



# Annual Report 2022

Fiscal year ended March 31, 2022



NAKANO  
CORPORATION

# CONTENTS

FINANCIAL HIGHLIGHTS	1
REPORT OF INDEPENDENT AUDITORS	2
CONSOLIDATED BALANCE SHEETS	8
CONSOLIDATED STATEMENTS OF INCOME	10
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME	11
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS	12
CONSOLIDATED STATEMENTS OF CASH FLOWS	13
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	14
SUPPLEMENTAL INFORMATION	38
NONCONSOLIDATED BALANCE SHEETS	38
NONCONSOLIDATED STATEMENTS OF INCOME	40
CORPORATE PROFILE	41

## 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.

### For further information contact:

**Nakano Corporation International Operations Headquarters**  
4-2-28 Kudan-kita, Chiyoda-ku, Tokyo, 102-0073, Japan  
Tel: +81-(0)3-3265-4685 Fax: +81-(0)3-3265-4698  
<https://www.wave-nakano.co.jp>

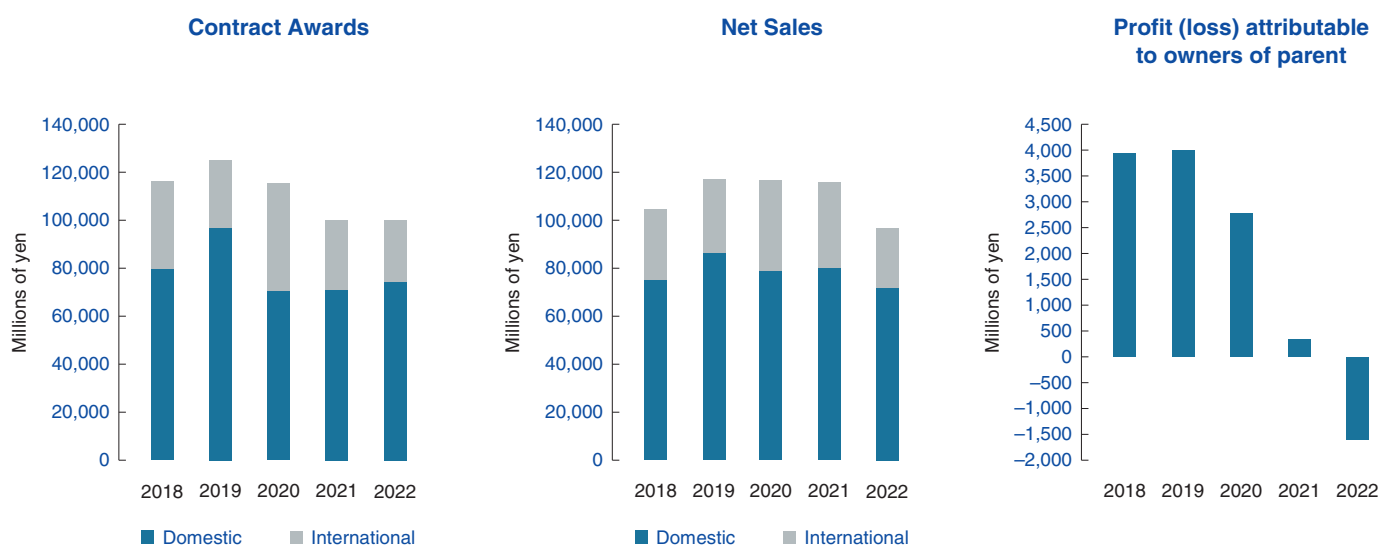
## FINANCIAL HIGHLIGHTS

NAKANO CORPORATION and its subsidiaries  
Years ended March 31, 2018 through 2022

	2018	2019	2020	2021	2022	2022
	Millions of yen					Thousands of U.S. dollars
Contract awards	¥116,422	¥125,022	¥115,633	¥100,060	<b>¥99,807</b>	<b>\$ 815,483</b>
Net sales	104,456	117,152	116,838	115,994	<b>96,470</b>	<b>788,217</b>
Operating income (loss)	4,264	5,476	3,779	1,555	<b>(840)</b>	<b>(6,863)</b>
Ordinary income (loss)	4,579	5,954	4,070	1,750	<b>(627)</b>	<b>(5,122)</b>
Profit (loss) attributable to owners of parent	3,947	3,990	2,781	335	<b>(1,594)</b>	<b>(13,023)</b>
Comprehensive income	4,631	4,023	1,350	2,170	<b>(920)</b>	<b>(7,516)</b>
Total net assets	30,742	34,352	35,221	36,909	<b>35,576</b>	<b>290,677</b>
Total assets	84,554	84,450	81,217	84,235	<b>82,190</b>	<b>671,541</b>
Net cash provided by (used in) operating activities	4,611	2,864	(6,797)	(4,549)	<b>11,515</b>	<b>94,084</b>
Net cash provided by (used in) investing activities	(1,773)	2,544	(555)	94	<b>(2,684)</b>	<b>(21,929)</b>
Net cash provided by (used in) financing activities	(458)	(931)	(1,821)	4,057	<b>(5,739)</b>	<b>(46,891)</b>
Cash and cash equivalents at end of period	27,001	31,600	21,612	21,874	<b>25,632</b>	<b>209,428</b>
	Yen					U.S. dollars
<b>Per share of common stock</b>						
<b>( in yen and U.S. dollars )</b>						
Net assets	¥860.02	¥961.56	¥992.34	¥1,038.71	<b>¥1,001.72</b>	<b>\$8.18</b>
Net income (loss)	114.83	116.09	80.93	9.77	<b>(46.39)</b>	<b>(0.38)</b>
Cash dividends applicable to the year	12.00	14.00	14.00	12.00	<b>10.00</b>	<b>0.08</b>
Number of employees	1,355	1,390	1,361	1,336	<b>1,278</b>	

Notes: 1. The rate of ¥122.39=US\$1.00, the foreign exchange rate on March 31, 2022, has been used for translation.

2. The figures for 2020 and 2021 are those that have reflected revisions made to past financial statements.



# REPORT OF INDEPENDENT AUDITORS

The Board of Directors  
NAKANO CORPORATION

## *Opinion*

We have audited the consolidated financial statements of NAKANO CORPORATION and its subsidiaries (the "Group"), which comprise the consolidated balance sheets as at March 31, 2022, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in net assets and consolidated statements of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

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, 2022, 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 the 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 provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Rationality of measurement of progress estimates in construction projects that recognize revenue by measuring progress in transactions that satisfy performance obligations over time	
Description of key audit matter	How our audit addressed the key audit matter
<p>Net sales of completed construction contracts of ¥95,233 million (\$778,110 thousand) was recorded on the consolidated statements of income for the fiscal year ended March 31, 2022. Of this, ¥90,594 million (\$740,207 thousand) was accounted for by transactions in which revenue is recognized as performance obligations are satisfied over a certain period. For net sales of completed construction contracts, the Company estimated measurement of progress as it relates to satisfaction of performance obligations up until March 31, 2022, and recognized revenue based on such progress made, as stated in “3. Summary of Significant Accounting Policies I. Revenue and Cost of Construction Contracts” and “n. Significant Accounting Estimates” in the notes to the consolidated financial statements.</p> <p>Measurement of progress was based on the percentage of construction cost incurred until the balance sheet date against the total expected construction cost. The total construction cost and the measurement of progress as of March 31, 2022 were reasonably estimated in relation to the total estimated contract amount, and the net sales of completed construction contracts in the current fiscal year was recognized accordingly.</p> <p>In the total estimated contract amount, which forms the basis of the calculation for net sales of completed construction contracts, items for consideration exist whose amount is yet to be determined due to the absence of a contract, etc., in construction work in progress, even though changes in the construction method or scope of work have been agreed upon. In addition, the estimated total construction cost was estimated based on working budgets at the initial stage of construction, and as of March 31, 2022, was estimated based on the estimated total amount to be paid as stated in the construction reports. However, the estimate of the total cost of such construction work is subject to uncertainty due to factors such as the uncertainty of estimates at the design stage, changes in project details and workloads due to</p>	<p>We performed the following audit procedures, among others, to examine the appropriateness of net sales of completed construction contracts posted according to estimated percentage of progress.</p> <p>(1) Assessment of internal control</p> <ul style="list-style-type: none"> <li>• We evaluated the design and operating effectiveness of internal controls as pertains to estimates of total construction revenue and total construction costs. In so doing, we focused particular attention on controls to verify the adequacy of the total construction costs.</li> </ul> <p>(2) Assessment of adequacy of measurement of progress estimates</p> <p>We selected construction projects that exceeded a certain scale in terms of construction contract value and other criteria, and performed the following procedures.</p> <ul style="list-style-type: none"> <li>• We compared and reconciled the construction contract value with the contract or purchase order. For those projects where a contract had not been concluded, we considered whether that was rational.</li> <li>• For construction projects with a construction profit margin and estimated total construction cost significantly increased or decreased compared to the previous fiscal year, we examined whether that was rational by questioning the persons in charge and reviewing underlying evidence.</li> <li>• Regarding estimated total construction cost, we reviewed working budgets and construction reports, and examined whether matters had arisen, such as extension of construction period, that might cause review of estimated total construction cost. In projects with revised construction periods or other matters, we examined the necessity to reassess estimated total construction cost by questioning the persons in charge.</li> <li>• We evaluated whether estimates were appropriate, in terms of the construction costs to be incurred contained in the estimate, by comparing the invoices for the following fiscal year from partners and progress reports as of the fiscal year end.</li> </ul>

<p>customer requests and company proposals, and fluctuations in the price of raw materials and labor cost markets, among other factors.</p> <p>We therefore consider this to be a key audit matter.</p>	<ul style="list-style-type: none"> <li>• We compared the estimated total construction cost with the total cost determined after March 31, 2022, or the most recent total construction cost, and evaluated whether there was a necessity to revise the estimated total construction cost as of the balance sheet date.</li> <li>• We compared the percentage of completed construction as of March 31, 2022 against the elapsed time until the end of the construction period and the schedule of construction progress, then, together with an examination of consistency, we also inspected a portion of construction sites to consider whether reasonable progress had been made.</li> </ul>
---	--

