



Annual Report 2018

Fiscal year ended March 31, 2018



NAKANO
CORPORATION

CONTENTS

FINANCIAL HIGHLIGHTS	1
REPORT OF INDEPENDENT AUDITORS	2
CONSOLIDATED BALANCE SHEETS	3
CONSOLIDATED STATEMENTS OF INCOME	5
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME	6
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS	7
CONSOLIDATED STATEMENTS OF CASH FLOWS	8
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	9
SUPPLEMENTAL INFORMATION	28
NONCONSOLIDATED BALANCE SHEETS	28
NONCONSOLIDATED STATEMENTS OF INCOME	30
CORPORATE PROFILE	31

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:

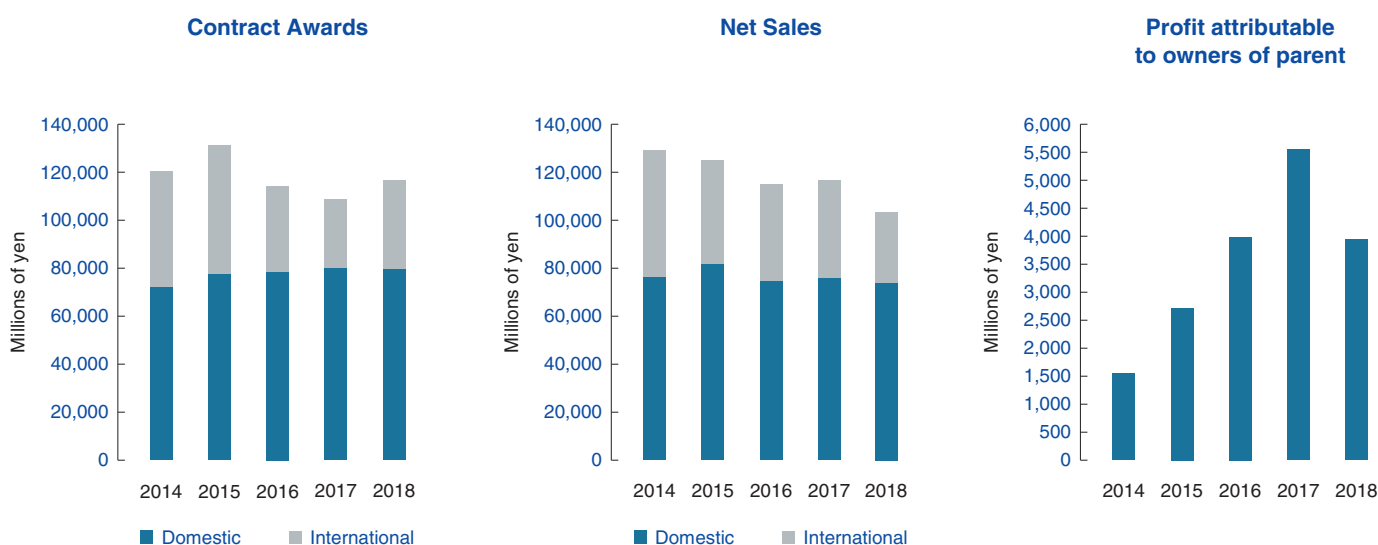
Nakano Corporation International Operations Headquarters
4-2-28 Kudan-kita, Chiyoda-ku, Tokyo 102-0073, Japan
Tel: +81-(0)3-3265-4685 Fax: +81-(0)3-3265-4698
<https://www.wave-nakano.co.jp>

