



Annual Report 2019

Fiscal year ended March 31, 2019



NAKANO
CORPORATION

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Cautionary remarks regarding forward looking statements

This Annual Report includes forward-looking statements that represent Nakano Corporation's assumptions and expectations in light of currently available information. These statements reflect industry trends, client's situations and other factors, and involve risks and uncertainties which may cause actual performance results to differ from those discussed in the forward looking statements in accordance with changes in the domestic and international business environment.

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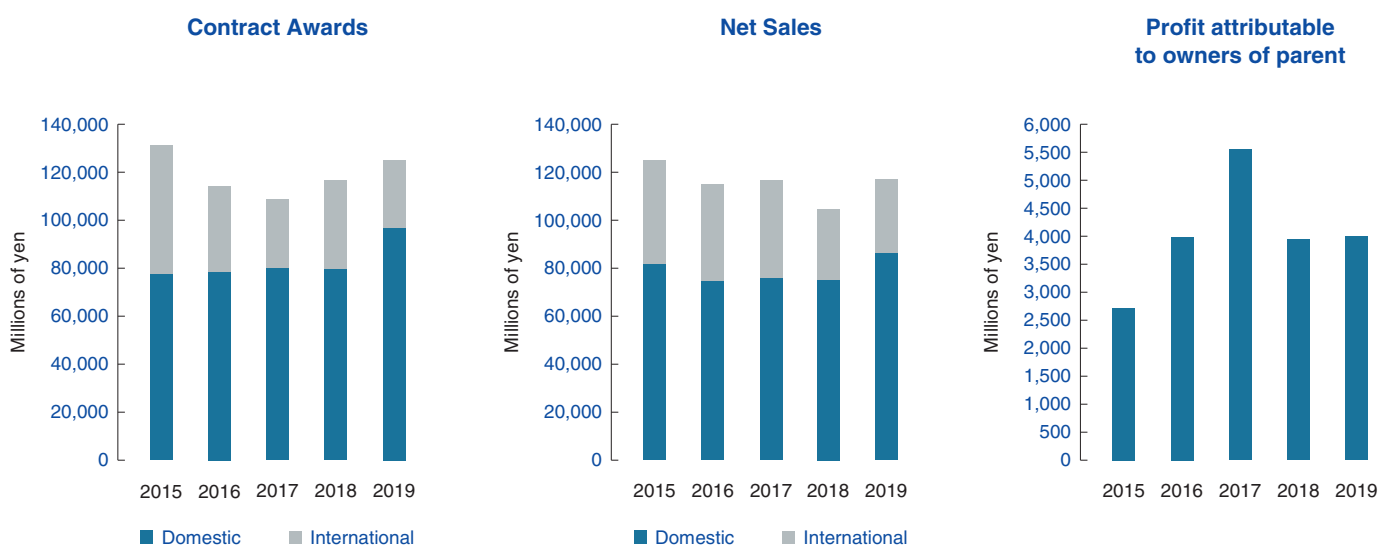
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FINANCIAL HIGHLIGHTS

NAKANO CORPORATION and its subsidiaries
Years ended March 31, 2015 through 2019

	2015	2016	2017	2018	2019	2019
	Millions of yen					Thousands of U.S. dollars
Contract awards	¥131,256	¥114,067	¥108,637	¥116,422	¥125,022	\$1,126,425
Net sales	125,260	114,989	116,802	104,456	117,152	1,055,518
Operating income	3,367	5,481	5,958	4,264	5,476	49,337
Ordinary income	3,801	5,795	6,232	4,579	5,954	53,644
Profit attributable to owners of parent	2,717	3,986	5,544	3,947	3,990	35,949
Comprehensive income	4,625	2,942	5,816	4,631	4,023	36,246
Total net assets	18,110	20,880	26,455	30,742	34,352	309,505
Total assets	78,419	73,976	77,984	84,554	84,450	760,879
Net cash provided by (used in) operating activities	(780)	9,607	428	4,611	2,864	25,804
Net cash provided by (used in) investing activities	(854)	844	(3,698)	(1,773)	2,544	22,920
Net cash provided by (used in) financing activities	(2,134)	(2,244)	(969)	(458)	(931)	(8,388)
Cash and cash equivalents at end of period	22,995	29,329	24,364	27,001	31,600	284,710
	Yen					U.S. dollars
Per share of common stock						
(in yen and U.S. dollars)						
Net assets	¥493.98	¥577.61	¥738.16	¥860.02	¥961.56	\$8.66
Net income	79.04	115.96	161.28	114.83	116.09	1.05
Cash dividends applicable to the year	5.00	7.00	10.00	12.00	14.00	0.13
Number of employees	1,334	1,314	1,363	1,355	1,390	

Notes: 1. The rate of ¥110.99=US\$1.00, the foreign exchange rate on March 31, 2019, has been used for translation.
2. Cash dividends applicable to the year in 2017 includes a special dividend ¥3.



REPORT OF INDEPENDENT AUDITORS

The Board of Directors
NAKANO CORPORATION

We have audited the accompanying consolidated financial statements of NAKANO CORPORATION and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2019, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of NAKANO CORPORATION and consolidated subsidiaries as at March 31, 2019, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 2.

Izumi Audit Corporation

September 4, 2019

CONSOLIDATED BALANCE SHEETS

NAKANO CORPORATION and its subsidiaries
As of March 31, 2018 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2018	2019	2019
Assets			
Current assets:			
Cash and deposits (Notes 4, 7 and 9)	¥ 31,885	¥ 32,329	\$ 291,278
Notes receivable, accounts receivable from completed construction contracts and other (Notes 4 and 9)	26,525	25,682	231,390
Securities (Notes 4, 9 and 10)	—	9	81
Costs on uncompleted construction contracts (Note 4)	1,505	1,396	12,577
Costs on real estate business	48	48	432
Raw materials and supplies	6	6	54
Accounts receivable - other	2,613	3,352	30,200
Consumption taxes receivable	1,341	—	—
Other	1,116	1,182	10,649
Total current assets	65,043	64,009	576,709
Non-current assets:			
Property, plant and equipment (Note 4)			
Buildings and structures	7,242	8,128	73,231
Machinery, vehicles, tools, furniture and fixtures (Note 8)	1,627	1,570	14,145
Land	10,790	11,515	103,748
Construction in progress	199	54	486
Accumulated depreciation	(5,453)	(5,620)	(50,635)
Total property, plant and equipment	14,406	15,648	140,985
Intangible assets			
Leasehold right	951	960	8,649
Other	64	105	946
Total intangible assets	1,016	1,066	9,604
Investments and other assets			
Investment securities (Notes 4, 9 and 10)	3,555	3,243	29,218
Long-term loans receivable	148	108	973
Net defined benefit asset (Note 11)	—	30	270
Other	403	380	3,423
Allowance for doubtful accounts	(21)	(36)	(324)
Total investments and other assets	4,087	3,726	33,570
Total non-current assets	19,510	20,441	184,169
Total assets	¥ 84,554	¥ 84,450	\$ 760,879

The accompanying notes are an integral part of these financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2018	2019	2019
Liabilities			
Current liabilities:			
Notes payable, accounts payable for construction contracts and other (Notes 4 and 9)	¥ 37,373	¥ 35,228	\$ 317,397
Short-term loans payable (Notes 4, 9 and 17)	650	810	7,297
Current portion of bonds (Notes 9 and 16)	40	1,000	9,009
Income taxes payable	590	1,315	11,847
Accrued consumption taxes	5	1,879	16,929
Advances received on uncompleted construction contracts	9,162	5,715	51,491
Provision for warranties for completed construction	169	272	2,450
Provision for loss on construction contracts (Note 4)	39	—	—
Provision for bonuses	461	599	5,396
Other (Note 17)	1,195	1,039	9,361
Total current liabilities	49,688	47,860	431,210
Non-current liabilities:			
Bonds payable (Notes 9 and 16)	1,000	—	—
Long-term loans payable (Notes 4, 9 and 17)	1,640	1,030	9,280
Deferred tax liabilities (Note 12)	445	286	2,576
Net defined benefit liability (Note 11)	378	266	2,396
Other (Note 17)	659	654	5,892
Total non-current liabilities	4,123	2,237	20,154
Total liabilities	53,811	50,097	451,364
Net assets			
Shareholders' equity:			
Common stock			
Authorized: 154,792,300 shares			
Issued: 34,498,097 shares	¥ 5,061	¥ 5,061	\$ 45,598
Capital surplus	1,400	1,400	12,613
Retained earnings	22,904	26,481	238,589
Less: Treasury stock, at cost			
125,310 shares in 2018 and 126,779 shares in 2019	(32)	(33)	(297)
Total shareholders' equity	29,333	32,910	296,513
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	1,034	824	7,424
Foreign currency translation adjustment	(734)	(651)	(5,865)
Remeasurements of defined benefit plans (Note 11)	(71)	(32)	(288)
Total accumulated other comprehensive income	228	139	1,252
Non-controlling interests:			
Total net assets	30,742	34,352	309,505
Total liabilities and net assets	¥ 84,554	¥ 84,450	\$ 760,879