Fraud of cost transfers between contract works	
Description of key audit matter	How our audit addressed the key audit matter
<p>The Company has discovered that inappropriate accounting treatment had been performed by an overseas consolidated subsidiary, Thai Nakano Co., Ltd. (Company investment ratio: 49%). For that reason, on April 12, 2022, the Company established its Internal Investigative Committee, comprised primarily of external experts, with the goal of determining facts, clarifying cause, confirming if there were any similar cases throughout the Group, and formulating measures to prevent recurrence. The investigative report was received on June 27, 2022.</p> <p>As a result, it was revealed that Thai Nakano Co., Ltd. had executed cost transfers valued at a total of 177.98 million Thai baht between different construction contracts from the fiscal year ended March 31, 2019 to the fiscal year ended March 31, 2022. The financial impact of these cost transfers on gross profit was confirmed to be ¥10 million (\$81 thousand) for the fiscal year ended March 31, 2019, ¥314 million (\$2,565 thousand) for the fiscal year ended March 31, 2020, and ¥68 million (\$555 thousand) for the fiscal year ended March 31, 2021. In addition, Companywide deficiencies in the entity-level controls were discovered in the parent company and Thai Nakano Co., Ltd., as also with the process-level controls within Thai Nakano Co., Ltd. It became apparent that there was no firm grasp of fraudulent financial reporting involving cost transfers, and that there was a risk of proper accounting treatment not being performed.</p> <p>To respond to such risk, it is necessary to understand the details and causative factors behind fraudulent financial reporting, and to carefully examine the status of related internal controls, the scope and financial impact of cost transfers associated with such fraudulent financial reporting, and whether similar cases exist.</p> <p>We therefore consider this to be a key audit matter.</p>	<p>We have conducted the following audit procedures in response to the risks of fraud associated with cost transfers.</p> <p>(1) Assessment of internal control</p> <ul style="list-style-type: none"> <li>• Evaluated the design and operating effectiveness of internal controls relevant to cost transfers.</li> </ul> <p>(2) Confirmation of fraud details and if there were similar transactions</p> <ul style="list-style-type: none"> <li>• We considered the suitability, capacity, and objectivity of the Internal Investigative Committee established by the Company.</li> <li>• We communicated with the Internal Investigative Committee to understand fraud details and causes, evaluated scope, methodology, results, conclusions and basis of the investigation it conducted, and also deliberated with the committee regarding investigative report content.</li> <li>• We reviewed minutes of hearing surveys conducted by the Internal Investigative Committee to obtain an understanding of motives, timeline, and methods used by those involved to execute the fraud.</li> <li>• We reviewed materials related to the results of surveys by the Internal Investigative Committee of employees attached to the parent company and major consolidated subsidiaries to confirm that similar cases of this fraud had not taken place at other locations. We also reviewed the Internal Investigative Committee's confirmation about whether similar cases existed at subcontractors that had past transactions with the parent company or its major consolidated subsidiaries that exceeded a certain monetary amount or number of transactions.</li> <li>• We conducted a trend analysis of the past financial statements of each subsidiary to confirm whether any similar indications of fraud were evident at consolidated subsidiaries other than Thai Nakano Co., Ltd.</li> <li>• We confirmed the balance of accounts payable for construction contracts, and whether fraud existed for subcontractors that were selected based on specific criteria.</li> </ul>

#### *Other information*

We judged that the annual report contains no other information, and did not perform any audit with respect to other information.

#### *Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the 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, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. 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. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of 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 whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as 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.

- Obtain sufficient and 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 Audit & Supervisory Board members and the Audit & Supervisory Board 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 Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

We determine key audit matters as those considered of particular significance in the audit of the consolidated financial statements for the fiscal year ended March 31, 2022, among matters discussed with Audit & Supervisory Board Members and the Audit & Supervisory Board. Key audit matters are presented in the audit report, except where their disclosure is prohibited by laws, regulations or other rules, or, in extremely limited circumstances, where the auditor considers themselves unable to report them because the disadvantages that would arise from reporting them in the audit report can be reasonably expected to outweigh the public benefits of such disclosure.

#### *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.

#### *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.



Hideyuki Mori  
Engagement Partner  
Certified Public Accountant

Izumi Audit Corporation  
Tokyo, Japan  
September 22, 2022

# CONSOLIDATED BALANCE SHEETS

NAKANO CORPORATION and its subsidiaries  
As of March 31, 2021 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2022	2022
<b>Assets</b>			
<b>Current assets:</b>			
Cash and deposits (Notes 4, 7 and 9)	¥ 22,375	¥ 27,047	\$ 220,990
Notes receivable, accounts receivable from completed construction contracts and other (Notes 4 and 9)	35,895	26,990	220,524
Costs on uncompleted construction contracts (Note 4)	1,232	1,038	8,481
Costs on real estate business	48	48	392
Raw materials and supplies	5	4	32
Accounts receivable - other	2,313	1,058	8,644
Other	924	2,045	16,708
Allowance for doubtful accounts	(134)	(185)	(1,511)
Total current assets	62,661	58,048	474,287
<b>Non-current assets:</b>			
Property, plant and equipment (Notes 4 and 13)			
Buildings and structures	7,831	10,803	88,267
Machinery, vehicles, tools, furniture and fixtures (Note 8)	1,563	1,640	13,399
Land	11,525	11,597	94,754
Construction in progress	346	1	8
Accumulated depreciation	(5,300)	(5,669)	(46,319)
Total property, plant and equipment	15,965	18,372	150,110
Intangible assets			
Leasehold right	964	1,050	8,579
Other	83	93	759
Total intangible assets	1,048	1,143	9,338
Investments and other assets			
Investment securities (Notes 4, 9 and 10)	3,438	3,323	27,150
Long-term loans receivable	27	12	98
Net defined benefit asset (Note 11)	753	806	6,585
Other	353	495	4,044
Allowance for doubtful accounts	(12)	(12)	(98)
Total investments and other assets	4,560	4,625	37,789
Total non-current assets	21,574	24,141	197,246
Total assets	¥ 84,235	¥ 82,190	\$ 671,541

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

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2022	2022
<b>Liabilities</b>			
<b>Current liabilities:</b>			
Notes payable, accounts payable for construction contracts and other (Note 9)	¥ 30,648	¥ 31,672	\$ 258,779
Short-term loans payable (Notes 4, 9 and 18)	5,480	480	3,921
Current portion of bonds (Notes 9 and 17)	—	500	4,085
Income taxes payable	805	426	3,480
Accrued consumption taxes	3	1,528	12,484
Advances received on uncompleted construction contracts (Note 4)	5,866	6,284	51,344
Provision for warranties for completed construction	298	289	2,361
Provision for loss on construction contracts (Note 4)	46	1,992	16,275
Provision for bonuses	532	547	4,469
Other (Note 18)	1,060	1,082	8,840
Total current liabilities	44,743	44,803	366,067
<b>Non-current liabilities:</b>			
Bonds payable (Notes 9 and 17)	500	—	—
Long-term loans payable (Notes 4, 9 and 18)	410	200	1,634
Deferred tax liabilities (Note 12)	644	652	5,327
Net defined benefit liability (Note 11)	227	231	1,887
Other (Note 18)	800	725	5,923
Total non-current liabilities	2,582	1,809	14,780
Total liabilities	47,325	46,613	380,856
<b>Net assets</b>			
<b>Shareholders' equity:</b>			
Common stock			
Authorized: 154,792,300 shares			
Issued: 34,498,097 shares	¥ 5,061	¥ 5,061	\$ 41,351
Capital surplus	1,400	1,400	11,438
Retained earnings	28,637	26,630	217,583
Less: Treasury stock, at cost			
129,465 shares in 2021 and 130,262 shares in 2022	(34)	(35)	(285)
Total shareholders' equity	35,064	33,057	270,095
<b>Accumulated other comprehensive income:</b>			
Valuation difference on available-for-sale securities	962	879	7,181
Foreign currency translation adjustment	(750)	(10)	(81)
Remeasurements of defined benefit plans (Note 11)	424	500	4,085
Total accumulated other comprehensive income	635	1,369	11,185
<b>Non-controlling interests:</b>			
Total net assets	1,210	1,149	9,388
Total net assets	36,909	35,576	290,677
Total liabilities and net assets	¥ 84,235	¥ 82,190	\$ 671,541

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, 2021 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2022	2022
<b>Net sales:</b>			
Net sales of completed construction contracts	¥ 114,705	¥ 95,233	\$ 778,110
Sales on real estate business (Note 13)	1,191	1,142	9,330
Sales on other business	97	94	768
Total net sales (Notes 5 and 14)	115,994	96,470	788,217
<b>Cost of sales:</b>			
Cost of sales of completed construction contracts (Note 5)	108,277	90,952	743,132
Cost of sales on real estate business (Note 13)	384	476	3,889
Cost of sales on other business	61	51	416
Total cost of sales	108,723	91,481	747,454
<b>Gross profit:</b>			
Gross profit on completed construction contracts	6,427	4,281	34,978
Gross profit - real estate business	807	665	5,433
Gross profit - other business	36	42	343
Total gross profit	7,270	4,989	40,763
<b>Selling, general and administrative expenses</b> (Note 5)	5,715	5,830	47,634
Operating income(loss)	1,555	(840)	(6,863)
<b>Non-operating income:</b>			
Interest income	119	63	514
Dividend income	46	47	384
Foreign exchange gains	25	115	939
Other	61	17	138
Total non-operating income	253	243	1,985
<b>Non-operating expenses:</b>			
Interest expenses	56	28	228
Other	0	2	16
Total non-operating expenses	57	30	245
Ordinary income(loss)	1,750	(627)	(5,122)
<b>Extraordinary income:</b>			
Gain on sales of non-current assets (Note 5)	3	8	65
Subsidy income (Note 5)	467	56	457
Other	4	—	—
Total extraordinary income	475	65	531
<b>Extraordinary losses:</b>			
Impairment loss (Note 5)	16	111	906
Losses due to COVID-19 (Note 5)	698	95	776
Other (Note 5)	46	30	245
Total extraordinary losses	760	237	1,936
<b>Profit (loss) before income taxes</b>	1,465	(799)	(6,528)
<b>Income taxes:</b>			
Income taxes - current	1,069	872	7,124
Income taxes - deferred (Note 12)	32	23	187
Total income taxes	1,101	896	7,320
<b>Profit (loss)</b>	363	(1,695)	(13,849)
<b>Profit (loss) attributable to non-controlling interests</b>	28	(101)	(825)
<b>Profit (loss) attributable to owners of parent</b>	¥ 335	¥ (1,594)	\$ (13,023)

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, 2021 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2022	2022
<b>Profit (loss)</b>	¥ 363	¥ (1,695)	\$ (13,849)
<b>Other comprehensive income:</b>			
Valuation difference on available-for-sale securities	364	(82)	(669)
Foreign currency translation adjustment	884	781	6,381
Remeasurements of defined benefit plans	557	76	620
Total other comprehensive income (Note 6)	1,806	775	6,332
<b>Comprehensive income</b>	¥ 2,170	¥ (920)	\$ (7,516)
Comprehensive income attributable to:			
Comprehensive income attributable to owners of parent	¥ 2,074	¥ (859)	\$ (7,018)
Comprehensive income attributable to non-controlling interests	96	(60)	(490)