FINANCIAL HIGHLIGHTS

NAKANO CORPORATION and its subsidiaries
Years ended March 31, 2014 through 2018

	2014	2015	2016	2017	2018	2018
	Millions of yen					Thousands of U.S. dollars
Contract awards	¥120,386	¥131,256	¥114,067	¥108,637	¥116,422	\$1,095,839
Net sales	129,177	125,260	114,989	116,802	104,456	983,207
Operating income	2,250	3,367	5,481	5,958	4,264	40,135
Ordinary income	2,522	3,801	5,795	6,232	4,579	43,100
Profit attributable to owners of parent	1,543	2,717	3,986	5,544	3,947	37,151
Comprehensive income	2,267	4,625	2,942	5,816	4,631	43,589
Total net assets	12,971	18,110	20,880	26,455	30,742	289,363
Total assets	76,478	78,419	73,976	77,984	84,978	799,868
Net cash provided by (used in) operating activities	2,339	(780)	9,607	428	4,611	43,401
Net cash provided by (used in) investing activities	128	(854)	844	(3,698)	(1,773)	(16,688)
Net cash provided by (used in) financing activities	(258)	(2,134)	(2,244)	(969)	(458)	(4,310)
Cash and cash equivalents at end of period	25,239	22,995	29,329	24,364	27,001	254,150
	Yen					U.S. dollars
Per share of common stock						
(in yen and U.S. dollars)						
Net assets	¥354.05	¥493.98	¥577.61	¥738.16	¥860.02	\$8.10
Net income	44.89	79.04	115.96	161.28	114.83	1.08
Cash dividends applicable to the year	3.00	5.00	7.00	10.00	12.00	0.11
Number of employees	1,333	1,334	1,314	1,363	1,355	

Notes: 1. The rate of ¥106.24=US\$1.00, the foreign exchange rate on March 31, 2018, has been used for translation.
2. Cash dividends applicable to the year in 2017 includes a special dividend ¥3.



REPORT OF INDEPENDENT AUDITORS

The Board of Directors
NAKANO CORPORATION

We have audited the accompanying consolidated financial statements of NAKANO CORPORATION and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2018, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of NAKANO CORPORATION and consolidated subsidiaries as at March 31, 2018, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

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

Izumi Audit Corporation

September 5, 2018

CONSOLIDATED BALANCE SHEETS

NAKANO CORPORATION and its subsidiaries
As of March 31, 2017 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2017	2018	2018
Assets			
Current assets:			
Cash and deposits (Notes 4, 7 and 8)	¥ 27,764	¥ 31,885	\$ 300,122
Notes receivable, accounts receivable from completed construction contracts and other (Notes 4 and 8)	26,531	26,525	249,670
Costs on uncompleted construction contracts (Note 4)	899	1,505	14,166
Costs on real estate business	48	48	451
Raw materials and supplies	5	6	56
Accounts receivable - other	1,740	2,613	24,595
Consumption taxes receivable	593	1,341	12,622
Deferred tax assets (Note 11)	238	537	5,054
Other	1,078	1,116	10,504
Total current assets	58,900	65,580	617,281
Non-current assets:			
Property, plant and equipment (Note 4)			
Buildings and structures	7,217	7,242	68,166
Machinery, vehicles, tools, furniture and fixtures	1,699	1,627	15,314
Land	10,771	10,790	101,562
Construction in progress	28	199	1,873
Accumulated depreciation	(5,332)	(5,453)	(51,327)
Total property, plant and equipment	14,384	14,406	135,598
Intangible assets			
Leasehold right	944	951	8,951
Other	107	64	602
Total intangible assets	1,051	1,016	9,563
Investments and other assets			
Investment securities (Notes 4, 8 and 9)	3,209	3,555	33,461
Long-term loans receivable	199	148	1,393
Claims provable in bankruptcy, claims provable in rehabilitation and other	32	—	—
Other	381	291	2,739
Allowance for doubtful accounts	(175)	(21)	(197)
Total investments and other assets	3,647	3,975	37,415
Total non-current assets	19,083	19,397	182,577
Total assets	¥ 77,984	¥ 84,978	\$ 799,868