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF INCOME

NAKANO CORPORATION and its subsidiaries
For the years ended March 31, 2018 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2018	2019	2019
Net sales:			
Net sales of completed construction contracts	¥ 103,312	¥ 115,970	\$ 1,044,868
Sales on real estate business (Note 13)	1,038	1,076	9,694
Sales on other business	105	105	946
Total net sales	104,456	117,152	1,055,518
Cost of sales:			
Cost of sales of completed construction contracts (Note 5)	94,583	105,884	953,995
Cost of sales on real estate business (Note 13)	358	387	3,486
Cost of sales on other business	81	63	567
Total cost of sales	95,023	106,335	958,059
Gross profit:			
Gross profit on completed construction contracts	8,728	10,085	90,864
Gross profit - real estate business	680	689	6,207
Gross profit - other business	23	42	378
Total gross profit	9,432	10,817	97,459
Selling, general and administrative expenses (Note 5)	5,168	5,340	48,112
Operating income	4,264	5,476	49,337
Non-operating income:			
Interest income	352	333	3,000
Dividend income	47	53	477
Foreign exchange gains	—	61	549
Other	32	61	549
Total non-operating income	431	510	4,595
Non-operating expenses:			
Interest expenses	34	28	252
Foreign exchange losses	72	—	—
Other	9	3	27
Total non-operating expenses	117	32	288
Ordinary income	4,579	5,954	53,644
Extraordinary income:			
Gain on sales of non-current assets (Note 5)	0	2	18
Gain on sales of investment securities (Note 10)	11	—	—
Total extraordinary income	12	2	18
Extraordinary losses:			
Loss on litigation	20	35	315
Head office relocation expenses (Note 5)	—	200	1,801
Other (Note 5)	15	8	72
Total extraordinary losses	35	244	2,198
Profit before income taxes	4,555	5,712	51,464
Income taxes:			
Income taxes - current	859	1,562	14,073
Income taxes - deferred (Note 12)	(303)	70	630
Total income taxes	556	1,633	14,713
Profit	3,999	4,078	36,742
Profit attributable to non-controlling interests	51	88	792
Profit attributable to owners of parent	¥ 3,947	¥ 3,990	\$ 35,949

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

NAKANO CORPORATION and its subsidiaries
For the years ended March 31, 2018 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2018	2019	2019
Profit	¥ 3,999	¥ 4,078	\$ 36,742
Other comprehensive income:			
Valuation difference on available-for-sale securities	248	(210)	(1,892)
Foreign currency translation adjustment	205	115	1,036
Remeasurements of defined benefit plans	178	39	351
Total other comprehensive income (Note 6)	632	(55)	(495)
Comprehensive income	¥ 4,631	¥ 4,023	\$ 36,246
Comprehensive income attributable to:			
Comprehensive income attributable to owners of parent	¥ 4,532	¥ 3,902	\$ 35,156
Comprehensive income attributable to non-controlling interests	99	121	1,090

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

NAKANO CORPORATION and its subsidiaries
For the years ended March 31, 2018 and 2019

Millions of yen

	Shareholders' Equity					Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance as at March 31, 2017	¥ 5,061	¥ 1,400	¥ 19,300	¥ (31)	¥ 25,730	¥ 786	¥ (892)	¥ (250)	¥ (356)	¥ 1,081	¥ 26,455	
Changes of items during period												
Dividends from surplus			(343)		(343)						(343)	
Profit attributable to owners of parent			3,947		3,947						3,947	
Purchase of treasury stock				(0)	(0)						(0)	
Net changes of items other than shareholders' equity						248	158	178	584	99	684	
Total changes of items during period	—	—	3,603	(0)	3,602	248	158	178	584	99	4,286	
Balance as at March 31, 2018	¥ 5,061	¥ 1,400	¥ 22,904	¥ (32)	¥ 29,333	¥ 1,034	¥ (734)	¥ (71)	¥ 228	¥ 1,180	¥ 30,742	
Changes of items during period												
Dividends from surplus			(412)		(412)						(412)	
Profit attributable to owners of parent			3,990		3,990						3,990	
Purchase of treasury stock				(0)	(0)						(0)	
Net changes of items other than shareholders' equity						(210)	82	39	(88)	121	33	
Total changes of items during period	—	—	3,577	(0)	3,576	(210)	82	39	(88)	121	3,610	
Balance as at March 31, 2019	¥ 5,061	¥ 1,400	¥ 26,481	¥ (33)	¥ 32,910	¥ 824	¥ (651)	¥ (32)	¥ 139	¥ 1,302	¥ 34,352	

Thousands of U.S. dollars (Note 2)

	Shareholders' Equity					Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance as at March 31, 2018	\$ 45,598	\$ 12,613	\$ 206,360	\$ (288)	\$ 264,285	\$ 9,316	\$ (6,613)	\$ (639)	\$ 2,054	\$ 10,631	\$ 276,979	
Changes of items during period												
Dividends from surplus			(3,712)		(3,712)						(3,712)	
Profit attributable to owners of parent			35,949		35,949						35,949	
Purchase of treasury stock				(0)	(0)						(0)	
Net changes of items other than shareholders' equity						(1,892)	738	351	(792)	1,090	297	
Total changes of items during period	—	—	32,228	(0)	32,219	(1,892)	738	351	(792)	1,090	32,525	
Balance as at March 31, 2019	\$ 45,598	\$ 12,613	\$ 238,589	\$ (297)	\$ 296,513	\$ 7,424	\$ (5,865)	\$ (288)	\$ 1,252	\$ 11,730	\$ 309,505	

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

NAKANO CORPORATION and its subsidiaries
For the years ended March 31, 2018 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2018	2019	2019
Cash flows from operating activities:			
Profit before income taxes	¥ 4,555	¥ 5,712	\$ 51,464
Adjustments for:			
Depreciation and amortization	343	314	2,829
Increase (decrease) in allowance for doubtful accounts	(50)	23	207
Increase (decrease) in net defined benefit liability	(150)	(41)	(369)
Decrease (increase) in net defined benefit asset	—	(77)	(693)
Increase (decrease) in provision for loss on construction contracts	16	(41)	(369)
Interest and dividend income	(399)	(386)	(3,477)
Interest expenses	34	28	252
Decrease (increase) in notes and accounts receivable - trade	367	1,158	10,433
Decrease (increase) in costs on uncompleted construction contracts	(604)	107	964
Increase (decrease) in notes and accounts payable - trade	(1,779)	(2,231)	(20,100)
Increase (decrease) in advances received on uncompleted construction contracts	4,738	(3,449)	(31,074)
Decrease/increase in consumption taxes receivable/payable	(748)	3,215	28,966
Other, net	(1,110)	(942)	(8,487)
Subtotal	5,211	3,389	30,534
Interest and dividend income received	395	391	3,522
Interest expenses paid	(31)	(28)	(252)
Income taxes paid	(964)	(888)	(8,000)
Net cash provided by (used in) operating activities	4,611	2,864	25,804
Cash flows from investing activities:			
Payments into time deposits	(9,169)	(1,093)	(9,847)
Proceeds from withdrawal of time deposits	7,683	5,285	47,616
Purchase of property, plant and equipment	(316)	(1,611)	(14,514)
Purchase of intangible assets	(18)	(78)	(702)
Other, net	47	42	378
Net cash provided by (used in) investing activities	(1,773)	2,544	22,920
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	(1,110)	(140)	(1,261)
Proceeds from long-term loans payable	1,300	—	—
Repayments of long-term loans payable	(150)	(310)	(2,793)
Redemption of bonds	(80)	(40)	(360)
Cash dividends paid	(343)	(412)	(3,712)
Other, net	(75)	(29)	(261)
Net cash provided by (used in) financing activities	(458)	(931)	(8,388)
Effect of exchange rate change on cash and cash equivalents	258	122	1,099
Net increase (decrease) in cash and cash equivalents	2,637	4,599	41,436
Cash and cash equivalents at beginning of period	24,364	27,001	243,274
Cash and cash equivalents at end of period (Note 7)	¥ 27,001	¥ 31,600	\$ 284,710