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, 2021 and 2022

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			
<b>Balance as at March 31, 2020</b>	¥ 5,061	¥ 1,400	¥ 28,782	¥ (34)	¥ 35,209	¥ 597	¥ (1,567)	¥ (133)	¥ (1,103)	¥ 1,114	¥ 35,221	
Changes of items during period												
Dividends from surplus			(481)		(481)						(481)	
Profit attributable to owners of parent			335		335						335	
Purchase of treasury stock				(0)	(0)						(0)	
Net changes of items other than shareholders' equity						364	816	557	1,738	96	1,834	
Total changes of items during period	—	—	(145)	(0)	(145)	364	816	557	1,738	96	1,688	
<b>Balance as at March 31, 2021</b>	¥ 5,061	¥ 1,400	¥ 28,637	¥ (34)	¥ 35,064	¥ 962	¥ (750)	¥ 424	¥ 635	¥ 1,210	¥ 36,909	
Changes of items during period												
Dividends from surplus			(412)		(412)						(412)	
Profit attributable to owners of parent			(1,594)		(1,594)						(1,594)	
Purchase of treasury stock				(0)	(0)						(0)	
Net changes of items other than shareholders' equity						(82)	740	76	734	(60)	674	
Total changes of items during period	—	—	(2,006)	(0)	(2,007)	(82)	740	76	734	(60)	(1,332)	
<b>Balance as at March 31, 2022</b>	¥ 5,061	¥ 1,400	¥ 26,630	¥ (35)	¥ 33,057	¥ 879	¥ (10)	¥ 500	¥ 1,369	¥ 1,149	¥ 35,576	

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			
<b>Balance as at March 31, 2021</b>	\$ 41,351	\$ 11,438	\$ 233,981	\$ (277)	\$ 286,493	\$ 7,860	\$ (6,127)	\$ 3,464	\$ 5,188	\$ 9,886	\$ 301,568	
Changes of items during period												
Dividends from surplus			(3,366)		(3,366)						(3,366)	
Profit attributable to owners of parent			(13,023)		(13,023)						(13,023)	
Purchase of treasury stock				(0)	(0)						(0)	
Net changes of items other than shareholders' equity						(669)	6,046	620	5,997	(490)	5,506	
Total changes of items during period	—	—	(16,390)	(0)	(16,398)	(669)	6,046	620	5,997	(490)	(10,883)	
<b>Balance as at March 31, 2022</b>	\$ 41,351	\$ 11,438	\$ 217,583	\$ (285)	\$ 270,095	\$ 7,181	\$ (81)	\$ 4,085	\$ 11,185	\$ 9,388	\$ 290,677	

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, 2021 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2022	2022
<b>Cash flows from operating activities:</b>			
Profit (loss) before income taxes	¥ 1,465	¥ (799)	\$ (6,528)
Adjustments for:			
Depreciation and amortization	451	458	3,742
Impairment loss	16	111	906
Increase (decrease) in allowance for doubtful accounts	(31)	87	710
Increase (decrease) in net defined benefit liability	(28)	(8)	(65)
Decrease (increase) in net defined benefit asset	18	57	465
Increase (decrease) in provision for loss on construction contracts	13	1,802	14,723
Interest and dividend income	(165)	(110)	(898)
Interest expenses	56	28	228
Subsidy income	(467)	(56)	(457)
Decrease (increase) in notes and accounts receivable - trade	(4,774)	8,541	69,785
Decrease (increase) in costs on uncompleted construction contracts	1,684	91	743
Increase (decrease) in notes and accounts payable - trade	(4,521)	147	1,201
Increase (decrease) in advances received on uncompleted construction contracts	(788)	398	3,251
Decrease/increase in consumption taxes receivable/payable	2,002	1,837	15,009
Other, net	724	17	138
Subtotal	(4,344)	12,604	102,982
Interest and dividend income received	173	108	882
Interest expenses paid	(63)	(22)	(179)
Income taxes paid	(743)	(1,272)	(10,393)
Subsidy income received	427	97	792
Net cash provided by (used in) operating activities	(4,549)	11,515	94,084
<b>Cash flows from investing activities:</b>			
Payments into time deposits	(1,315)	(2,113)	(17,264)
Proceeds from withdrawal of time deposits	1,764	1,289	10,531
Purchase of property, plant and equipment	(378)	(1,598)	(13,056)
Purchase of intangible assets	(20)	(43)	(351)
Other, net	43	(219)	(1,789)
Net cash provided by (used in) investing activities	94	(2,684)	(21,929)
<b>Cash flows from financing activities:</b>			
Net increase (decrease) in short-term loans payable	5,000	(4,900)	(40,035)
Repayments of long-term loans payable	(310)	(310)	(2,532)
Cash dividends paid	(480)	(412)	(3,366)
Other, net	(151)	(117)	(955)
Net cash provided by (used in) financing activities	4,057	(5,739)	(46,891)
<b>Effect of exchange rate change on cash and cash equivalents</b>	659	666	5,441
<b>Net increase (decrease) in cash and cash equivalents</b>	261	3,757	30,696
<b>Cash and cash equivalents at beginning of period</b>	21,612	21,874	178,723
<b>Cash and cash equivalents at end of period (Note 7)</b>	¥ 21,874	¥ 25,632	\$ 209,428

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

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NAKANO CORPORATION and its subsidiaries

---

<b>1. Basis of Presenting Consolidated Financial Statements</b>	<p>The consolidated financial statements presented herein of NAKANO CORPORATION (the “Company”) and its consolidated subsidiaries (together, the “Group”) are prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law 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 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 2021 financial statements to conform to the classifications used in 2022.</p>
<b>2. U.S. Dollar Amounts</b>	<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 ¥122.39 to U.S.\$1, the rate of exchange prevailing at March 31, 2022, 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>
<b>3. Summary of Significant Accounting Policies</b>	<p><b>a. Consolidation</b></p> <p>1) Scope of Consolidation</p> <p>The Company had 9 subsidiaries as of March 31, 2022. The consolidated financial statements for the year ended March 31, 2022 include the accounts of the Company and all subsidiaries. The Company had 1 affiliate as of March 31, 2022. As of March 31, 2022, 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>b. Securities</b></p> <p>Securities are classified and accounted for as follows:</p> <p>Available-for-sale securities</p> <p>Other than equity securities without market prices 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>Equity securities without market prices 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><b>c. Inventories</b></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><b>d. Property, Plant and Equipment (excluding lease assets)</b></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.

Some foreign consolidated subsidiaries prepare financial statements pursuant to the International Financial Reporting Standards. These subsidiaries have applied International Financial Reporting Standard 16 Leases (hereinafter referred to as "IFRS 16"). As a result, lessees recognize all leases as assets and liabilities on the balance sheet, in principle. Depreciation of right-of-use assets recognized as assets is calculated by the straight-line method. Lease transactions based on IFRS 16 are classified under "1. Finance lease transactions" in "8. Lease Transactions."

**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 Group 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 (11 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.

### I. Revenue and Cost of Construction Contracts

The Group is primarily engaged in the general construction business, undertaking the construction and design of buildings and other structures. The principal obligation of the Group is to construct and design buildings and other structures based on the specifications of contracts with customers, and delivery to customers in exchange for contract consideration.

In the case that control over goods or services is transferred to a customer over time, the Group recognizes revenue as performance obligations to transfer the goods or services to the customer are satisfied, at which point revenue is recognized over time.

The measurement of progress toward satisfying performance obligations is based on the percentage of the cost of construction incurred until the end of each reporting period, against the total expected cost of construction. If, at an early stage of the contract, the degree of progress toward satisfying the performance obligation cannot be reasonably estimated, but it is probable that the costs to be incurred will be recovered, revenue is recognized on a cost recovery basis. For construction contracts with a very short period between the transaction commencement date and the point in time when the performance obligation is expected to be fully satisfied, an alternative treatment is applied, whereby revenue is not recognized over time, but is recognized when the performance obligation is fully satisfied.

### 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. Significant Accounting Estimates

#### 1) "Revenue recognized in construction contracts"

##### i) Amount recorded in the consolidated financial statements

For the year ended March 31	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Net sales of completed construction contracts	¥ 108,558	¥ 90,594	\$ 740,207

(Notes): Construction revenue for the year ended March 31, 2021 is recognized based on the percentage-of-completion method.

##### ii) Information on significant accounting estimates for identified items

Net sales of completed construction contracts are recorded by recognizing revenue over time, primarily as the performance obligation to transfer goods or services to the customer is satisfied. The measurement of progress toward satisfying performance obligations is based on the percentage of the cost of construction incurred until the end of each reporting period, against the total expected cost of construction. If estimated total cost or cost incurred should significantly exceed original estimations due to a substantial rise in labor and equipment costs, or other reasons, then this may have a significant impact on construction revenue recognized over time under the Revenue Recognition Standard in the consolidated financial statements of the following fiscal year.

#### 2) "Provision for Warranties for Completed Construction"

##### i) Amount recorded in the consolidated financial statements

For the year ended March 31	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Provision for warranties for completed construction	¥ 298	¥ 289	\$ 2,361

##### ii) Information on significant accounting estimates for identified items

The provision for warranties for completed construction is provided to cover expenses for defects claimed concerning completed work based on the estimated amount of warranties to be paid in the future for the work completed during the fiscal year, which is calculated using the results for the past 5 years. Because this estimate is calculated by using the results in the past fiscal years, if a massive cost of defects or similar cost arises, then this may have a significant impact on the amounts of provision for warranties for completed construction and cost of sales of completed construction contracts recorded in the consolidated financial statements of the following fiscal year.

#### **o. Changes in Accounting Policies**

1) Application of Accounting Standard for Revenue Recognition, etc.

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter the "Revenue Recognition Accounting Standard"), etc. from the beginning of the current fiscal year, and has decided to recognize revenue from goods or services which the Company promised to provide at an amount expected to be received in exchange for the goods or services at the time when control over the promised goods or services has been transferred to a customer. As a result, for construction contracts the Company had previously applied the percentage-of-completion method for the completed portion of the construction contract if the outcome of the construction contract can be reliably estimated, however, in cases where control over goods or services are transferred to the customer over time, the Company has switched to a method of revenue recognition, as, over time, performance obligations are satisfied with the transfer of goods and services to the customer. The measurement of progress toward satisfying performance obligations is based on the percentage of the cost of construction incurred until the end of each reporting period, against the total expected cost of construction. If, at an early stage of the contract, the degree of progress toward satisfying the performance obligation cannot be reasonably estimated, but it is probable that the costs to be incurred will be recovered, revenue is recognized on a cost recovery basis. For construction contracts with a very short period between the transaction commencement date and the point in time when the performance obligation is expected to be fully satisfied, an alternative treatment is applied, whereby revenue is not recognized over time, but is recognized when the performance obligation is fully satisfied.