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

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2017	2018	2018
Liabilities			
Current liabilities:			
Notes payable, accounts payable for construction contracts and other (Notes 4 and 8)	¥ 38,671	¥ 37,373	\$ 351,778
Short-term loans payable (Notes 4, 8 and 16)	1,500	650	6,118
Current portion of bonds (Note 15)	80	40	376
Income taxes payable	742	590	5,553
Advances received on uncompleted construction contracts	4,423	9,162	86,238
Provision for warranties for completed construction	134	169	1,590
Provision for loss on construction contracts (Note 4)	25	39	367
Provision for bonuses	452	461	4,339
Other (Note 16)	1,536	1,200	11,295
Total current liabilities	47,565	49,688	467,695
Non-current liabilities:			
Bonds payable (Notes 8 and 15)	1,040	1,000	9,412
Long-term loans payable (Notes 4, 8 and 16)	750	1,640	15,436
Deferred tax liabilities (Note 11)	760	869	8,179
Net defined benefit liability (Note 10)	717	378	3,557
Other (Note 16)	694	659	6,202
Total non-current liabilities	3,962	4,547	42,799
Total liabilities	51,528	54,236	510,504
Net assets			
Shareholders' equity:			
Common stock			
Authorized: 154,792,300 shares			
Issued: 34,498,097 shares	¥ 5,061	¥ 5,061	\$ 47,637
Capital surplus	1,400	1,400	13,177
Retained earnings	19,300	22,904	215,587
Less: Treasury stock, at cost			
124,006 shares in 2017 and 125,310 shares in 2018	(31)	(32)	(301)
Total shareholders' equity	25,730	29,333	276,101
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	786	1,034	9,732
Foreign currency translation adjustment	(892)	(734)	(6,908)
Remeasurements of defined benefit plans (Note 10)	(250)	(71)	(668)
Total accumulated other comprehensive income	(356)	228	2,146
Non-controlling interests:			
Total net assets	26,455	30,742	289,363
Total liabilities and net assets	¥ 77,984	¥ 84,978	\$ 799,868

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, 2017 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2017	2018	2018
Net sales:			
Net sales of completed construction contracts	¥ 115,677	¥ 103,312	\$ 972,439
Sales on real estate business (Note 12)	1,014	1,038	9,770
Sales on other business	110	105	988
Total net sales	116,802	104,456	983,207
Cost of sales:			
Cost of sales of completed construction contracts (Note 5)	105,242	94,583	890,276
Cost of sales on real estate business (Note 12)	345	358	3,369
Cost of sales on other business	84	81	762
Total cost of sales	105,672	95,023	894,418
Gross profit:			
Gross profit on completed construction contracts	10,434	8,728	82,153
Gross profit - real estate business	669	680	6,400
Gross profit - other business	25	23	216
Total gross profit	11,129	9,432	88,780
Selling, general and administrative expenses (Note 5)	5,170	5,168	48,644
Operating income	5,958	4,264	40,135
Non-operating income:			
Interest income	271	352	3,313
Dividend income	43	47	442
Other	61	32	301
Total non-operating income	377	431	4,056
Non-operating expenses:			
Interest expenses	56	34	320
Bond issuance cost	34	—	—
Foreign exchange losses	—	72	677
Other	12	9	84
Total non-operating expenses	103	117	1,101
Ordinary income	6,232	4,579	43,100
Extraordinary income:			
Gain on sales of investment securities (Note 9)	—	11	103
Gain on liquidation of subsidiaries and associates	11	—	—
Other	5	0	0
Total extraordinary income	16	12	112
Extraordinary losses:			
Loss on retirement of non-current assets (Note 5)	0	14	131
Loss on sales of shares of subsidiaries and associates	11	—	—
Loss on litigation	85	20	188
Other	0	0	0
Total extraordinary losses	98	35	329
Profit before income taxes	6,151	4,555	42,874
Income taxes:			
Income taxes - current	810	859	8,085
Refund of income taxes for prior periods	(46)	—	—
Income taxes - deferred (Note 11)	(193)	(303)	(2,852)
Total income taxes	571	556	5,233
Profit	5,580	3,999	37,641
Profit attributable to non-controlling interests	35	51	480
Profit attributable to owners of parent	¥ 5,544	¥ 3,947	\$ 37,151