The accompanying notes are an integral part of these financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NAKANO CORPORATION and its subsidiaries

1. Basis of Presenting Consolidated Financial Statements	<p>The consolidated financial statements presented herein of NAKANO CORPORATION (the "Company") and its consolidated subsidiaries (together, the "Companies") are prepared in accordance with the provisions set forth in the Corporation Law of Japan and the Financial Instruments and Exchange Law of Japan, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.</p> <p>In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made to the 2018 financial statements to conform to the classifications used in 2019.</p>
2. U.S. Dollar Amounts	<p>The accounts of consolidated financial statements presented herein are expressed in Japanese yen by rounding down to the nearest million. The U.S. dollar amounts shown in the accompanying consolidated financial statements and notes thereto have been translated from Japanese yen into U.S. dollars on the basis of ¥110.99 to U.S.\$1, the rate of exchange prevailing at March 31, 2019, and have been then rounded down to the nearest thousand. These U.S. dollar amounts are not intended to imply that the Japanese yen amounts have been or could be converted, realized or settled in U.S. dollars at this or any other rate.</p>
3. Summary of Significant Accounting Policies	<p>a. Consolidation</p> <p>1) Scope of Consolidation</p> <p>The Company had 9 subsidiaries as of March 31, 2019. The consolidated financial statements for the year ended March 31, 2019 include the accounts of the Company and all subsidiaries. The Company had 1 affiliate as of March 31, 2019. As of March 31, 2019, the equity method was not applied to this affiliate, as it was not significant in terms of retained earnings and net income of the consolidated financial statements.</p> <p>2) Financial Statements of Subsidiaries</p> <p>The subsidiaries' financial year-end is March 31.</p> <p>b. Securities</p> <p>Securities are classified and accounted for as follows:</p> <p>i) Held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability are reported at amortized cost.</p> <p>ii) Available-for-sale securities, which are not classified as the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of net assets, while the cost of securities sold is computed using the moving-average method.</p> <p>Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, securities are written down to net realizable value.</p> <p>c. Inventories</p> <p>Costs on uncompleted construction contracts are stated at cost determined by the specific identification method.</p> <p>Costs on real estate business and raw materials and supplies are stated at cost determined by the specific identification method for costs on real estate business and by the last purchase price method for raw material and supplies, while the net book value of these inventories in the balance sheet is written down if the net realizable value declines.</p> <p>d. Property, Plant and Equipment (excluding lease assets)</p> <p>Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its domestic consolidated subsidiaries is computed by the declining-balance method. Buildings (excluding building fixtures) acquired on or after April 1, 1998 and building fixtures and structures acquired on or after April 1, 2016 are depreciated using the straight-line method. Useful lives and residual values of the assets are determined based on the regulations of the Corporation Tax Act.</p> <p>Foreign consolidated subsidiaries use primarily the straight-line method.</p>

e. Intangible Assets (excluding lease assets)

Intangible assets are amortized by the straight-line method. Useful lives of the assets are determined based on the regulations of the Corporation Tax Act.

Software for internal use is amortized over a period of the internal available years (5 years) using the straight-line method.

f. Lease Assets

Depreciation of lease assets under finance leases that do not transfer ownership of the lease assets to the lessee is calculated by the straight-line method over the lease term of the lease assets with no residual value.

g. Allowance for Doubtful Accounts

The allowance for doubtful accounts provided by the Company and its domestic consolidated subsidiaries is stated in amounts considered to be appropriate based on each company's past credit loss experience and an evaluation of potential losses in the receivables and others outstanding.

Foreign consolidated subsidiaries provide for such possible losses based on the estimated uncollectible amounts of the specific accounts.

h. Provision for Warranties for Completed Construction

The provision for warranties for completed construction is provided by the Company to cover expenses for defects claimed concerning completed work based on the estimated amount of compensation to be paid in the future for the work completed during the fiscal year which is calculated by using the results in the past fiscal years.

i. Provision for Loss on Construction Contracts

The provision for loss on construction contracts is provided by the Company and its consolidated subsidiaries with respect to construction projects for which eventual losses are reasonably estimated.

j. Provision for Bonuses

The provision for bonuses provided by the Company and its domestic consolidated subsidiaries is accrued at the year end to which such bonuses are attributable.

k. Accounting for Retirement Benefits

In computing projected benefit obligations, the estimated amounts of retirement benefit obligations are attributed to periods on a benefit formula basis.

Actuarial differences are amortized commencing in the following year after the differences are incurred by the straight-line method over a period (12 years) which is shorter than the average remaining years of service of the employees when incurred.

In determining net defined benefit liability and retirement benefit expenses, certain consolidated subsidiaries adopt a short-cut method where the amount required for voluntary termination of employees at the fiscal year end is regarded as projected benefit obligations.

l. Revenue and Cost of Construction Contracts

Revenue of construction contracts is recorded by the percentage-of-completion method for the completed portion of the contracts at the balance sheet date, if the outcome of the construction contract can be reliably estimated and the completed-contract method is applied to other contracts whose outcome cannot be reliably estimated. The percentage of completion is calculated based on the cost incurred to date as a percentage of the estimated total cost.

Construction revenue recognized based on the percentage-of-completion method for the year ended March 31, 2019 was ¥109,868 million (\$989,890 thousand).

m. Cash and Cash Equivalents in the Consolidated Statements of Cash Flows

In preparing the consolidated statements of cash flows, cash and cash equivalents include cash on hand, readily-available deposits and short-term highly liquid investments with maturities within 3 months at the time of acquisition that are exposed to insignificant risk of changes in value.

n. Accounting Standards not yet Applied

“Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 30, 2018)

“Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 30, 2018)

1) Overview

This is a comprehensive accounting standard for revenue recognition. Revenue is recognized by applying the following 5 steps:

Step 1: Identify the contract with the 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 each performance obligation.

2) Scheduled date of application

Effective from the beginning of the fiscal year ending March 31, 2022.

3) Effects of the application of the guidance

The Company is in the process of measuring the effects at the time of preparing the accompanying consolidated financial statements.

4. Notes to Consolidated Balance Sheets

1. The assets pledged as collateral and collateralized liabilities were as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Cash and deposits	¥ 431	¥ 102	\$ 919
Notes receivable	300	200	1,801
Buildings	1,426	717	6,460
Land	7,841	6,320	56,942
Investment securities	1,782	1,474	13,280
Total	¥ 11,781	¥ 8,814	\$ 79,412
Short-term loans payable	¥ 440	¥ 270	\$ 2,432
Long-term loans payable	810	590	5,315
Total	¥ 1,250	¥ 860	\$ 7,748

In addition, the following assets were deposited as security for dealing:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Securities	¥ —	¥ 9	\$ 81
Investment Securities	9	—	—

2. The Companies were contingently liable for the following:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Guarantees to financial institutions, etc. to ensure the completion of construction contracts of Nakano Singapore (Pte.) Ltd. and its subsidiaries	¥ 3,007	¥ 3,473	\$ 31,291

3. “Costs on uncompleted construction contracts” which are estimated to recognize losses and “Provision for loss on construction contracts” are to be recorded on a gross basis without offsetting, if any.

4. The following notes receivable and payable, etc. matured on March 31, 2019 were included in the respective accounts, since March 31, 2019 fell on a bank holiday;

As of March 31	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Notes receivable	¥ 2	¥ —	\$ —
Electronically recorded monetary claims	47	0	0
Notes payable	766	567	5,108
Electronically recorded obligations	1,452	2,256	20,326

5. Notes to Consolidated Statements of Income

1. Provision for loss on construction contracts included in "Cost of sales of completed construction contracts" was as follows:

For the year ended March 31	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Provision for loss on construction contracts	¥ 41	¥ —	\$ —

2. The major components of "Selling, general and administrative expenses" were as follows:

For the year ended March 31	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Depreciation	¥ 163	¥ 135	\$ 1,216
Provision for bonuses	191	246	2,216
Retirement benefit expenses	148	129	1,162
Employees' salaries and allowances	2,507	2,522	22,722

3. Research and development costs included in selling, general and administrative expenses were as follows:

For the year ended March 31	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Research and development costs	¥ 13	¥ 13	\$ 117

4. "Gain on sales of non-current assets" consisted of the following:

For the year ended March 31	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Vehicles	¥ 0	¥ 2	\$ 18
Other	0	0	0
Total	¥ 0	¥ 2	\$ 18

5. "Loss on retirement of non-current assets" consisted of the following:

For the year ended March 31	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Buildings	¥ 14	¥ 0	\$ 0
Other	0	0	0
Total	¥ 14	¥ 1	\$ 9

6. "Head office relocation expenses" consisted of the following:

For the year ended March 31	Millions of yen		Thousands of
	2018	2019	U.S. dollars
Impairment loss	¥ —	¥ 89	\$ 801
Demolition cost	—	103	928
Other	—	8	72
Total	¥ —	¥ 200	\$ 1,801

Since the headquarters building classified as jointly used assets is scheduled to be dismantled in line with the decision to rebuild it, the Companies reduced the carrying amounts of the building recorded as non-current assets to memorandum value, and the reduced amounts were recorded as impairment loss for the fiscal year ended March 31, 2019. With respect to the recoverable amount of these assets, their value in use is regarded as zero because they are planned to be demolished. The impairment loss is included in "Head office relocation expenses" under extraordinary loss in the consolidated statements of income.