In accordance with the transitional treatment prescribed in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard, the cumulative effect of retrospective application of the new accounting policies prior to the beginning of the current fiscal year is added to or deducted from retained earnings at the beginning of the current fiscal year, and the new accounting policies are applied from such beginning balance. However, the new accounting policies were not applied retrospectively to contracts for which almost all revenue amounts were recognized in accordance with the previous treatment prior to the beginning of the current fiscal year, by applying the method prescribed in Paragraph 86 of the Revenue Recognition Accounting Standard. As a result, there is no effect on retained earnings at the beginning of the current fiscal year. Although net sales and cost of sales each increased by ¥867 million (\$7,083 thousand) in the current fiscal year, there is no impact on operating loss, ordinary loss, and loss before income taxes.

In accordance with the transitional treatment stipulated in Paragraph 89-3 of the Revenue Recognition Accounting Standard, the "Revenue Recognition" notes for the previous fiscal year are not presented.

2) Application of Accounting Standard for Fair Value Measurement, etc.

The Company has applied "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; hereinafter "Fair Value Measurement Accounting Standard") from the beginning of the current fiscal year, and in accordance with Paragraph 19 of the Fair Value Measurement Accounting Standard and the transitional treatment set forth in Paragraph 44-2 of "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), has decided to prospectively apply new accounting policies as defined by Fair Value Measurement Accounting Standard, etc. There is no impact on the consolidated financial statements.

In addition, in the notes to "Financial Instruments," the Company will provide notes on items such as the breakdown of financial instruments by fair value level. However, in accordance with the transitional treatment stipulated in Paragraph 7-4 of the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, July 4, 2019), the notes for the previous fiscal year are not presented.

#### **p. Changes in Accounting Estimates**

The number of years for amortization of actuarial differences in accounting for retirement benefits had been 12 years, which had been within the average remaining service period of employees, but was changed to 11 years from the current fiscal year because the average remaining service period was less than this number of years.

As a result of this change, operating loss, ordinary loss, and loss before income taxes for the current fiscal year each increased by ¥72 million (\$588 thousand) compared with the amounts that would have been recorded under the previous accounting method.

q. Additional Information

(Impact of the coronavirus disease 2019)

Although it is difficult to forecast the future impact of the coronavirus disease 2019 (COVID-19), we rationally recorded amounts for completed construction contracts recognized over time, and such accounting estimates as recoverability of deferred tax assets.

In a case where the business environment changes significantly due to re-expansion, prolongation, etc. of COVID-19, the Company's consolidated financial position and financial performance could be affected in the following fiscal year.

4. Notes to Consolidated Balance Sheets

1. The amounts of receivables and contract assets in "Notes receivable, accounts receivable from completed construction contracts and other" arising from contracts with customers were as follows:

As of March 31, 2022	Millions of yen		Thousands of U.S. dollars
Notes receivable	¥	56	\$ 457
Electronically recorded monetary claims-operating		2,862	23,384
Accounts receivable from completed construction contracts and other		9,193	75,112
Contract Assets		14,878	121,562

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

As of March 31	Millions of yen			Thousands of U.S. dollars
	2021	2022	2022	
Cash and deposits	¥ 52	¥ 52	\$ 424	
Electronically recorded monetary claims-operating	200	200	1,634	
Buildings	566	540	4,412	
Land	5,697	5,697	46,547	
Investment securities	322	302	2,467	
Total	¥ 6,838	¥ 6,792	\$ 55,494	
Short-term loans payable	¥ 2,800	¥ 170	\$ 1,389	
Long-term loans payable	120	—	—	
Total	¥ 2,920	¥ 170	\$ 1,389	

Investment securities of ¥302 million include ¥4 million (\$32 thousand) of stocks of subsidiaries and affiliates pledged as collateral based on loan agreements concluded between the Company's affiliates and financial institutions.

3. The Group was contingently liable for the following:

As of March 31	Millions of yen			Thousands of U.S. dollars
	2021	2022	2022	
Guarantees to financial institutions, etc. to ensure the completion of construction contracts of Nakano Singapore (Pte.) Ltd. and its subsidiaries	¥ 2,978	¥ 4,061	\$ 33,180	
Advance payment guarantees	330	—	—	
Total	¥ 3,308	¥ 4,061	\$ 33,180	

4. "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.

5. The amount of contract liabilities in "Advances received on uncompleted construction contracts" was as follows:

As of March 31, 2022	Millions of yen		Thousands of U.S. dollars
Advances received on uncompleted construction contracts	¥	6,284	\$ 51,344

5. Notes to Consolidated Statements of Income

1. Revenue from Contracts with Customers

Net sales do not separately present revenue arising from contracts with customers and other revenue. The amount of revenue from contracts with customers is presented in “14. Revenue Recognition 1. Information breakdown on revenue arising from contracts with customers” of the consolidated financial statements.

2. 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
	2021	2022	2022
Provision for loss on construction contracts	¥ 45	¥ 1,847	\$ 15,091

3. 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
	2021	2022	2022
Employees' salaries and allowances	¥ 2,668	¥ 2,686	\$ 21,946
Provision for bonuses	228	233	1,903
Retirement benefit expenses	152	143	1,168
Provision of allowance for doubtful accounts	(34)	87	710
Depreciation	199	180	1,470

4. 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
	2021	2022	2022
Research and development costs	¥ 84	¥ 103	\$ 841

5. “Subsidy Income”

In the fiscal year ended March 31, 2021 and 2022, the Company has recorded subsidies paid by the governments of Singapore, Malaysia and Thailand to companies suffering the impact of COVID-19 under their respective schemes to support employment.

Company Name	Country	Millions of yen		Thousands of U.S. dollars
		2021	2022	2022
Nakano Singapore (PTE.) LTD.	Singapore	¥ 463	¥ 47	\$ 384
Nakano Construction SDN.BHD.	Malaysia	4	5	40
Thai Nakano CO.,LTD.	Thailand	—	4	32
Total		¥ 467	¥ 56	\$ 457

6. “Losses due to COVID-19”

In the fiscal year ended March 31, 2021 and 2022, the construction sites and offices of Nakano Singapore (Pte.) Ltd. and Nakano Construction Sdn. Bhd., the Company's consolidated subsidiaries in Singapore and Malaysia respectively, underwent closures due to government requests, etc. in order to prevent the spread of COVID-19. The Company recorded fixed costs arising during the period of the closures and expenses incurred during the period of the closures as losses due to COVID-19.

Company Name	Country	Millions of yen		Thousands of U.S. dollars
		2021	2022	2022
Nakano Singapore (PTE.) LTD.	Singapore	¥ 589	¥ —	\$ —
Nakano Construction SDN.BHD.	Malaysia	108	95	776
Total		¥ 698	¥ 95	\$ 776

7. “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	
	2021		2022		2022	
Vehicles	¥	3	¥	8	\$	65
Other		0		0		0
Total	¥	3	¥	8	\$	65

8. “Head office relocation expenses” consisted of the following:

For the year ended March 31	Millions of yen				Thousands of U.S. dollars	
	2021		2022		2022	
Restoration cost	¥	7	¥	7	\$	57
Loss on retirement of leasehold improvements		—		5		40
Depreciation		6		—		—
Other		—		8		65
Total	¥	14	¥	21	\$	171

9. In the fiscal year ended March 31, 2021 and 2022, the Group recognized impairment losses on the following asset groups:

Company Name	Country	Use	Type	Millions of yen		Thousands of U.S. dollars	
				2021	2022	2022	2022
Nakano Singapore (Pte.) Ltd.	Singapore	Operating assets	Buildings	¥ —	¥ 23	\$ 187	
			Machinery	—	37	302	
			Tools, furniture and fixtures	—	29	236	
			Total	—	90	735	
Nakano Construction Sdn. Bhd.	Malaysia	Operating assets	Buildings	—	2	16	
			Tools, furniture and fixtures	—	15	122	
			Others	—	1	8	
			Total	—	19	155	
Thai Nakano Co.,Ltd.	Thailand	Operating assets	Machinery	1	0	0	
			Tools, furniture and fixtures	10	1	8	
			Intangible assets	3	—	—	
			Others	0	—	—	
			Total	16	1	8	
Total				¥ 16	¥ 111	\$ 906	

The Group categorizes its construction business by each respective revenue unit, and its real estate leasing business and other businesses by individual assets, as the smallest cash flow-generating units.

The book value of business assets held by a consolidated subsidiary, which are grouped into business assets for the construction business, was reduced to the recoverable amount as the said consolidated subsidiary continuously incurred negative earnings from operating activities, and that amount of reduction was recognized as impairment loss under extraordinary losses.

The recoverable amount of such assets was measured based on the net realizable value, and the consolidated subsidiary whose operating activities continuously generated negative earnings was evaluated to have a net realizable value of zero as its future cash flow is not expected.

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 U.S. dollars
	2021	2022	2022
Valuation difference on available-for-sale securities			
Amount arising during the year	¥ 530	¥ (118)	\$ (964)
Reclassification adjustments	—	—	—
Total before tax effect	530	(118)	(964)
Tax effect	(166)	36	294
Valuation difference on available-for-sale securities	364	(82)	(669)
Foreign currency translation adjustments			
Amount arising during the year	884	781	6,381
Reclassification adjustments	—	—	—
Total before tax effect	884	781	6,381
Tax effect	—	—	—
Foreign currency translation adjustments	884	781	6,381
Remeasurements of defined benefit plans			
Amount arising during the year	732	27	220
Reclassification adjustments	71	82	669
Total before tax effect	803	110	898
Tax effect	(246)	(33)	(269)
Remeasurements of defined benefit plans	557	76	620
Total other comprehensive income	¥ 1,806	¥ 775	\$ 6,332

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 U.S. dollars
	2021	2022	2022
Cash and deposits per consolidated balance sheets	¥ 22,375	¥ 27,047	\$ 220,990
Less: Time deposits maturing over 3 months	(500)	(1,415)	(11,561)
Cash and cash equivalents per consolidated statements of cash flows	¥ 21,874	¥ 25,632	\$ 209,428

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

Fixtures such as computers and vehicles.