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, 2017 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2017	2018	2018
Profit	¥ 5,580	¥ 3,999	\$ 37,641
Other comprehensive income:			
Valuation difference on available-for-sale securities	218	248	2,334
Foreign currency translation adjustment	(278)	205	1,929
Remeasurements of defined benefit plans	296	178	1,675
Total other comprehensive income (Note 6)	236	632	5,948
Comprehensive income	¥ 5,816	¥ 4,631	\$ 43,589
Comprehensive income attributable to:			
Comprehensive income attributable to owners of parent	¥ 5,759	¥ 4,532	\$ 42,658
Comprehensive income attributable to non-controlling interests	57	99	931

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, 2017 and 2018

Millions of yen

	Shareholders' Equity					Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance as at March 31, 2016	¥ 5,061	¥ 1,400	¥ 13,997	¥ (31)	¥ 20,427	¥ 567	¥ (592)	¥ (546)	¥ (572)	¥ 1,024	¥ 20,880	
Changes of items during period												
Dividends from surplus			(240)		(240)						(240)	
Profit attributable to owners of parent			5,544		5,544						5,544	
Purchase of treasury stock				(0)	(0)						(0)	
Net changes of items other than shareholders' equity						218	(299)	296	215	57	272	
Total changes of items during period	—	—	5,303	(0)	5,302	218	(299)	296	215	57	5,575	
Balance as at March 31, 2017	¥ 5,061	¥ 1,400	¥ 19,300	¥ (31)	¥ 25,730	¥ 786	¥ (892)	¥ (250)	¥ (356)	¥ 1,081	¥ 26,455	
Changes of items during period												
Dividends from surplus			(343)		(343)						(343)	
Profit attributable to owners of parent			3,947		3,947						3,947	
Purchase of treasury stock				(0)	(0)						(0)	
Net changes of items other than shareholders' equity						248	158	178	584	99	684	
Total changes of items during period	—	—	3,603	(0)	3,602	248	158	178	584	99	4,286	
Balance as at March 31, 2018	¥ 5,061	¥ 1,400	¥ 22,904	¥ (32)	¥ 29,333	¥ 1,034	¥ (734)	¥ (71)	¥ 228	¥ 1,180	¥ 30,742	

Thousands of U.S. dollars (Note 2)

	Shareholders' Equity					Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance as at March 31, 2017	\$ 47,637	\$ 13,177	\$181,664	\$ (291)	\$242,187	\$ 7,398	\$ (8,396)	\$ (2,353)	\$ (3,350)	\$ 10,175	\$249,011	
Changes of items during period												
Dividends from surplus			(3,228)		(3,228)						(3,228)	
Profit attributable to owners of parent			37,151		37,151						37,151	
Purchase of treasury stock				(0)	(0)						(0)	
Net changes of items other than shareholders' equity						2,334	1,487	1,675	5,496	931	6,438	
Total changes of items during period	—	—	33,913	(0)	33,904	2,334	1,487	1,675	5,496	931	40,342	
Balance as at March 31, 2018	\$ 47,637	\$ 13,177	\$215,587	\$ (301)	\$276,101	\$ 9,732	\$ (6,908)	\$ (668)	\$ 2,146	\$ 11,106	\$289,363	