6. Notes to Consolidated Statements of Comprehensive Income

Reclassification adjustments and tax effects related to other comprehensive income were as follows:

For the year ended March 31	Millions of yen		Thousands of
	2018	2019	U.S. dollars
Valuation difference on available-for-sale securities			
Amount arising during the year	¥ 369	¥ (302)	\$ (2,720)
Reclassification adjustments	(11)	(0)	(0)
Total before tax effect	357	(302)	(2,720)
Tax effect	(109)	91	819
Valuation difference on available-for-sale securities	248	(210)	(1,892)
Foreign currency translation adjustments			
Amount arising during the year	205	115	1,036
Reclassification adjustments	—	—	—
Total before tax effect	205	115	1,036
Tax effect	—	—	—
Foreign currency translation adjustments	205	115	1,036
Remeasurements of defined benefit plans			
Amount arising during the year	110	(34)	(306)
Reclassification adjustments	68	59	531
Total before tax effect	178	25	225
Tax effect	—	14	126
Remeasurements of defined benefit plans	178	39	351
Total other comprehensive income	¥ 632	¥ (55)	\$ (495)

7. Notes to Consolidated Statements of Cash Flows

The reconciliation between "Cash and cash equivalents" reported in the consolidated statements of cash flows and "Cash and deposits" reported in the consolidated balance sheets was as follows:

As of March 31	Millions of yen		Thousands of
	2018	2019	U.S. dollars
Cash and deposits per consolidated balance sheets	¥ 31,885	¥ 32,329	\$ 291,278
Less: Time deposits maturing over 3 months	(4,884)	(728)	(6,559)
Cash and cash equivalents per consolidated statements of cash flows	¥ 27,001	¥ 31,600	\$ 284,710

8. Lease Transactions

1. Finance lease transactions

(As lessee)

Finance lease contracts that do not transfer ownership of the lease assets to the lessee

1) Contents of lease assets

Property, plant and equipment

Equipment such as network devices and vehicles

2) Depreciation of lease assets

As described in NOTES TO CONSOLIDATED FINANCIAL STATEMENTS 3. Summary of Significant Accounting Policies f. Lease Assets.

2. Operating lease transactions

Future minimum lease payments under non-cancelable operating lease contracts as of March 31, 2018 and 2019 were as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars	
	2018	2019		2019
(As lessee)				
Due in 1 year	¥ —	¥ 105	\$	946
Due after 1 year	—	178		1,603
Total	¥ —	¥ 283	\$	2,549
(As lessor)				
Due in 1 year	¥ —	¥ 14	\$	126
Due after 1 year	—	23		207
Total	¥ —	¥ 38	\$	342

9. Financial Instruments

1. Overview

1) Policy for financial instruments

The Companies raise operating funds primarily through bank loans and bond issues. Temporary fund surpluses are managed principally through short-term deposits with little risk. Under the policy of the Companies, the Companies use derivatives only for the purpose of reducing foreign exchange fluctuation risks associated with foreign currency denominated transactions and interest rate fluctuation risks associated with loans payable, and not for speculative purposes.

2) Types of financial instruments, risk and risk management

The Companies control risks by type of financial instruments in accordance with the risk management policy.

Regarding credit risk associated with notes receivable and accounts receivable from completed construction contracts, the Companies identify major customers' credit status by monitoring the payment terms and credit balances by each customer.

Regarding securities and investment securities, principally consisting of equity securities, the Companies regularly identify the quoted market price of the listed securities to manage the risks arising from market value fluctuations.

The Companies manage liquidity risk associated with loans payable by appropriately planning for fund raising based on monthly cash flow projections.

Regarding derivative transactions, the Companies execute and control the transactions based on the internal control rules which define the transaction authority and limits and enter into contracts with only the high credit rating financial institutions to reduce credit risk.

3) Supplementary explanation on fair value of financial instruments

The fair value of financial instruments is determined based on the market price or reasonable estimated amount if there is no market price. Certain assumptions are used for calculation of such fair value, and accordingly, the result of such calculation may vary, if different assumptions are used.

2. Fair value of financial instruments

The carrying amount, fair value and difference of the financial instruments as of March 31, 2018 and 2019 were as follows:

Note that the financial instruments whose fair value is extremely difficult to determine were not included in the following table (See Note 2 of the below table):

As of March 31, 2018	Millions of yen		
	Carrying amount	Fair value	Difference
(1) Cash and deposits	¥ 31,885	¥ 31,885	¥ —
(2) Notes receivable, accounts receivable from completed construction contracts and other	26,525	26,525	—
(3) Investment securities			
Held-to-maturity securities	9	10	0
Available-for-sale securities	2,338	2,338	—
Assets total	¥ 60,759	¥ 60,760	¥ 0
(1) Notes payable, accounts payable for construction contracts and other	37,373	37,373	—
(2) Short-term loans payable	650	650	—
(3) Long-term loans payable	1,640	1,640	—
(4) Bonds payable	1,000	999	(0)
Liabilities total	¥ 40,663	¥ 40,663	¥ (0)
Derivative transactions	—	—	—

As of March 31, 2019	Millions of yen		
	Carrying amount	Fair value	Difference
(1) Cash and deposits	¥ 32,329	¥ 32,329	¥ —
(2) Notes receivable, accounts receivable from completed construction contracts and other	25,682	25,682	—
(3) Securities and investment securities			
Held-to-maturity securities	9	10	0
Available-for-sale securities	2,036	2,036	—
Assets total	¥ 60,058	¥ 60,058	¥ 0
(1) Notes payable, accounts payable for construction contracts and other	35,228	35,228	—
(2) Short-term loans payable	810	810	—
(3) Current portion of bonds	1,000	1,000	—
(4) Long-term loans payable	1,030	1,030	—
Liabilities total	¥ 38,068	¥ 38,068	¥ —
Derivative transactions	—	—	—

As of March 31, 2019	Thousands of U.S. dollars		
	Carrying amount	Fair value	Difference
(1) Cash and deposits	\$ 291,278	\$ 291,278	\$ —
(2) Notes receivable, accounts receivable from completed construction contracts and other	231,390	231,390	—
(3) Securities and investment securities			
Held-to-maturity securities	81	90	9
Available-for-sale securities	18,343	18,343	—
Assets total	\$ 541,093	\$ 541,102	\$ 9
(1) Notes payable, accounts payable for construction contracts and other	317,397	317,397	—
(2) Short-term loans payable	7,297	7,297	—
(3) Current portion of bonds	9,009	9,009	—
(4) Long-term loans payable	9,280	9,280	—
Liabilities total	\$ 342,985	\$ 342,985	\$ —
Derivative transactions	—	—	—

(Notes): 1. Method used for determining the fair value of the financial instruments and matters regarding securities and derivative transactions:

Assets:

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

The carrying amount is presented as the fair value, since the fair value approximates the carrying amount because they will be settled within a short period of their maturity.

(3) Securities and investment securities

The fair value of equity securities is determined based on the quoted price of the exchanges, the fair value of investment trust is determined based on the published standard quotation price and the fair value of debt securities is determined based on the published price by the Japan Securities Dealers Association. Notes regarding investment securities classified by the management's intent of holding are described in Note 10 "Securities".

Liabilities:

(1) Notes payable, accounts payable for construction contracts and other and (2) Short-term loans payable

The carrying amount is presented as the fair value, since the fair value approximates the carrying amount because they will be settled within a short period of their maturity.