In addition, “Right of use assets” of foreign consolidated subsidiaries mainly comprise offices 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, 2021 and 2022 were as follows:

As of March 31	Millions of yen		Thousands of
	2021	2022	U.S. dollars
(As lessee)			2022
Due in 1 year	¥ 130	¥ 21	\$ 171
Due after 1 year	—	79	645
Total	¥ 130	¥ 100	\$ 817
(As lessor)			
Due in 1 year	¥ 71	¥ 62	\$ 506
Due after 1 year	186	124	1,013
Total	¥ 257	¥ 186	\$ 1,519

## 9. Financial Instruments

### 1. Overview

#### 1) Policy for financial instruments

The Group raises 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 Group, the Group uses 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 Group controls 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 Group identifies major customers' credit status by monitoring the payment terms and credit balances by each customer.

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

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

Regarding derivative transactions, the Group executes and controls 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, 2021 and 2022 were as follows:

As of March 31, 2021	Millions of yen		
	Carrying amount	Fair value	Difference
(1) Notes receivable, accounts receivable from completed construction contracts and other	¥ 35,895	¥ 35,895	¥ —
(2) Investment securities			
Available-for-sale securities	2,236	2,236	—
<b>Assets total</b>	<b>¥ 38,131</b>	<b>¥ 38,131</b>	<b>¥ —</b>
(1) Long-term loans payable	¥ 410	¥ 410	—
(2) Bonds payable	500	500	—
<b>Liabilities total</b>	<b>¥ 910</b>	<b>¥ 910</b>	<b>¥ —</b>
Derivative transactions	—	—	—

1. Cash and deposits, notes payable, accounts payable for construction contracts and other, and short-term loans payable are omitted because they are cash, and their fair value approximates their book value due to their short maturities. Long-term loans receivable are omitted as they are immaterial.

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

As of March 31, 2021	Millions of yen
Unlisted equity securities	¥ 1,202

Above financial instruments were not included in “(2) Investment securities” in the above table, since there is no market price and their fair value is extremely difficult to identify.

As of March 31, 2022	Millions of yen		
	Carrying amount	Fair value	Difference
(1) Notes receivable, accounts receivable from completed construction contracts and other	<b>¥ 26,990</b>		
Allowance for doubtful accounts (Note 2)	<b>(173)</b>		
	<b>¥ 26,817</b>	<b>¥ 26,817</b>	<b>—</b>
(2) Investment securities			
Available-for-sale securities	<b>2,117</b>	<b>2,117</b>	<b>—</b>
<b>Assets total</b>	<b>¥ 28,934</b>	<b>¥ 28,934</b>	<b>¥ —</b>
Long-term loans payable (Note 4)	¥ 410	¥ 409	¥ (0)
<b>Liabilities total</b>	<b>¥ 410</b>	<b>¥ 409</b>	<b>¥ (0)</b>
Derivative transactions	—	—	—

As of March 31, 2022	Thousands of U.S. dollars		
	Carrying amount	Fair value	Difference
(1) Notes receivable, accounts receivable from completed construction contracts and other	<b>\$ 220,524</b>		
Allowance for doubtful accounts (Note 2)	<b>(1,413)</b>		
	<b>\$ 219,111</b>	<b>\$ 219,111</b>	<b>—</b>
(2) Investment securities			
Available-for-sale securities	<b>17,297</b>	<b>17,297</b>	<b>—</b>
<b>Assets total</b>	<b>\$ 236,408</b>	<b>\$ 236,408</b>	<b>\$ —</b>
Long-term loans payable (Note 4)	\$ 3,349	\$ 3,341	\$ (0)
<b>Liabilities total</b>	<b>\$ 3,349</b>	<b>\$ 3,341</b>	<b>\$ (0)</b>
Derivative transactions	—	—	—

1. Cash and deposits, notes payable, accounts payable for construction contracts and other, short-term loans payable, and current portion of bonds are omitted because they are cash, and their fair value approximates their book value due to their short maturities. Long-term loans receivable are omitted as they are immaterial.

2. Allowance for doubtful accounts individually recorded for notes receivable, accounts receivable from completed construction contracts and other is deducted.

3. Equity securities without market prices are not included. The carrying amounts of such financial instruments in the consolidated balance sheets are as follows:

As of March 31, 2022	Millions of yen	Thousands of U.S. dollars
Unlisted equity securities	¥ 1,206	\$ 9,853

4. Current portion of long-term loans payable is included.

5. Derivative transactions are not stated as there are no applicable items.

(Notes): 1. Redemption schedule for monetary assets and securities with contractual maturities after balance sheet date was as follows:

As of March 31, 2021	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	¥ 22,375	¥ —	¥ —	¥ —
Notes receivable, accounts receivable from completed construction contracts and other	35,895	—	—	—
Investment securities Available-for-sale securities with contractual maturities	—	—	5	—
<b>Total</b>	<b>¥ 58,270</b>	<b>¥ —</b>	<b>¥ 5</b>	<b>¥ —</b>

As of March 31, 2022	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	<b>¥ 27,047</b>	¥ —	¥ —	¥ —
Notes receivable, accounts receivable from completed construction contracts and other	<b>26,990</b>	—	—	—
Investment securities Available-for-sale securities with contractual maturities	—	<b>6</b>	—	—
<b>Total</b>	<b>¥ 54,038</b>	<b>¥ 6</b>	<b>¥ —</b>	<b>¥ —</b>

As of March 31, 2022	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	<b>\$ 220,990</b>	\$ —	\$ —	\$ —
Notes receivable, accounts receivable from completed construction contracts and other	<b>220,524</b>	—	—	—
Investment securities: Available-for-sale securities with contractual maturities	—	<b>49</b>	—	—
<b>Total</b>	<b>\$ 441,523</b>	<b>\$ 49</b>	<b>\$ —</b>	<b>\$ —</b>

2. 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, 2021	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	¥ 5,480	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term loans payable	—	210	50	50	50	50
Bonds payable	—	500	—	—	—	—
<b>Total</b>	<b>¥ 5,480</b>	<b>¥ 710</b>	<b>¥ 50</b>	<b>¥ 50</b>	<b>¥ 50</b>	<b>¥ 50</b>

As of March 31, 2022	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	¥ 480	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term loans payable	—	50	50	50	50	—
Bonds payable	500	—	—	—	—	—
<b>Total</b>	<b>¥ 980</b>	<b>¥ 50</b>	<b>¥ 50</b>	<b>¥ 50</b>	<b>¥ 50</b>	<b>¥ —</b>

As of March 31, 2022	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	\$ 3,921	\$ —	\$ —	\$ —	\$ —	\$ —
Long-term loans payable	—	408	408	408	408	—
Bonds payable	4,085	—	—	—	—	—
<b>Total</b>	<b>\$ 8,007</b>	<b>\$ 408</b>	<b>\$ 408</b>	<b>\$ 408</b>	<b>\$ 408</b>	<b>\$ —</b>

3. Breakdown, etc., if the fair value of financial instruments for each level

The fair value of financial instruments is classified into the following three levels based on the observability and materiality of the inputs used to determine fair value.

Level 1 fair value: Fair value calculated from the market prices for assets or liabilities, whereby such fair value calculation is formed in active markets from among the inputs associated with the calculation of observable fair value.

Level 2 fair value: Fair value calculated using inputs related to the fair value other than with Level 1 inputs from among the inputs associated with the calculation of observable fair value.

Level 3 fair value: Fair value calculated using inputs associated with fair value that cannot be observed.

1) Financial instruments that deem carrying value as fair value

As of March 31, 2022	Fair Value				Millions of yen
	Level 1	Level 2	Level 3	Total	
	Investment securities				
Available-for-sale securities					
Equity securities	¥ 2,111	¥ —	¥ —	¥ 2,111	
Assets Total	¥ 2,111	¥ —	¥ —	¥ 2,111	

As of March 31, 2022	Fair Value				Thousands of U.S. dollars
	Level 1	Level 2	Level 3	Total	
	Investment securities				
Available-for-sale securities					
Equity securities	\$ 17,248	\$ —	\$ —	\$ 17,248	
Assets Total	\$ 17,248	\$ —	\$ —	\$ 17,248	

(Notes): 1. The fair value of investment trusts is not included in the above. The carrying amount of the investment trust is ¥6 million (\$49 thousand).

2) Financial instruments that do not deem carrying value as fair value

As of March 31, 2022	Fair Value				Millions of yen
	Level 1	Level 2	Level 3	Total	
	Notes receivable, accounts receivable from completed construction contracts and other	¥ —	¥ 26,817	¥ —	¥ 26,817
Assets Total	¥ —	¥ 26,817	¥ —	¥ 26,817	
Long-term loans payable	¥ —	¥ 409	¥ —	¥ 409	
Liabilities Total	¥ —	¥ 409	¥ —	¥ 409	

As of March 31, 2022	Fair Value				Thousands of U.S. dollars
	Level 1	Level 2	Level 3	Total	
	Notes receivable, accounts receivable from completed construction contracts and other	\$ —	\$ 219,111	\$ —	\$ 219,111
Assets Total	\$ —	\$ 219,111	\$ —	\$ 219,111	
Long-term loans payable	\$ —	\$ 3,341	\$ —	\$ 3,341	
Liabilities Total	\$ —	\$ 3,341	\$ —	\$ 3,341	

(Notes): Explanation of valuation techniques used in the calculation of fair value and inputs related to the calculation of fair value

Investment securities

Listed securities are valued using quoted market prices. Listed securities are traded in active markets, and as such their fair value is classified as Level 1 fair value.

Notes receivable, accounts receivable from completed construction contracts and other

The fair value of these items is calculated using the discounted cash flow method based on the period until the receivables amount is collected as well as an interest rate adjusted to reflect credit risk, for each receivable classified by a certain period; classified as Level 2 fair value.

Long-term loans payable (including current portion of long-term loans payable)

The fair value of long-term loans payable is calculated using the discounted cash flow method based on the total amount of principal and interest, the remaining term of the debt, and an interest rate that reflects credit risk; classified as Level 2 fair value.