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, 2017 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2017	2018	2018
Cash flows from operating activities:			
Profit before income taxes	¥ 6,151	¥ 4,555	\$ 42,874
Adjustments for:			
Depreciation and amortization	378	343	3,228
Decrease in allowance for doubtful accounts	(23)	(50)	(470)
Decrease in net defined benefit liability	(1)	(150)	(1,411)
Increase in provision for loss on construction contracts	25	16	150
Interest and dividend income	(315)	(399)	(3,755)
Interest expenses	56	34	320
Decrease (increase) in notes and accounts receivable - trade	(5,604)	367	3,454
Decrease (increase) in costs on uncompleted construction contracts	1,381	(604)	(5,685)
Increase (decrease) in notes and accounts payable - trade	4,535	(1,779)	(16,745)
Increase (decrease) in advances received on uncompleted construction contracts	(2,664)	4,738	44,597
Decrease/increase in consumption taxes receivable/payable	(2,585)	(748)	(7,040)
Other, net	(913)	(1,110)	(10,448)
Subtotal	420	5,211	49,049
Interest and dividend income received	315	395	3,717
Interest expenses paid	(47)	(31)	(291)
Income taxes paid	(260)	(964)	(9,073)
Net cash provided by (used in) operating activities	428	4,611	43,401
Cash flows from investing activities:			
Payments into time deposits	(4,720)	(9,169)	(86,304)
Proceeds from withdrawal of time deposits	2,971	7,683	72,317
Purchase of property, plant and equipment	(1,156)	(316)	(2,974)
Purchase of intangible assets	(826)	(18)	(169)
Proceeds from sales of investment securities	—	22	207
Other, net	33	24	225
Net cash provided by (used in) investing activities	(3,698)	(1,773)	(16,688)
Cash flows from financing activities:			
Net decrease in short-term loans payable	(290)	(1,110)	(10,448)
Proceeds from long-term loans payable	800	1,300	12,236
Repayments of long-term loans payable	(2,028)	(150)	(1,411)
Proceeds from issuance of bonds	962	—	—
Redemption of bonds	(80)	(80)	(753)
Cash dividends paid	(240)	(343)	(3,228)
Other, net	(93)	(75)	(705)
Net cash provided by (used in) financing activities	(969)	(458)	(4,310)
Effect of exchange rate change on cash and cash equivalents	(725)	258	2,428
Net increase (decrease) in cash and cash equivalents	(4,964)	2,637	24,821
Cash and cash equivalents at beginning of period	29,329	24,364	229,329
Cash and cash equivalents at end of period (Note 7)	¥ 24,364	¥ 27,001	\$ 254,150

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NAKANO CORPORATION and its subsidiaries

1. Basis of Presenting Consolidated Financial Statements	<p>The consolidated financial statements presented herein of NAKANO CORPORATION (the "Company") and its consolidated subsidiaries (together, the "Companies") are prepared in accordance with the provisions set forth in the Corporation Law of Japan and the Financial Instruments and Exchange Law of Japan, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.</p> <p>In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made to the 2017 financial statements to conform to the classifications used in 2018.</p>
2. U.S. Dollar Amounts	<p>The accounts of consolidated financial statements presented herein are expressed in Japanese yen by rounding down to the nearest million. The U.S. dollar amounts shown in the accompanying consolidated financial statements and notes thereto have been translated from Japanese yen into U.S. dollars on the basis of ¥106.24 to U.S.\$1, the rate of exchange prevailing at March 31, 2018, and have been then rounded down to the nearest thousand. These U.S. dollar amounts are not intended to imply that the Japanese yen amounts have been or could be converted, realized or settled in U.S. dollars at this or any other rate.</p>
3. Summary of Significant Accounting Policies	<p>a. Consolidation</p> <p>1) Scope of Consolidation</p> <p>The Company had 9 subsidiaries as of March 31, 2018. The consolidated financial statements for the year ended March 31, 2018 include the accounts of the Company and all subsidiaries. The Company had 1 affiliate as of March 31, 2018. As of March 31, 2018, the equity method was not applied to this affiliate, as it was not significant in terms of retained earnings and net income of the consolidated financial statements.</p> <p>2) Financial Statements of Subsidiaries</p> <p>The subsidiaries' financial year-end is March 31.</p> <p>b. Securities</p> <p>Securities are classified and accounted for as follows:</p> <p>i) Held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability are reported at amortized cost.</p> <p>ii) Available-for-sale securities, which are not classified as the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of net assets, while the cost of securities sold is computed using the moving-average method.</p> <p>Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, securities are written down to net realizable value.</p> <p>c. Inventories</p> <p>Costs of uncompleted construction contracts are determined by the specific identification method.</p> <p>Costs on real estate business and raw materials and supplies are stated at cost determined by the specific identification method for costs on real estate business and by the last purchase price method for raw material and supplies, while the net book value of these inventories in the balance sheet is written down if the net realizable value declines.</p> <p>d. Property, Plant and Equipment (excluding lease assets)</p> <p>Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its domestic consolidated subsidiaries is computed by the declining-balance method. Buildings (excluding building fixtures) acquired on or after April 1, 1998 and building fixtures and structures acquired on or after April 1, 2016 are depreciated using the straight-line method. Useful lives and residual values of the assets are determined based on the regulations of the Corporation Tax Act.</p> <p>Foreign consolidated subsidiaries use primarily the straight-line method.</p>