(3) Current portion of bonds

The fair value of bonds issued by the Company is based on the current value of the bonds, which is calculated by discounting the total amount of principal and interest by an interest rate that reflects the remaining terms of the Company's bonds and credit risk.

(4) Long-term loans payable

The carrying amount is presented as the fair value, since the fair value approximates the carrying amount because their interest rates will be reset mainly within a short period of their maturity.

2. Carrying amounts of financial instruments for which it is extremely difficult to identify the fair value were as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Unlisted equity securities	¥ 1,207	¥ 1,207	\$ 10,874

Above financial instruments were not included in "(3) Securities and investment securities" in the above table, since there is no market price and their fair value is extremely difficult to identify.

3. Redemption schedule for monetary assets and securities with contractual maturities after balance sheet date was as follows:

As of March 31, 2018	Millions of yen			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and deposits	¥ 31,885	¥ —	¥ —	¥ —
Notes receivable, accounts receivable from completed construction contracts and other	26,525	—	—	—
Investment securities:				
Held-to-maturity securities (Japanese government bonds)	—	9	—	—
Available-for-sale securities with contractual maturities	—	—	3	—
Total	¥ 58,411	¥ 9	¥ 3	¥ —

As of March 31, 2019	Millions of yen			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and deposits	¥ 32,329	¥ —	¥ —	¥ —
Notes receivable, accounts receivable from completed construction contracts and other	25,682	—	—	—
Securities and investment securities:				
Held-to-maturity securities (Japanese government bonds)	9	—	—	—
Available-for-sale securities with contractual maturities	—	—	4	—
Total	¥ 58,022	¥ —	¥ 4	¥ —

As of March 31, 2019	Thousands of U.S. dollars			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and deposits	\$ 291,278	\$ —	\$ —	\$ —
Notes receivable, accounts receivable from completed construction contracts and other	231,390	—	—	—
Securities and investment securities:				
Held-to-maturity securities (Japanese government bonds)	81	—	—	—
Available-for-sale securities with contractual maturities	—	—	36	—
Total	\$ 522,767	\$ —	\$ 36	\$ —

4. Repayment schedule of short-term loans payable, long-term loans payable and bonds payable after balance sheet date was as follows:

As of March 31, 2018	Millions of yen					
	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Short-term loans payable	¥ 650	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term loans payable	—	610	310	310	210	200
Bonds payable	—	1,000	—	—	—	—
Total	¥ 650	¥ 1,610	¥ 310	¥ 310	¥ 210	¥ 200

As of March 31, 2019	Millions of yen					
	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Short-term loans payable	¥ 810	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term loans payable	—	310	310	210	50	150
Current portion of bonds	1,000	—	—	—	—	—
Total	¥ 1,810	¥ 310	¥ 310	¥ 210	¥ 50	¥ 150

As of March 31, 2019	Thousands of U.S. dollars					
	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Short-term loans payable	\$ 7,297	\$ —	\$ —	\$ —	\$ —	\$ —
Long-term loans payable	—	2,793	2,793	1,892	450	1,351
Current portion of bonds	9,009	—	—	—	—	—
Total	\$ 16,307	\$ 2,793	\$ 2,793	\$ 1,892	\$ 450	\$ 1,351

10. Securities

1. Investment securities as of March 31, 2018 and 2019 consisted of the following:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Held-to-maturity securities	¥ 9	¥ 9	\$ 81
Available-for-sale securities with market value	2,338	2,036	18,343
Total	¥ 2,348	¥ 2,046	\$ 18,434

2. The carrying amount and fair value of held-to-maturity debt securities as of March 31, 2018 and 2019 were as follows:

As of March 31, 2018	Millions of yen		
	Carrying amount	Fair value	Difference
1) Securities with fair value exceeding carrying amount			
Japanese government bonds	¥ 9	¥ 10	¥ 0
2) Securities with carrying amount exceeding fair value	¥ —	¥ —	¥ —
Total	¥ 9	¥ 10	¥ 0

As of March 31, 2019	Millions of yen		
	Carrying amount	Fair value	Difference
1) Securities with fair value exceeding carrying amount			
Japanese government bonds	¥ 9	¥ 10	¥ 0
2) Securities with carrying amount exceeding fair value	¥ —	¥ —	¥ —
Total	¥ 9	¥ 10	¥ 0

As of March 31, 2019	Thousands of U.S. dollars		
	Carrying amount	Fair value	Difference
1) Securities with fair value exceeding carrying amount			
Japanese government bonds	\$ 81	\$ 90	\$ 9
2) Securities with carrying amount exceeding fair value	\$ —	\$ —	\$ —
Total	\$ 81	\$ 90	\$ 9

3. The carrying amount (fair value) and acquisition cost of available-for-sale securities as of March 31, 2018 and 2019 were as follows:

As of March 31, 2018	Millions of yen		
	Carrying amount	Acquisition cost	Difference
1) Securities with carrying amount exceeding acquisition cost			
Equity securities	¥ 2,334	¥ 839	¥ 1,495
Other	3	1	2
Subtotal	¥ 2,338	¥ 841	¥ 1,497
2) Securities with acquisition cost exceeding carrying amount	¥ —	¥ —	¥ —
Total	¥ 2,338	¥ 841	¥ 1,497

As of March 31, 2019	Millions of yen		
	Carrying amount	Acquisition cost	Difference
1) Securities with carrying amount exceeding acquisition cost			
Equity securities	¥ 1,938	¥ 723	¥ 1,215
Other	4	1	2
Subtotal	¥ 1,942	¥ 725	¥ 1,217
2) Securities with acquisition cost exceeding carrying amount			
Equity securities	¥ 93	¥ 116	¥ (22)
Subtotal	¥ 93	¥ 116	¥ (22)
Total	¥ 2,036	¥ 841	¥ 1,195

As of March 31, 2019	Thousands of U.S. dollars		
	Carrying amount	Acquisition cost	Difference
1) Securities with carrying amount exceeding acquisition cost			
Equity securities	\$ 17,461	\$ 6,514	\$ 10,946
Other	36	9	27
Subtotal	\$ 17,497	\$ 6,532	\$ 10,964
2) Securities with acquisition cost exceeding carrying amount			
Equity securities	\$ 837	\$ 1,045	\$ (207)
Subtotal	\$ 837	\$ 1,045	\$ (207)
Total	\$ 18,343	\$ 7,577	\$ 10,766

(Note) "Unlisted equity securities" in an amount of ¥1,207 million as of March 31, 2018 and ¥1,207 million (\$10,874 thousand) as of March 31, 2019 were not included in available-for-sale securities in the above table, since there is no market price and their fair value is extremely difficult to identify.

4. Available-for-sale securities which were sold during the years ended March 31, 2018 and 2019 were as follows:

For the year ended March 31	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Sales proceeds	¥ 22	¥ —	\$ —
Gain on sales	11	—	—
Loss on sales	—	—	—

5. Securities on which impairment loss was recognized during the years ended March 31, 2018 and 2019 were as follows:

For the year ended March 31, 2018:

There were no securities on which impairment loss was recognized.

For the year ended March 31, 2019:

There were no securities on which impairment loss was recognized.

If the fair value of available-for-sale securities with fair value declines by 30% to 50% of the acquisition cost, the Company judges the recoverability, considering the current status of the issuing companies and the fair value trends, and recognizes impairment loss, unless the recovery is reasonably expected.

11. Retirement Benefits

1. Outline of the Company's retirement benefit plans

The Company has defined benefit plans that consist of a defined benefit corporate pension plan and a lump-sum retirement benefit plan and also defined contribution pension plans. Certain consolidated subsidiaries have unfunded defined benefit plans and lump-sum benefit plans.

Furthermore, the Company and its consolidated subsidiaries may pay additional retirement benefits upon the retirement of certain employees.

With respect to lump-sum benefit plans adopted by certain consolidated subsidiaries, net defined benefit liability and retirement benefit expenses are calculated by the short-cut method.