## 10. Securities

1. Investment securities as of March 31, 2021 and 2022 consisted of the following:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Available-for-sale securities with market value	¥ 2,236	¥ <b>2,117</b>	<b>\$ 17,297</b>

2. The carrying amount and fair value of held-to-maturity debt securities as of March 31, 2021 and 2022 were as follows:

Not applicable

3. The carrying amount (fair value) and acquisition cost of available-for-sale securities as of March 31, 2021 and 2022 were as follows:

As of March 31, 2021	Millions of yen		
	Carrying amount	Acquisition cost	Difference
1) Securities with carrying amount exceeding acquisition cost			
Equity securities	¥ 2,068	¥ 659	¥ 1,409
Other	5	1	3
Subtotal	¥ 2,073	¥ 661	¥ 1,412
2) Securities with acquisition cost exceeding carrying amount			
Equity securities	¥ 162	¥ 174	¥ (12)
Subtotal	¥ 162	¥ 174	¥ (12)
<b>Total</b>	¥ 2,236	¥ 835	¥ 1,400

As of March 31, 2022	Millions of yen		
	Carrying amount	Acquisition cost	Difference
1) Securities with carrying amount exceeding acquisition cost			
Equity securities	¥ <b>1,969</b>	¥ <b>659</b>	¥ <b>1,310</b>
Other	<b>6</b>	<b>1</b>	<b>4</b>
Subtotal	¥ <b>1,975</b>	¥ <b>661</b>	¥ <b>1,314</b>
2) Securities with acquisition cost exceeding carrying amount			
Equity securities	¥ <b>142</b>	¥ <b>174</b>	¥ <b>(32)</b>
Subtotal	¥ <b>142</b>	¥ <b>174</b>	¥ <b>(32)</b>
<b>Total</b>	¥ <b>2,117</b>	¥ <b>835</b>	¥ <b>1,281</b>

As of March 31, 2022	Thousands of U.S. dollars		
	Carrying amount	Acquisition cost	Difference
1) Securities with carrying amount exceeding acquisition cost			
Equity securities	<b>\$ 16,087</b>	<b>\$ 5,384</b>	<b>\$ 10,703</b>
Other	<b>49</b>	<b>8</b>	<b>41</b>
Subtotal	<b>\$ 16,136</b>	<b>\$ 5,400</b>	<b>\$ 10,736</b>
2) Securities with acquisition cost exceeding carrying amount			
Equity securities	<b>\$ 1,160</b>	<b>\$ 1,421</b>	<b>\$ (261)</b>
Subtotal	<b>\$ 1,160</b>	<b>\$ 1,421</b>	<b>\$ (261)</b>
<b>Total</b>	<b>\$ 17,297</b>	<b>\$ 6,822</b>	<b>\$ 10,466</b>

(Note) "Unlisted equity securities" in an amount of ¥1,202 million as of March 31, 2021 and ¥1,206 million (\$9,853 thousand) as of March 31, 2022 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, 2021 and 2022 were as follows:

For the year ended March 31	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Sales proceeds	¥ 3	¥ —	\$ —
Gain on sales	1	—	—
Loss on sales	—	—	—

5. Securities on which impairment loss was recognized during the years ended March 31, 2021 and 2022 were as follows:

For the year ended March 31, 2021:

There were no securities on which impairment loss was recognized.

For the year ended March 31, 2022:

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 Group 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, 2021 and 2022 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
	2021	2022	2022
Beginning balance of projected benefit obligations	¥ 4,050	¥ 3,927	\$ 32,085
Service cost	262	253	2,067
Interest cost	13	14	114
Actuarial differences	(47)	(33)	(269)
Retirement benefits paid	(343)	(355)	(2,900)
Extra retirement payments of subsidiaries	(2)	—	—
Other	(6)	9	73
Ending balance of projected benefit obligations	¥ 3,927	¥ 3,816	\$ 31,179

2) The changes in plan assets for the years ended March 31, 2021 and 2022 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
	2021	2022	2022
Beginning balance of plan assets	¥ 3,895	¥ 4,586	\$ 37,470
Expected return of plan assets	77	91	743
Actuarial differences	692	3	24
Contribution from the employer	230	185	1,511
Retirement benefits paid	(310)	(347)	(2,835)
Ending balance of plan assets	¥ 4,586	¥ 4,519	\$ 36,922

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, 2021 and 2022 were as follows:

For the year ended March 31	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Beginning balance of net defined benefit liability	¥ 113	¥ 132	\$ 1,078
Retirement benefit expenses	21	19	155
Retirement benefits paid	(2)	(24)	(196)
Ending balance of net defined benefit liability	¥ 132	¥ 127	\$ 1,037

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, 2021 and 2022 was as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Funded projected benefit obligations	¥ 3,832	¥ 3,712	\$ 30,329
Plan assets	(4,586)	(4,519)	(36,922)
Net	¥ (753)	¥ (806)	\$ (6,585)
Unfunded projected benefit obligations	227	231	1,887
Net liability recorded in the consolidated balance sheet	¥ (526)	¥ (575)	\$ (4,698)
Net defined benefit liability	¥ 227	¥ 231	\$ 1,887
Net defined benefit asset	(753)	(806)	(6,585)
Net liability recorded in the consolidated balance sheet	¥ (526)	¥ (575)	\$ (4,698)

(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, 2021 and 2022 were as follows:

For the year ended March 31	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Service cost	¥ 262	¥ 253	\$ 2,067
Interest cost	13	14	114
Expected return of plan assets	(77)	(91)	(743)
Amortization of actuarial differences	63	73	596
Retirement benefit expenses computed by short-cut method	21	19	155
Extra retirement payments of subsidiaries	(2)	—	—
Other	(6)	9	73
Retirement benefit expenses on defined benefit plans	¥ 275	¥ 279	\$ 2,279

6) The component of "Remeasurements of defined benefit plans" under "Other comprehensive income" (before adjusting for tax effects) for the years ended March 31, 2021 and 2022 was as follows:

For the year ended March 31	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Actuarial differences	¥ 803	¥ 110	\$ 898

7) The component of “Remeasurements of defined benefit plans” under “Accumulated other comprehensive income” (before adjusting for tax effects) as of March 31, 2021 and 2022 was as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Unrecognized actuarial differences	¥ 611	¥ 721	\$ 5,891

8) Plan assets

a. Components of plan assets

Plan assets as of March 31, 2021 and 2022 consisted of the following:

As of March 31	2021	2022
Bonds	57%	57%
Equity securities	33	34
Insurance assets (general account)	8	8
Other	2	1
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, 2021 and 2022 were set forth as follows:

For the year ended March 31	2021	2022
Discount rate	0.2%	0.3%
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, 2021 and 2022 was as follows:

For the year ended March 31	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Required contribution to the defined contribution plans	¥ 70	¥ 68	\$ 555



## 12. Deferred Tax Accounting

1. The significant components of deferred tax assets and liabilities as of March 31, 2021 and 2022 were as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Deferred tax assets:			
Tax loss carryforwards	¥ 537	¥ 908	\$ 7,418
Provision for bonuses	163	167	1,364
Net defined benefit liability	30	29	236
Allowance for doubtful accounts	35	45	367
Loss on valuation of real estate for sale	287	287	2,344
Provision for loss on construction contracts	11	365	2,982
Accounts payable for construction contracts	87	149	1,217
Impairment loss	1,354	1,371	11,201
Other	430	358	2,925
Subtotal	2,939	3,684	30,100
Less: valuation allowance (Note)	(2,480)	(3,308)	(27,028)
Deferred tax assets	¥ 458	¥ 375	\$ 3,063
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	¥ (438)	¥ (401)	\$ (3,276)
Undistributed earnings of foreign consolidated subsidiaries	(403)	(363)	(2,965)
Net defined benefit asset	(230)	(247)	(2,018)
Other	(31)	(15)	(122)
Deferred tax liabilities	¥ (1,103)	¥ (1,027)	\$ (8,391)
Net deferred tax liabilities	¥ (644)	¥ (652)	\$ (5,327)

(Note) Valuation allowance increased by ¥828 million (\$6,765 thousand). The major reason for this increase were the recognition of valuation allowance of ¥272 million (\$2,222 thousand) and ¥78 million (\$637 thousand) associated with provision for loss on construction contracts by the consolidated subsidiaries Nakano Singapore (Pte.) Ltd. and Nakano Construction Sdn. Bhd., respectively, and the recognition of valuation allowance of ¥214 million (\$1,748 thousand), ¥75 million (\$612 thousand), and ¥76 million (\$620 thousand) associated with tax loss carryforwards by the consolidated subsidiaries Nakano Singapore (Pte.) Ltd. and Nakano Construction Sdn. Bhd., as well as Thai Nakano Co., Ltd., respectively.

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, 2021 and 2022 was as follows:

As of March 31	2021	2022
Normal effective statutory tax rate	30.6%	—
Expenses not deductible income tax purposes	2.1	—
Tax rate differences in foreign consolidated subsidiaries	12.6	—
Undistributed earnings of foreign consolidated subsidiaries	0.8	—
Inhabitant per capita taxes	2.2	—
Income taxes for prior periods	2.7	—
Refund of income taxes for prior periods	(2.8)	—
Withholding tax of foreign consolidated subsidiaries for prior periods	(6.6)	—
Valuation allowance	34.6	—
Other	(1.0)	—
Actual effective tax rate	75.2	—

(Note) Figures as of March 31, 2022 are not presented, as a loss before income taxes was recorded.

### 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, 2021 and 2022 were ¥791 million and ¥650 million (\$5,310 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, 2021 and 2022.
- 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
	2021	2022	2022
Carrying amounts			
(Note 1):			
Beginning balance	¥ 12,789	¥ 11,741	\$ 95,931
Increase (decrease) (Note 2)	(1,048)	1,710	13,971
Ending balance	¥ 11,741	¥ 13,451	\$ 109,902
Fair value (Note 3)	¥ 16,821	¥ 18,927	\$ 154,644

- (Notes): 1. The carrying amount is presented after deducting accumulated depreciation from the acquisition cost.
2. Increase during the year ended March 31, 2021 primarily represents the acquisition of real estate of ¥32 million and effect of change in exchange rate of ¥78 million, and decrease is primarily due to the change in holding purpose from investment to internal use of ¥1,036 million, and depreciation of ¥146 million. Increase during the year ended March 31, 2022 primarily represents the acquisition of real estate of ¥1,869 million (\$15,270 thousand) and due to the change in holding purpose from internal use to investment of ¥87 million (\$710 thousand), and decrease is primarily due to the change in holding purpose from investment to internal use of ¥56 million (\$457 thousand), and depreciation of ¥196 million (\$1,601 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. Revenue Recognition

#### 1. Information breakdown on revenue arising from contracts with customers

For the year ended March 31, 2022	Millions of yen							Other (Note)	Total
	Reportable segments								
	Construction			Real estate					
	Japan	Southeast Asia	Total	Japan	Southeast Asia	Total			
Goods or services transferred at a point in time	¥ 4,639	¥ —	¥ 4,639	¥ —	¥ —	¥ —	¥ 94	¥ 4,734	
Goods or services transferred over time	65,837	24,756	90,594	—	—	—	—	90,594	
Revenue from Contracts with Customers	70,477	24,756	95,233	—	—	—	94	95,328	
Other Revenue	¥ —	¥ —	¥ —	¥ 1,139	¥ 2	¥ 1,142	¥ —	¥ 1,142	
Sales to External Customers	¥ 70,477	¥ 24,756	¥ 95,233	¥ 1,139	¥ 2	¥ 1,142	¥ 94	¥ 96,470	

For the year ended March 31, 2022	Thousands of U.S. dollars							Other (Note)	Total
	Reportable segments								
	Construction			Real estate					
	Japan	Southeast Asia	Total	Japan	Southeast Asia	Total			
Goods or services transferred at a point in time	\$ 37,903	\$ —	\$ 37,903	\$ —	\$ —	\$ —	\$ 768	\$ 38,679	
Goods or services transferred over time	537,927	202,271	740,207	—	—	—	—	740,207	
Revenue from Contracts with Customers	575,839	202,271	778,110	—	—	—	768	778,887	
Other Revenue	\$ —	\$ —	\$ —	\$ 9,306	\$ 16	\$ 9,330	\$ —	\$ 9,330	
Sales to External Customers	\$ 575,839	\$ 202,271	\$ 778,110	\$ 9,306	\$ 16	\$ 9,330	\$ 768	\$ 788,217	

- (Notes): "Other" is a business segment not included in the reportable segments, which consists of solar power generation business and insurance agent business.