e. Intangible Assets (excluding lease assets)

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

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

f. Lease Assets

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

g. Allowance for Doubtful Accounts

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

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

h. Provision for Warranties for Completed Construction

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

i. Provision for Loss on Construction Contracts

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

j. Provision for Bonuses

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

k. Accounting for Retirement Benefits

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

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

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

l. Revenue and Cost of Construction Contracts

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

Construction revenue recognized based on the percentage-of-completion method for the year ended March 31, 2018 was ¥96,380 million (\$907,191 thousand).

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

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

n. Accounting Standards not yet Applied

“Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No.28, February 16, 2018)
 “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No.26 (revised 2018), February 16, 2018)

1) Overview

The treatment of taxable temporary differences pertaining to shares of subsidiaries, etc. in the non-consolidated financial statements has been revised, and the treatment of recoverability of deferred tax assets in entities that fall under ‘Category 1’ have been clarified.

2) Scheduled date of application

Effective from the beginning of the fiscal year ending March 31, 2019.

3) Effects of the application of the guidance

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

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

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

1) Overview

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

Step 1: Identify the contract with the customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognize revenue when or as the entity satisfies each performance obligation.

2) Scheduled date of application

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

3) Effects of the application of the guidance

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

4. Notes to

**Consolidated
Balance Sheets**

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

As of March 31	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Cash and deposits	¥ 431	¥ 431	\$ 4,056
Notes receivable	300	300	2,823
Buildings	1,460	1,426	13,422
Land	7,811	7,841	73,804
Investment securities	1,472	1,782	16,773
Total	¥ 11,475	¥ 11,781	\$ 110,890
Short-term loans payable	¥ 1,040	¥ 440	\$ 4,141
Long-term loans payable	—	810	7,624
Total	¥ 1,040	¥ 1,250	\$ 11,765

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

As of March 31	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Investment Securities	¥ 9	¥ 9	\$ 84

2. The Companies were contingently liable for the following:

As of March 31	Millions of yen		Thousands of
	2017	2018	U.S. dollars
Guarantees to financial institutions, etc. to ensure the completion of construction contracts of Nakano Singapore (Pte.) Ltd. and its subsidiaries	¥ 2,580	¥ 3,007	\$ 28,303

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

4. The following notes receivable and payable, etc. matured on March 31, 2018 were included in the respective accounts, since March 31, 2018 fell on a bank holiday:

As of March 31	Millions of yen		Thousands of
	2017	2018	U.S. dollars
Notes receivable	¥ —	¥ 2	\$ 18
Electronically recorded monetary claims	—	47	442
Notes payable	—	766	7,210
Electronically recorded obligations	—	1,452	13,667

5. Notes to Consolidated Statements of Income

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

For the year ended March 31	Millions of yen		Thousands of
	2017	2018	U.S. dollars
Provision for loss on construction contracts	¥ 25	¥ 41	\$ 385

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

For the year ended March 31	Millions of yen		Thousands of
	2017	2018	U.S. dollars
Depreciation	¥ 187	¥ 163	\$ 1,534
Provision for bonuses	183	191	1,797
Retirement benefit expenses	157	148	1,393
Employees' salaries and allowances	2,449	2,507	23,597

