the inception of the transaction.

For the year ended March 31, 2019

	Related parties who are owned by the common parent company	
	JXTG Nippon Oil & Energy Corporation	JX Nippon Finance Corporation
Name of the parties:	JXTG Nippon Oil & Energy Corporation	JX Nippon Finance Corporation
Location:	Chiyoda-ku, Tokyo	Chiyoda-ku, Tokyo
Capital:	¥30,000 million	¥400 million
Business:	Manufacturing of oil and petrochemical products	Financing services for JXTG Group companies
Ownership of voting rights:	—	—
Business relations:	Construction works, purchase of asphalt and other materials	Loans Interest income
Nature of business:	Order acknowledgement of works	Loans Interest income
Transaction amount:	¥4,337 million	¥64,843 million ¥27 million
Account title:	Accounts receivable from completed construction contracts	Short-term loans receivable
Balance at fiscal year-end:	¥2,767 million	¥61,730 million

Notes:

- The above transaction amounts do not include consumption taxes, but the balances at fiscal year-end include consumption taxes, except for short-term loans receivable.
- Trading conditions and policies for deciding such conditions:
Transaction amounts are determined in the same manner as those with the third parties. The interest rates on loans are reasonably determined considering market interest rates.
- Transaction amounts of loans represent the average outstanding balance after the inception of the transaction.

Information about the parent company:

JXTG Holdings, Inc. (listed on the exchanges of Tokyo and Nagoya)



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Independent Auditor's Report

The Board of Directors
NIPPO CORPORATION

Opinion

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

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

Basis for Opinion

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

Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors for the Consolidated Financial Statements

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

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

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's financial reporting process.

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

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

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

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

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

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

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

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

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note1 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan

June23, 2020

持永 勇一 

Yuichi Mochinaga
Designated Engagement Partner
Certified Public Accountant

高橋 聡 

Satoshi Takahashi
Designated Engagement Partner
Certified Public Accountant