## 2. Basis for understanding the revenue

It is as described in “NOTES TO CONSOLIDATED FINANCIAL STATEMENTS 3. Summary of Significant Accounting Policies I. Revenue and Cost of Construction Contracts”.

## 3. Information pertaining to the relationship between the satisfaction of performance obligations based on contracts with customers and cash flows from such contracts, and on the amount and timing of revenue expected to be recognized, in the following fiscal year or later, from contracts with customers that existed at the end of the current fiscal year.

### 1) Balance of Contract assets and Contract Liabilities, etc.

As of March 31, 2022	Millions of yen	Thousands of U.S. dollars
Receivables from a contract with customers (beginning balance)	¥ 12,609	\$ 103,023
Receivables from a contract with customers (ending balance)	12,112	98,962
Contract assets (beginning balance)	23,285	190,252
Contract assets (ending balance)	14,878	121,562
Contract liabilities (beginning balance)	5,866	47,928
Contract liabilities (ending balance)	6,284	51,344

Contract assets consist primarily of unbilled accounts receivable from completed construction contracts related to revenue recognized on the basis of progress measurement under construction contracts, etc. Contract assets are reclassified to receivables arising from contracts with customers at the point when the Company and its consolidated subsidiaries' rights to the consideration become unconditional. Contract liabilities consist mainly of advances received on uncompleted construction contracts from customers on construction contracts, etc. Contract liabilities are reversed upon revenue recognition.

The decrease of ¥8,407 million (\$68,690 thousand) in contract assets in the current fiscal year was mainly due to the increase from satisfaction of performance obligations and a decrease from the receipt of consideration in accordance with contract terms. The increase of ¥417 million (\$3,407 thousand) in contract liabilities in the current fiscal year was mainly from an increase due to advances received on uncompleted construction contracts and a decrease due to the fulfillment of performance obligations.

The revenue recognized for performance obligations that have been satisfied (or partially satisfied) in prior periods is immaterial.

### 2) Transaction price allocated to remaining performance obligations

The total transaction price allocated to the remaining performance obligations at the end of the current fiscal year was ¥104,064 million (\$850,265 thousand). The remaining performance obligation relates primarily to construction contracts, and the Company expects to recognize revenue over a period of up to four years as construction progresses.

## 15. Segment Information

### 1. Description of reportable segments

The Group's 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 Group.

The Group is active in the construction business and the real estate business in Japan and foreign countries.

Therefore, the Group consists 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 (Malaysia)”.

In addition, during the fiscal year ended March 31, 2021, the holding purpose of real estate owned by Nakano Singapore (Pte.) Ltd. in Singapore was changed from investment to internal use. “Net sales” and “Segment income” prior to this change in the purpose of ownership have been included in “Real estate (Southeast Asia).”

## 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 “3. Summary of Significant Accounting Policies”.

As described in “o. Changes in Accounting Policies”, etc., the Company has applied the Revenue Recognition Accounting Standard and other related accounting standards to its consolidated financial statements for the current fiscal year, and has changed its accounting treatment method for revenue recognition. In line with this change, the calculation method of income or loss for business segments has been changed in the same manner.

As a result of this change, net sales of the construction business (Japan) in the reportable segment for the current fiscal year increased by ¥867 million (\$7,083 thousand) compared with the previous fiscal year, but there is no impact on segment income or loss.

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

For the year ended March 31, 2021	Millions of yen									
	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	¥ 78,557	¥ 36,147	¥ 114,705	¥ 1,173	¥ 17	¥ 1,191	¥ 97	¥ 115,994	¥ —	¥ 115,994
Inter-segment	0	—	0	3	—	3	—	3	(3)	—
<b>Total</b>	<b>78,557</b>	<b>36,147</b>	<b>114,705</b>	<b>1,177</b>	<b>17</b>	<b>1,194</b>	<b>97</b>	<b>115,997</b>	<b>(3)</b>	<b>115,994</b>
Segment income (loss)	2,865	(2,031)	833	691	7	698	22	1,555	(0)	1,555
Segment assets	30,001	24,962	54,964	12,551	68	12,620	321	67,905	16,330	84,235
Other items:										
Depreciation	¥ 105	¥ 166	¥ 272	¥ 141	¥ 5	¥ 147	¥ 31	¥ 451	¥ —	¥ 451
Impairment loss	—	16	16	—	—	—	—	16	—	16
Increase in property, plant and equipment and intangible assets	322	194	517	35	0	35	2	555	—	555

(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 ¥16,330 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) of the Company.

3. Segment income (loss) is adjusted with operating income in the accompanying consolidated statements of income.

For the year ended March 31, 2022	Millions of yen									
	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	¥ 70,477	¥ 24,756	¥ 95,233	¥ 1,139	¥ 2	¥ 1,142	¥ 94	¥ 96,470	¥ —	¥ 96,470
Inter-segment	13	—	13	7	—	7	—	21	(21)	—
<b>Total</b>	<b>70,491</b>	<b>24,756</b>	<b>95,247</b>	<b>1,146</b>	<b>2</b>	<b>1,149</b>	<b>94</b>	<b>96,491</b>	<b>(21)</b>	<b>96,470</b>
Segment income (loss)	2,582	(4,004)	(1,422)	550	0	551	31	(839)	(1)	(840)
Segment assets	31,384	21,853	53,237	14,495	77	14,572	296	68,107	14,082	82,190
Other items:										
Depreciation	¥ 108	¥ 122	¥ 231	¥ 198	¥ 1	¥ 199	¥ 28	¥ 458	¥ —	¥ 458
Impairment loss	—	111	111	—	—	—	—	111	—	111
Increase in property, plant and equipment and intangible assets	993	135	1,129	1,822	3	1,825	5	2,960	—	2,960

Thousands of U.S. dollars

For the year ended March 31, 2022	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	\$ 575,839	\$ 202,271	\$ 778,110	\$ 9,306	\$ 16	\$ 9,330	\$ 768	\$ 788,217	\$ —	\$ 788,217
Inter-segment	106	—	106	57	—	57	—	171	(171)	—
Total	575,953	202,271	778,225	9,363	16	9,388	768	788,389	(171)	788,217
Segment income (loss)	21,096	(32,715)	(11,618)	4,493	0	4,502	253	(6,855)	(8)	(6,863)
Segment assets	256,426	178,552	434,978	118,432	629	119,062	2,418	556,475	115,058	671,541
Other items:										
Depreciation	\$ 882	\$ 996	\$ 1,887	\$ 1,617	\$ 8	\$ 1,625	\$ 228	\$ 3,742	\$ —	\$ 3,742
Impairment loss	—	906	906	—	—	—	—	906	—	906
Increase in property, plant and equipment and intangible assets	8,113	1,103	9,224	14,886	24	14,911	40	24,184	—	24,184

(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 ¥14,082 million (\$115,058 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) of the Company.

3. Segment income (loss) is adjusted with operating loss in the accompanying consolidated statements of income.

## 16. 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, 2021 and 2022 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, 2021 and 2022 were as follows:

For the year ended March 31	Yen		U.S. dollars
	2021	2022	2022
Net assets per share	¥1,038.71	¥1,001.72	\$ 8.18
Basic net income (loss) per share	9.77	(46.39)	(0.38)

(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
	2021	2022	2022
Total net assets	¥ 36,909	¥ 35,576	\$ 290,677
Deductions from total net assets:			
Non-controlling interests	(1,210)	(1,149)	(9,388)
Net assets attributable to common stock	¥ 35,699	¥ 34,427	\$ 281,289
Number of shares of common stock used in computing net assets per share (in thousand shares)	34,368	34,367	34,367

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
	2021	2022	2022
Profit (loss) attributable to owners of parent	¥ 335	¥ (1,594)	\$ (13,023)
Amount not attributable to common stock shareholders	—	—	—
Profit (loss) attributable to common stock of owners of parent	¥ 335	¥ (1,594)	\$ (13,023)
Average number of shares of common stock during the year (in thousand shares)	34,369	34,368	34,368

## 17. Bonds Payable

Bonds payable as of March 31, 2021 and 2022 consisted of the following:

Issuer and Issue type	Issue date	Millions of yen		Thousands of U.S. dollars	Interest rate (%)	Collateral	Maturity
		2021	2022	2022			
(Nakano Corporation)							
9 <sup>th</sup> unsecured bond	Mar. 10, 2020	¥ 500	¥ 500	\$ 4,085	0.34	None	Mar. 10, 2023

(Notes): The following was a summary of maturities of bonds subsequent to March 31, 2022:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2023	¥ 500	\$ 4,085
2024	—	—
2025	—	—
2026	—	—
2027	—	—
2028 and thereafter	—	—
Total	¥ 500	\$ 4,085

## 18. Loans Payable and Other Debts

Short-term loans payable, long-term loans payable and other debts as of March 31, 2021 and 2022 were as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars	Average interest rate (%)	Maturity
	2021	2022	2022		
Short-term loans payable	¥ 5,170	¥ 270	\$ 2,206	0.84	—
Current portion of long-term loans payable	310	210	1,715	0.96	—
Current portion of lease obligations	104	119	972	—	—
Long-term loans payable excluding current portion	410	200	1,634	0.98	Aug. 25, 2023 – Feb. 25, 2027
Lease obligations excluding current portion	95	37	302	—	Apr. 30, 2023 – Sep. 30, 2025
Total	¥ 6,089	¥ 836	\$ 6,830	—	—

(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, 2022:

Years ending March 31	Millions of yen		Thousands of U.S. dollars	
	Long-term loans payable	Lease obligations	Long-term loans payable	Lease obligations
2023	¥ 210	¥ 119	\$ 1,715	\$ 972
2024	50	32	408	261
2025	50	4	408	32
2026	50	0	408	0
2027	50	—	408	—
2028 and thereafter	—	—	—	—
<b>Total</b>	<b>¥ 410</b>	<b>¥ 156</b>	<b>\$ 3,349</b>	<b>\$ 1,274</b>

## 19. Subsequent Events

At the Annual General Meeting of Shareholders held on June 29, 2022, it was resolved to distribute the year-end cash dividends of ¥10 (\$0.08) per share of common stock of the Company. The aggregate amount of such cash dividends was ¥343 million (\$2,802 thousand).