2. Defined Benefit Plans

1) The changes in projected benefit obligations for the years ended March 31, 2018 and 2019 were as follows (excluding the plans to which a short-cut method was applied):

For the year ended March 31	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Beginning balance of projected benefit obligations	¥ 4,091	¥ 4,240	\$ 38,201
Service cost	272	268	2,414
Interest cost	24	21	189
Actuarial differences	18	11	99
Retirement benefits paid	(154)	(266)	(2,396)
Other	(12)	(0)	(0)
Ending balance of projected benefit obligations	¥ 4,240	¥ 4,274	\$ 38,507

2) The changes in plan assets for the years ended March 31, 2018 and 2019 were as follows (excluding the plans to which a short-cut method was applied):

For the year ended March 31	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Beginning balance of plan assets	¥ 3,463	¥ 3,945	\$ 35,543
Expected return of plan assets	69	78	702
Actuarial differences	120	(2)	(18)
Contribution from the employer	438	345	3,108
Retirement benefits paid	(145)	(247)	(2,225)
Ending balance of plan assets	¥ 3,945	¥ 4,119	\$ 37,111

3) The changes in net defined benefit liability of the plans to which the short-cut method was applied for the years ended March 31, 2018 and 2019 were as follows:

For the year ended March 31	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Beginning balance of net defined benefit liability	¥ 88	¥ 83	\$ 747
Retirement benefit expenses	4	6	54
Retirement benefits paid	(9)	(8)	(72)
Ending balance of net defined benefit liability	¥ 83	¥ 80	\$ 720

4) Reconciliation between the ending balances of projected benefit obligations and plan assets and net defined benefit liability and net defined benefit asset recorded in the consolidated balance sheet as of March 31, 2018 and 2019 was as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Funded projected benefit obligations	¥ 4,046	¥ 4,088	\$ 36,832
Plan assets	(3,945)	(4,119)	(37,111)
	¥ 100	¥ (30)	\$ (270)
Unfunded projected benefit obligations	277	266	2,396
Net liability recorded in the consolidated balance sheet	¥ 378	¥ 235	\$ 2,117
Net defined benefit liability	¥ 378	¥ 266	\$ 2,396
Net defined benefit asset	—	(30)	(270)
Net liability recorded in the consolidated balance sheet	¥ 378	¥ 235	\$ 2,117

(Note) Above amounts include plans to which the short-cut method is applied.

5) The components of retirement benefit expenses for the years ended March 31, 2018 and 2019 were as follows:

For the year ended March 31	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Service cost	¥ 272	¥ 268	\$ 2,414
Interest cost	24	21	189
Expected return of plan assets	(69)	(78)	(702)
Amortization of actuarial differences	77	38	342
Retirement benefit expenses computed by short-cut method	4	6	54
Other	(12)	(0)	(0)
Retirement benefit expenses on defined benefit plans	¥ 296	¥ 255	\$ 2,297

6) The component of "Remeasurements of defined benefit plans" under "Other comprehensive income" (before adjusting for tax effects) for the years ended March 31, 2018 and 2019 was as follows:

For the year ended March 31	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Actuarial differences	¥ 178	¥ 25	\$ 225

7) The component of “Remeasurements of defined benefit plans” under “Accumulated other comprehensive income” (before adjusting for tax effects) as of March 31, 2018 and 2019 was as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Unrecognized actuarial differences	¥ (71)	¥ (46)	\$ (414)

8) Plan assets

a. Components of plan assets

Plan assets as of March 31, 2018 and 2019 consisted of the following:

As of March 31	2018	2019
Bonds	27%	45%
Equity securities	61	43
Insurance assets (general account)	10	10
Other	2	2
Total	100	100

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 allocation 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, 2018 and 2019 were set forth as follows:

For the year ended March 31	2018	2019
Discount rate	0.2%	0.1%
Long-term expected rate of return on plan assets	2.0	2.0

3. Defined Contribution Plans

The amount of the required contribution to the defined contribution plans of the Company for the years ended March 31, 2018 and 2019 was as follows:

For the year ended March 31	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Required contribution to the defined contribution plans	¥ 71	¥ 70	\$ 630

12. Deferred Tax Accounting

1. The significant components of deferred tax assets and liabilities as of March 31, 2018 and 2019 were as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Deferred tax assets:			
Tax loss carryforwards	¥ 25	¥ 5	\$ 45
Provision for bonuses	141	183	1,648
Net defined benefit liability	30	18	162
Allowance for doubtful accounts	6	11	99
Loss on valuation of real estate for sale	287	287	2,585
Accounts payable for construction contracts	315	195	1,756
Impairment loss	1,444	1,359	12,244
Head office relocation expenses	—	58	522
Other	429	443	3,991
Subtotal	2,681	2,564	23,101
Less: valuation allowance (Note)	(2,132)	(1,997)	(17,992)
Deferred tax assets	¥ 549	¥ 566	\$ 5,099
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	¥ (461)	¥ (371)	\$ (3,342)
Undistributed earnings of foreign consolidated subsidiaries	(400)	(424)	(3,820)
Net defined benefit asset	—	(9)	(81)
Other	(8)	(45)	(405)
Deferred tax liabilities	¥ (869)	¥ (850)	\$ (7,658)
Net deferred tax liabilities	¥ (320)	¥ (284)	\$ (2,558)

(Note) Valuation allowance decreased by ¥134 million (\$1,207 thousand). The major reason for this decrease is that the valuation allowance for accounts payable for construction contracts decreased by ¥119 million (\$1,072 thousand) in the consolidated subsidiary Nakano Singapore (Pte.) Ltd.

2. Reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the consolidated statements of income as of March 31, 2018 and 2019 was as follows:

As of March 31	2018	2019
Normal effective statutory tax rate	30.9%	30.6%
Expenses not deductible income tax purposes	0.7	0.6
Tax rate differences in foreign consolidated subsidiaries	(2.4)	(2.0)
Undistributed earnings of foreign consolidated subsidiaries	(0.1)	0.4
Inhabitant per capita taxes	0.8	0.6
Refund of income taxes for prior periods	(0.6)	(0.1)
Reduction of deferred tax assets due to tax rate change	0.1	—
Valuation allowance	(17.2)	(2.4)
Other	0.0	0.9
Actual effective tax rate	12.2	28.6

13. Investment and Rental Properties

- The Company and certain consolidated subsidiaries own office buildings, commercial facilities and residual units for lease in Tokyo and other areas. Rental income from these real estate properties for lease for the years ended March 31, 2018 and 2019 were ¥612 million and ¥672 million (\$6,054 thousand), respectively. Rental income and related costs were included in "Sales on real estate business" and "Cost of sales on real estate business", respectively, in the accompanying consolidated statements of income for the years ended March 31, 2018 and 2019.
- The carrying amounts, changes in such balances during the year and fair values of such properties were as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Carrying amounts			
(Note 1):			
Beginning balance	¥ 11,423	¥ 11,384	\$ 102,567
Increase (decrease) (Note 2)	(39)	1,403	12,640
Ending balance	¥ 11,384	¥ 12,787	\$ 115,208
Fair value (Note 3)	¥ 15,216	¥ 17,014	\$ 153,293

- (Notes): 1. The carrying amount is presented after deducting accumulated depreciation from the acquisition cost.
2. Increase during the year ended March 31, 2018 primarily represents the acquisition of real estate of ¥64 million and decrease is primarily due to depreciation of ¥110 million.
Increase during the year ended March 31, 2019 primarily represents the acquisition of real estate of ¥1,566 million (\$14,109 thousand) and decrease is primarily due to depreciation of ¥121 million (\$1,090 thousand).
3. The fair values of major properties are determined based on the real estate appraisal value by independent real estate appraisers and the fair values of other properties are determined based on the value in accordance with "Japanese Real Estate Appraisal Standard" or based on reasonable internal appraisal.

14. Segment Information

1. Description of reportable segments

The Companies' reportable segments are those for which separate financial information is available and regular evaluation by the Board of Directors is being performed in order to decide how resources are allocated among the Companies.

The Companies are active in the construction business and the real estate business in Japan and foreign countries.

Therefore, the Companies consist of regional segments which are based on each business. Reportable segments of the construction business are "Japan" and "Southeast Asia (Singapore, Malaysia, Indonesia, Thailand and Vietnam)", and those of the real estate business are "Japan" and "Southeast Asia (Singapore)".

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

The accounting policies of each reportable segment are consistent to those disclosed in Note 3, "Summary of Significant Accounting Policies".