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

For the year ended March 31	Millions of yen		Thousands of
	2017	2018	U.S. dollars
Research and development costs	¥ 13	¥ 13	\$ 122

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

For the year ended March 31	Millions of yen		Thousands of
	2017	2018	U.S. dollars
Buildings	¥ 0	¥ 14	\$ 131
Other	0	0	0
Total	¥ 0	¥ 14	\$ 131

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
	2017	2018	2018
Valuation difference on available-for-sale securities			
Amount arising during the year	¥ 316	¥ 369	\$ 3,473
Reclassification adjustments	—	(11)	(103)
Total before tax effect	316	357	3,360
Tax effect	(97)	(109)	(1,025)
Valuation difference on available-for-sale securities	218	248	2,334
Foreign currency translation adjustments			
Amount arising during the year	(274)	205	1,929
Reclassification adjustments	(3)	—	—
Total before tax effect	(278)	205	1,929
Tax effect	—	—	—
Foreign currency translation adjustments	(278)	205	1,929
Remeasurements of defined benefit plans			
Amount arising during the year	210	110	1,035
Reclassification adjustments	86	68	640
Total before tax effect	296	178	1,675
Tax effect	—	—	—
Remeasurements of defined benefit plans	296	178	1,675
Total other comprehensive income	¥ 236	¥ 632	\$ 5,948

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
	2017	2018	2018
Cash and deposits per consolidated balance sheets	¥ 27,764	¥ 31,885	\$ 300,122
Less: Time deposits maturing over three months	(3,400)	(4,884)	(45,971)
Cash and cash equivalents per consolidated statements of cash flows	¥ 24,364	¥ 27,001	\$ 254,150

8. Financial Instruments

1. Overview

1) Policy for financial instruments

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

2) Types of financial instruments, risk and risk management

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

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

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

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

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

3) Supplementary explanation on fair value of financial instruments

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

2. Fair value of financial instruments

The carrying amount, fair value and difference of the financial instruments as of March 31, 2017 and 2018 were as follows:

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

As of March 31, 2017	Millions of yen		
	Carrying amount	Fair value	Difference
(1) Cash and deposits	¥ 27,764	¥ 27,764	¥ —
(2) Notes receivable, accounts receivable from completed construction contracts and other	26,531	26,531	—
(3) Investment securities			
Held-to-maturity securities	9	10	0
Available-for-sale securities	1,992	1,992	—
Assets total	¥ 56,298	¥ 56,299	¥ 0
(1) Notes payable, accounts payable for construction contracts and other	38,671	38,671	—
(2) Short-term loans payable	1,500	1,500	—
(3) Long-term loans payable	750	750	—
(4) Bonds payable	1,040	1,039	(0)
Liabilities total	¥ 41,961	¥ 41,961	¥ (0)
Derivative transactions	—	—	—

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

As of March 31, 2018	Thousands of U.S. dollars		
	Carrying amount	Fair value	Difference
(1) Cash and deposits	\$ 300,122	\$ 300,122	\$ —
(2) Notes receivable, accounts receivable from completed construction contracts and other	249,670	249,670	—
(3) Investment securities			
Held-to-maturity securities	84	94	9
Available-for-sale securities	22,006	22,006	—
Assets total	\$ 571,884	\$ 571,893	\$ 9
(1) Notes payable, accounts payable for construction contracts and other	351,778	351,778	—
(2) Short-term loans payable	6,118	6,118	—
(3) Long-term loans payable	15,436	15,436	—
(4) Bonds payable	9,412	9,403	(9)
Liabilities total	\$ 382,746	\$ 382,737	\$ (9)
Derivative transactions	—	—	—

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

Assets:

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

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

(3) Investment securities

The fair value of equity securities is determined based on the quoted price of the exchanges, the fair value of investment trust is determined based on the published standard quotation price and the fair value of debt securities is determined based on the published price by the Japan Securities Dealers Association. Notes regarding investment securities classified by the management's intent of holding are described in Note 9 "Securities".