SUPPLEMENTAL INFORMATION

**NONCONSOLIDATED BALANCE SHEETS**

NAKANO CORPORATION

As of March 31, 2021 and 2022

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
<b>Assets</b>			
<b>Current assets:</b>			
Cash and deposits	¥ 13,581	¥ 18,712	\$ 152,888
Notes receivable - trade	645	56	457
Electronically recorded monetary claims - operating	2,025	2,862	23,384
Accounts receivable from completed construction contracts	19,485	13,875	113,367
Costs on uncompleted construction contracts	990	758	6,193
Costs on real estate business	43	43	351
Raw materials and supplies	5	4	32
Short-term loans receivable from subsidiaries and affiliates	15	20	163
Accounts receivable - other	1,565	384	3,137
Other	502	646	5,278
Allowance for doubtful accounts	(46)	(22)	(179)
Total current assets	38,814	37,342	305,106
<b>Non-current assets:</b>			
Property, plant and equipment			
Buildings	6,972	9,900	80,888
Accumulated depreciation	(3,741)	(3,915)	(31,987)
Buildings, net	3,230	5,985	48,901
Structures	147	176	1,438
Accumulated depreciation	(134)	(139)	(1,135)
Structures, net	12	37	302
Machinery and equipment	562	582	4,755
Accumulated depreciation	(338)	(369)	(3,014)
Machinery and equipment, net	223	213	1,740
Vehicles	11	11	89
Accumulated depreciation	(11)	(11)	(89)
Vehicles, net	0	0	0
Tools, furniture and fixtures	306	387	3,162
Accumulated depreciation	(252)	(279)	(2,279)
Tools, furniture and fixtures, net	53	108	882
Land	11,170	11,241	91,845
Lease assets	147	147	1,201
Accumulated depreciation	(61)	(97)	(792)
Lease assets, net	85	49	400
Construction in progress	346	1	8
Total property, plant and equipment	15,124	17,636	144,096
Intangible assets			
Total intangible assets	189	197	1,609
Investments and other assets			
Investment securities	2,148	2,026	16,553
Stocks of subsidiaries and affiliates	2,425	2,429	19,846
Long-term loans receivable from subsidiaries and affiliates	75	45	367
Insurance funds	31	31	253
Prepaid pension cost	142	85	694
Deferred tax assets	34	19	155
Other	265	420	3,431
Allowance for doubtful accounts	(12)	(12)	(98)
Total investments and other assets	5,109	5,045	41,220
Total non-current assets	20,422	22,879	186,935
Total assets	¥ 59,237	¥ 60,222	\$ 492,050



	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
<b>Liabilities</b>			
<b>Current liabilities:</b>			
Notes payable – trade	¥ 1,376	¥ 942	\$ 7,696
Electronically recorded obligations - operating	6,617	6,703	54,767
Accounts payable for construction contracts	10,507	13,996	114,355
Short-term loans payable	5,480	480	3,921
Current portion of bonds	—	500	4,085
Lease obligations	38	38	310
Income taxes payable	794	423	3,456
Accrued consumption taxes	—	1,527	12,476
Advances received on uncompleted construction contracts	5,717	6,071	49,603
Provision for warranties for completed construction	298	289	2,361
Provision for loss on construction contracts	17	14	114
Provision for bonuses	527	543	4,436
Other	793	810	6,618
Total current liabilities	32,167	32,341	264,245
<b>Non-current liabilities:</b>			
Bonds payable	500	—	—
Long-term loans payable	410	200	1,634
Lease obligations	54	15	122
Provision for retirement benefits	42	38	310
Long-term deposits received	546	540	4,412
Other	120	115	939
Total non-current liabilities	1,674	909	7,427
Total liabilities	33,841	33,250	271,672
<b>Net assets</b>			
<b>Shareholders' equity:</b>			
Common stock			
Authorized: 154,792,300 shares			
Issued: 34,498,097 shares	¥ 5,061	¥ 5,061	\$ 41,351
Capital surplus			
Legal capital surplus	1,400	1,400	11,438
Total capital surplus	1,400	1,400	11,438
Retained earnings			
Other retained earnings			
Retained earnings brought forward	18,159	19,820	161,941
Total retained earnings	18,159	19,820	161,941
Less: Treasury stock, at cost			
129,465 shares in 2021 and 130,262 shares in 2022	(34)	(35)	(285)
Total shareholders' equity	24,586	26,247	214,453
<b>Valuation and translation adjustments:</b>			
Valuation difference on available-for-sale securities	808	724	5,915
Total valuation and translation adjustments	808	724	5,915
Total net assets	25,395	26,971	220,369
Total liabilities and net assets	¥ 59,237	¥ 60,222	\$ 492,050

# NONCONSOLIDATED STATEMENTS OF INCOME

NAKANO CORPORATION

For the years ended March 31, 2021 and 2022

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
<b>Net sales:</b>			
Net sales of completed construction contracts	¥ 78,557	¥ 70,491	\$ 575,953
Sales on real estate business	1,116	1,086	8,873
Sales on other business	68	70	571
Total net sales	79,741	71,648	585,407
<b>Cost of sales:</b>			
Cost of sales of completed construction contracts	71,529	63,695	520,426
Cost of sales on real estate business	419	510	4,167
Cost of sales on other business	41	36	294
Total cost of sales	71,990	64,242	524,895
<b>Gross profit:</b>			
Gross profit on completed construction contracts	7,027	6,796	55,527
Gross profit - real estate business	696	576	4,706
Gross profit - other business	26	34	277
Total gross profit	7,751	7,406	60,511
<b>Selling, general and administrative expenses</b>	4,393	4,458	36,424
Operating income	3,357	2,948	24,086
<b>Non-operating income:</b>			
Interest income	4	1	8
Dividend income	44	44	359
Foreign exchange gains	25	114	931
Other	33	16	130
Total non-operating income	108	176	1,438
<b>Non-operating expenses:</b>			
Interest expenses	50	22	179
Other	1	1	8
Total non-operating expenses	52	24	196
Ordinary income	3,413	3,100	25,328
<b>Extraordinary income:</b>			
Gain on sales of investment securities	1	—	—
Total extraordinary income	1	—	—
<b>Extraordinary losses:</b>			
Loss on litigation	18	8	65
Head office relocation expenses	14	21	171
Other	0	0	0
Total extraordinary losses	33	30	245
<b>Profit before income taxes</b>	3,380	3,069	25,075
<b>Income taxes:</b>			
Income taxes - current	1,156	944	7,713
Income taxes - deferred	(69)	51	416
Total income taxes	1,087	995	8,129
<b>Profit</b>	¥ 2,292	¥ 2,073	\$ 16,937

# CORPORATE PROFILE

## Company Outline (As of March 31, 2022)

Company Name	NAKANO CORPORATION
Headquarters	4-2-28 Kudan-kita, Chiyoda-ku, Tokyo 102-0073, Japan
Foundation	February 8, 1933
Established	December 19, 1942
Capitalization	¥5,061,678,686
Employees	1,278(Group)
Stock Listing	Tokyo Stock Exchange, Standard Market
Primary Business	Domestic Construction Projects International Construction Projects Real Estate Business

## Board of Directors / Audit & Supervisory Board Members (As of September 22, 2022)

Honorary Chairman	Yoshikazu Oshima	
President	Toshiyuki Taketani	
Directors	Yorinobu Kato	Hiroyuki Tanada
	Takashi Iizuka	Yoshinobu Oshima
Outside Directors	Moriyasu Kawamura	Makoto Fukuda
	Mitsuharu Kotaka	
Standing Corporate Auditors	Koichiro Nakano	Tetsuo Sato
Corporate Auditors	Kohei Yamaya	Hideaki Sekizawa

## Main Affiliated Financial Institutions

MUFG Bank, Ltd.	The Shoko Chukin Bank, Ltd.
Mizuho Bank, Ltd.	The Bank of Yokohama, Ltd.
The Yamanashi Chuo Bank, Ltd.	The 77 Bank, Ltd.

## Major Shareholders

Oshima Scholarship Foundation	Kanto Kogyo Co., Ltd.
Yoshikazu Oshima	Marine Dream Co., Ltd.
MB Service Co., Ltd.	MUFG Bank, Ltd.

## Domestic Offices

Headquarters	Tokyo Main Office
Tohoku Regional Office	Nagoya Regional Office
Osaka Regional Office	Kyushu Regional 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	



**NAKANO**  
CORPORATION

4-2-28 Kudan-kita, Chiyoda-ku, Tokyo, 102-0073, Japan  
Tel: +81-(0)3-3265-4685 Fax: +81-(0)3-3265-4698  
<https://www.wave-nakano.co.jp>

**SINGAPORE**

1 Coleman St., #10-03/04/05 The Adelphi, 179803, Singapore  
Tel: +65-6333-4933  
Fax: +65-6338-8568

**MALAYSIA**

Block B, 15-4-2, Megan Salak Park Jalan 1/125E, Taman Desa Petaling, Kuala Lumpur 57100, Malaysia  
Tel: +60-3-9059-6977  
Fax: +60-3-9059-6277

**INDONESIA**

Tamara Center 14th Floor Jl. Jend. Sudirman KAV. 24, Jakarta 12920, Indonesia  
Tel: +62-21-5203674  
Fax: +62-21-5203670

**THAILAND**

2170 Bangkok Tower, 17th Floor New Petchburi Road, Bangkapi, Huaykwang, Bangkok 10310 Thailand  
Tel: +66-2-308-0500  
Fax: +66-2-308-0497

**VIETNAM**

Unit 1411-1412, 14th Floor, Daeha Business Center, 360 Kim Ma Street, Ngoc Khanh Ward, Ba Dinh District, Hanoi, Vietnam  
Tel: +84-243-724-7552  
Fax: +84-243-724-7553