3. Information on sales, income (loss), assets and other items for each reportable segment was as follows:

For the year ended March 31, 2018	Millions of yen									
	Reportable segments						Other (Note 1)	Adjustments (Note 2)	Consolidated (Note 3)	
	Construction			Real estate						
	Japan	Southeast Asia	Total	Japan	Southeast Asia	Total				
Net sales:										
Customers	¥ 73,895	¥ 29,416	¥ 103,312	¥ 1,013	¥ 24	¥ 1,038	¥ 105	¥ 104,456	¥ —	¥ 104,456
Inter-segment	0	—	0	0	—	0	—	0	(0)	—
Total	73,895	29,416	103,312	1,014	24	1,039	105	104,456	(0)	104,456
Segment income	2,985	691	3,677	563	11	574	13	4,265	(0)	4,264
Segment assets	27,330	24,638	51,969	11,214	1,039	12,253	439	64,662	19,891	84,554
Other items:										
Depreciation	¥ 120	¥ 63	¥ 183	¥ 107	¥ 6	¥ 114	¥ 46	¥ 343	¥ —	¥ 343
Increase in property, plant, and equipment and intangible assets	60	28	89	245	—	245	0	335	—	335

- (Notes): 1. "Other" is a business segment not included in the reportable segments, which consists of solar power generation business and insurance agent business.
2. An adjustment of "Segment assets" in an amount of ¥19,891 million was corporate assets which were not allocated to each reportable segment and consisted of surplus fund (cash and deposits) and long-term investment fund (investment securities and insurance funds) of the Company.
3. Segment income is adjusted with operating income in the accompanying consolidated statements of income.

Millions of yen										
For the year ended March 31, 2019	Reportable segments						Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
	Construction			Real estate						
	Japan	Southeast Asia	Total	Japan	Southeast Asia	Total				
Net sales:										
Customers	¥ 85,077	¥ 30,893	¥ 115,970	¥ 1,048	¥ 28	¥ 1,076	¥ 105	¥ 117,152	—	¥ 117,152
Inter-segment	19	—	19	0	—	0	—	20	(20)	—
Total	85,096	30,893	115,989	1,049	28	1,077	105	117,173	(20)	117,152
Segment income	4,381	493	4,874	554	14	569	32	5,476	—	5,476
Segment assets	25,468	21,501	46,970	12,486	1,098	13,584	397	60,952	23,497	84,450
Other items:										
Depreciation	¥ 95	¥ 53	¥ 149	¥ 118	¥ 6	¥ 125	¥ 39	¥ 314	—	¥ 314
Impairment loss	83	10	93	0	—	0	0	94	—	94
Increase in property, plant, and equipment and intangible assets	198	27	225	1,410	54	1,464	0	1,690	—	1,690

Thousands of U.S. dollars										
For the year ended March 31, 2019	Reportable segments						Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
	Construction			Real estate						
	Japan	Southeast Asia	Total	Japan	Southeast Asia	Total				
Net sales:										
Customers	\$ 766,528	\$ 278,340	\$ 1,044,868	\$ 9,442	\$ 252	\$ 9,694	\$ 946	\$ 1,055,518	—	\$ 1,055,518
Inter-segment	171	—	171	0	—	0	—	180	(180)	—
Total	766,699	278,340	1,045,040	9,451	252	9,703	946	1,055,707	(180)	1,055,518
Segment income	39,472	4,441	43,913	4,991	126	5,126	288	49,337	—	49,337
Segment assets	229,462	193,720	423,191	112,496	9,892	122,389	3,576	549,166	211,703	760,879
Other items:										
Depreciation	\$ 855	\$ 477	\$ 1,342	\$ 1,063	\$ 54	\$ 1,126	\$ 351	\$ 2,829	—	\$ 2,829
Impairment loss	747	90	837	0	—	0	0	846	—	846
Increase in property, plant, and equipment and intangible assets	1,783	243	2,027	12,703	486	13,190	0	15,226	—	15,226

- (Notes): 1. "Other" is a business segment not included in the reportable segments, which consists of solar power generation business and insurance agent business.
2. An adjustment of "Segment assets" in an amount of ¥23,497 million (\$211,703 thousand) was corporate assets which were not allocated to each reportable segment and consisted of surplus fund (cash and deposits) and long-term investment fund (investment securities and insurance funds) of the Company.
3. Segment income is reconciled with operating income in the accompanying consolidated statements of income.

15. Per Share Information

Basic net income per share is computed based on the weighted average number of shares of common stock outstanding during the year. Diluted net income per share was not presented for the years ended March 31, 2018 and 2019 since the Company had no potentially dilutive shares outstanding as of the balance sheet dates.

Net assets per share is computed based on the number of shares of common stock outstanding as of the balance sheet dates.

Net assets and net income per share for the years ended March 31, 2018 and 2019 were as follows:

For the year ended March 31	Yen		U.S. dollars
	2018	2019	2019
Net assets per share	¥ 860.02	¥ 961.56	\$ 8.66
Basic net income per share	114.83	116.09	1.05

(Notes): 1. Net assets per share was calculated based on the following information:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Total net assets	¥ 30,742	¥ 34,352	\$ 309,505
Deductions from total net assets:			
Non-controlling interests	(1,180)	(1,302)	(11,730)
Net assets attributable to common stock	¥ 29,561	¥ 33,049	\$ 297,765
Number of shares of common stock used in computing net assets per share (in thousand shares)			
	34,372	34,371	34,371

2. Net income per share was calculated based on the following information:

For the year ended March 31	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Profit attributable to owners of parent	¥ 3,947	¥ 3,990	\$ 35,949
Amount not attributable to common stock shareholders	—	—	—
Profit attributable to common stock of owners of parent	¥ 3,947	¥ 3,990	\$ 35,949
Average number of shares of common stock during the year (in thousand shares)			
	34,373	34,372	34,372

16. Bonds Payable

Bonds payable as of March 31, 2018 and 2019 consisted of the following:

Issuer and Issue type	Issue date	Millions of yen		Thousands of U.S. dollars	Interest rate (%)	Collateral	Maturity
		2018	2019	2019			
(Nakano Corporation)							
7 th unsecured bond	Sep.30, 2013	¥ 40	¥ —	\$ —	0.64	None	Sep. 28, 2018
(Nakano Corporation)							
8 th unsecured bond	Mar.10, 2017	1,000	1,000	9,009	0.69	None	Mar. 10, 2020
			(1,000)	(9,009)			
Total		¥ 1,040	¥ 1,000	\$ 9,009			
			(1,000)	(9,009)			

(Notes): 1. () denotes the amount expected to be redeemed within 1 year.

2. The following was a summary of maturities of bonds subsequent to March 31, 2019:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2020	¥ 1,000	\$ 9,009
2021	—	—
2022	—	—
2023	—	—
2024	—	—
2025 and thereafter	—	—
Total	¥ 1,000	\$ 9,009

17. Loans Payable and Other Debts Short-term loans payable, long-term loans payable and other debts as of March 31, 2018 and 2019 were as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars	Average interest rate (%)	Maturity
	2018	2019	2019		
Short-term loans payable	¥ 340	¥ 200	\$ 1,801	0.97	—
Current portion of long-term loans payable	310	610	5,495	0.87	—
Current portion of lease obligations	28	7	63	—	—
Long-term loans payable excluding current portion	1,640	1,030	9,280	0.96	May. 29, 2020 – Feb. 25, 2027
Lease obligations excluding current portion	8	0	0	—	Apr. 30, 2020 – Feb. 28, 2021
Total	¥ 2,326	¥ 1,848	\$ 16,650	—	—

(Notes):1. "Average interest rate" represents the weighted average interest rate on loans payable outstanding as of the balance sheet date. "Average interest rate" of lease obligations is not shown since interest equivalent amounts included in the aggregated lease premiums are allocated to each fiscal year using the straight-line method.

2. The following was a summary of annual maturities of loans payable and lease obligations subsequent to March 31, 2019:

Years ending March 31	Millions of yen		Thousands of U.S. dollars	
	Long-term loans payable	Lease obligations	Long-term loans payable	Lease obligations
2020	¥ 610	¥ 7	\$ 5,495	\$ 63
2021	310	0	2,793	0
2022	310	—	2,793	—
2023	210	—	1,892	—
2024	50	—	450	—
2025 and thereafter	150	—	1,351	—
Total	¥ 1,640	¥ 8	\$ 14,776	\$ 72

18. Subsequent Events

At the Annual General Meeting of Shareholders held on June 27, 2019, it was resolved to distribute the year-end cash dividends of ¥14 (\$0.13) per share of common stock of the Company.

The aggregate amount of such cash dividends was ¥481 million (\$4,333 thousand).

SUPPLEMENTAL INFORMATION

NONCONSOLIDATED BALANCE SHEETS

NAKANO CORPORATION

As of March 31, 2018 and 2019

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Assets			
Current assets:			
Cash and deposits	¥ 14,929	¥ 21,239	\$ 191,359
Notes receivable - trade	996	1,040	9,370
Accounts receivable from completed construction contracts	18,950	15,702	141,472
Costs on uncompleted construction contracts	1,467	1,377	12,406
Costs on real estate business	43	43	387
Raw materials and supplies	6	6	54
Short-term loans receivable from subsidiaries and affiliates	15	15	135
Accounts receivable - other	2,013	2,629	23,686
Consumption taxes receivable	1,341	—	—
Other	729	475	4,279
Total current assets	40,493	42,529	383,178
Non-current assets:			
Property, plant and equipment			
Buildings	6,562	7,433	66,969
Accumulated depreciation	(3,961)	(4,077)	(36,733)
Buildings, net	2,600	3,356	30,236
Structures	145	147	1,324
Accumulated depreciation	(121)	(126)	(1,135)
Structures, net	23	21	189
Machinery and equipment	562	569	5,126
Accumulated depreciation	(242)	(281)	(2,531)
Machinery and equipment, net	319	287	2,585
Vehicles	11	11	99
Accumulated depreciation	(8)	(9)	(81)
Vehicles, net	2	1	9
Tools, furniture and fixtures	355	362	3,261
Accumulated depreciation	(286)	(309)	(2,784)
Tools, furniture and fixtures, net	69	52	468
Land	10,445	11,170	100,639
Lease assets	96	47	423
Accumulated depreciation	(76)	(39)	(351)
Lease assets, net	20	7	63
Construction in progress	199	—	—
Total property, plant and equipment	13,681	14,897	134,219
Intangible assets			
Total intangible assets	163	205	1,847
Investments and other assets			
Investment securities	2,370	2,051	18,479
Stocks of subsidiaries and affiliates	2,428	2,428	21,875
Long-term loans receivable from subsidiaries and affiliates	120	105	946
Insurance funds	31	31	279
Prepaid pension cost	—	77	693
Deferred tax assets	106	158	1,423
Other	321	378	3,405
Allowance for doubtful accounts	(21)	(36)	(324)
Total investments and other assets	5,357	5,194	46,797
Total non-current assets	19,202	20,296	182,863
Total assets	¥ 59,696	¥ 62,826	\$ 566,050

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Liabilities			
Current liabilities:			
Notes payable – trade	¥ 4,573	¥ 3,511	\$ 31,633
Electronically recorded obligations - operating	9,134	11,082	99,846
Accounts payable for construction contracts	12,137	12,560	113,163
Short-term loans payable	650	810	7,297
Current portion of bonds	40	1,000	9,009
Income taxes payable	215	1,305	11,757
Accrued consumption taxes	—	1,875	16,893
Advances received on uncompleted construction contracts	8,837	5,553	50,031
Provision for warranties for completed construction	169	272	2,450
Provision for bonuses	458	593	5,342
Other	935	838	7,550
Total current liabilities	37,151	39,403	355,013
Non-current liabilities:			
Bonds payable	1,000	—	—
Long-term loans payable	1,640	1,030	9,280
Provision for retirement benefits	58	23	207
Long-term deposits received	489	497	4,477
Other	132	120	1,081
Total non-current liabilities	3,320	1,671	15,055
Total liabilities	40,472	41,074	370,069
Net assets			
Shareholders' equity:			
Common stock			
Authorized: 154,792,300 shares			
Issued: 34,498,097 shares	¥ 5,061	¥ 5,061	\$ 45,598
Capital surplus			
Legal capital surplus	1,400	1,400	12,613
Total capital surplus	1,400	1,400	12,613
Retained earnings			
Other retained earnings			
Retained earnings brought forward	11,836	14,585	131,408
Total retained earnings	11,836	14,585	131,408
Less: Treasury stock, at cost			
125,310 shares in 2018 and 126,779 shares in 2019	(32)	(33)	(297)
Total shareholders' equity	18,265	21,013	189,323
Valuation and translation adjustments:			
Valuation difference on available-for-sale securities	959	737	6,640
Total valuation and translation adjustments	959	737	6,640
Total net assets	19,224	21,751	195,972
Total liabilities and net assets	¥ 59,696	¥ 62,826	\$ 566,050

NONCONSOLIDATED STATEMENTS OF INCOME

NAKANO CORPORATION

For the years ended March 31, 2018 and 2019

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Net sales:			
Net sales of completed construction contracts	¥ 73,895	¥ 85,096	\$ 766,699
Sales on real estate business	956	986	8,883
Sales on other business	75	74	666
Total net sales	74,927	86,157	776,259
Cost of sales:			
Cost of sales of completed construction contracts	67,006	76,765	691,638
Cost of sales on real estate business	382	411	3,703
Cost of sales on other business	53	47	423
Total cost of sales	67,442	77,224	695,774
Gross profit:			
Gross profit on completed construction contracts	6,888	8,331	75,060
Gross profit - real estate business	573	575	5,180
Gross profit - other business	22	26	234
Total gross profit	7,484	8,933	80,484
Selling, general and administrative expenses			
	4,164	4,209	37,922
Operating income	3,320	4,724	42,562
Non-operating income:			
Interest income	21	30	270
Dividend income	45	51	459
Foreign exchange gains	—	60	540
Other	27	31	279
Total non-operating income	95	173	1,558
Non-operating expenses:			
Interest expenses	27	21	189
Interest on bonds	7	7	63
Foreign exchange losses	75	—	—
Other	1	0	0
Total non-operating expenses	111	29	261
Ordinary income	3,304	4,868	43,859
Extraordinary income:			
Reversal of allowance for doubtful accounts	275	—	—
Other	11	—	—
Total extraordinary income	286	—	—
Extraordinary losses:			
Loss on valuation of shares of subsidiaries	252	—	—
Loss on litigation	20	35	315
Head office relocation expenses	—	200	1,801
Other	14	0	0
Total extraordinary losses	288	236	2,126
Profit before income taxes	3,302	4,631	41,724
Income taxes:			
Income taxes - current	402	1,424	12,829
Income taxes - deferred	(300)	45	405
Total income taxes	102	1,470	13,244
Profit	¥ 3,200	¥ 3,161	\$ 28,480

CORPORATE PROFILE

Company Outline (As of March 31, 2019)

Company Name	NAKANO CORPORATION
Headquarters	(Temporary Address (from July 8, 2019)) Sumitomoichigaya Building 8F 1-1, Ichigayahonmura-cho, Shinjuku-ku, Tokyo 162-0845, Japan
Foundation	8th February 1933
Established	19th December 1942
Capitalization	¥5,061,678,686
Employees	1,390
Stock Listing	Tokyo Stock Exchange, First Section
Primary Business	Domestic Construction Projects International Construction Projects Real Estate Business

Board of Directors (As of September 4, 2019)

Honorary Chairman	Yoshikazu Oshima	
Vice Chairman	Akira Asai	
President	Toshiyuki Taketani	
Directors	Yorinobu Kato	Hiroyuki Tanada
	Tetsuo Sato	
Outside Directors	Moriyasu Kawamura	Makoto Fukuda
Standing Corporate Auditors	Akihiko Sugaya	Koichiro Nakano
Corporate Auditors	Kohei Yamaya	Hideaki Sekizawa

Main Affiliated Financial Institutions

MUFG Bank, Ltd.	Mizuho Bank, Ltd.
The Shoko Chukin Bank, Ltd.	The Bank of Yokohama, Ltd.
The Shizuoka Bank, Ltd.	The Yamanashi Chuo Bank, Ltd.
The Musashino Bank, Ltd.	The Joyo Bank, Ltd.

Major Shareholders

Oshima Scholarship Foundation	Yoshikazu Oshima
MUFG Bank, Ltd.	Kanto Kogyo Co., Ltd.
Nakano Employee Shareholder Association	Nakano Investment Fraternity Association

Domestic Offices

Headquarters	Tokyo Main Office
Tohoku Regional Office	Nagoya Regional Office
Osaka Regional Office	Kyushu Regional Office
Civil Engineering Office	Taito Branch Office
Hokkaido Branch Office	Kita Tohoku Branch Office
Kita Kanto Branch Office	Higashi Kanto Branch Office
Yokohama Branch Office	Sales Offices (Mie, Kita Kyushu)

International Offices

Nakano Singapore (Pte.) Ltd. (Singapore)	Nakano Construction Sdn. Bhd. (Malaysia)
PT. Indonakano (Indonesia)	Thai Nakano Co., Ltd. (Thailand)
Nakano Vietnam Co., Ltd. (Vietnam)	

Industry Affiliations

Japan Federation of Construction Contractors	National General Contractors Association of Japan
The Associated General Contractors of Tokyo	Japan Association of Representative General Contractors
General Contractors Association of Osaka	



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