Liabilities:

(1) Notes payable, accounts payable for construction contracts and other and (2) Short-term loans payable
The carrying amount is presented as the fair value, since the fair value approximates the carrying amount because they will be settled within a short period of their maturity.

(3) Long-term loans payable

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

(4) Bonds payable

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

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

As of March 31	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Unlisted equity securities	¥ 1,207	¥ 1,207	\$ 11,361

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

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

As of March 31, 2017	Millions of yen			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	¥ 27,764	¥ —	¥ —	¥ —
Notes receivable, accounts receivable from completed construction contracts and other	26,531	—	—	—
Investment securities:				
Held-to-maturity securities (Japanese government bonds)	—	9	—	—
Available-for-sale securities with contractual maturities	—	—	4	—
Total	¥ 54,296	¥ 9	¥ 4	¥ —

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

As of March 31, 2018	Thousands of U.S. dollars			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	\$ 300,122	\$ —	\$ —	\$ —
Notes receivable, accounts receivable from completed construction contracts and other	249,670	—	—	—
Investment securities:				
Held-to-maturity securities (Japanese government bonds)	—	84	—	—
Available-for-sale securities with contractual maturities	—	—	28	—
Total	\$ 549,802	\$ 84	\$ 28	\$ —

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

As of March 31, 2017	Millions of yen					
	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Short-term loans payable	¥ 1,500	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term loans payable	—	50	350	50	50	250
Bonds payable	—	40	1,000	—	—	—
Total	¥ 1,500	¥ 90	¥ 1,350	¥ 50	¥ 50	¥ 250

As of March 31, 2018	Millions of yen					
	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Short-term loans payable	¥ 650	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term loans payable	—	610	310	310	210	200
Bonds payable	—	1,000	—	—	—	—
Total	¥ 650	¥ 1,610	¥ 310	¥ 310	¥ 210	¥ 200

As of March 31, 2018	Thousands of U.S. dollars					
	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Short-term loans payable	\$ 6,118	\$ —	\$ —	\$ —	\$ —	\$ —
Long-term loans payable	—	5,741	2,917	2,917	1,976	1,882
Bonds payable	—	9,412	—	—	—	—
Total	\$ 6,118	\$ 15,154	\$ 2,917	\$ 2,917	\$ 1,976	\$ 1,882

9. Securities

1. Investment securities as of March 31, 2017 and 2018 consisted of the following:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Held-to-maturity securities	¥ 9	¥ 9	\$ 84
Available-for-sale securities with market value	1,992	2,338	22,006
Total	¥ 2,002	¥ 2,348	\$ 22,100

2. The carrying amount and fair value of held-to-maturity debt securities as of March 31, 2017 and 2018 were as follows:

As of March 31, 2017	Millions of yen		
	Carrying amount	Fair value	Difference
1) Securities with fair value exceeding carrying amount			
Japanese government bonds	¥ 9	¥ 10	¥ 0
2) Securities with carrying amount exceeding fair value	¥ —	¥ —	¥ —
Total	¥ 9	¥ 10	¥ 0

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

As of March 31, 2018	Thousands of U.S. dollars		
	Carrying amount	Fair value	Difference
1) Securities with fair value exceeding carrying amount			
Japanese government bonds	\$ 84	\$ 94	\$ 9
2) Securities with carrying amount exceeding fair value	\$ —	\$ —	\$ —
Total	\$ 84	\$ 94	\$ 9

3. The carrying amount (fair value) and acquisition cost of available-for-sale securities as of March 31, 2017 and 2018 were as follows:

As of March 31, 2017	Millions of yen		
	Carrying amount	Acquisition cost	Difference
1) Securities with carrying amount exceeding acquisition cost			
Equity securities	¥ 1,984	¥ 846	¥ 1,137
Other	4	1	2
Subtotal	¥ 1,988	¥ 848	¥ 1,139
2) Securities with acquisition cost exceeding carrying amount			
Equity securities	¥ 4	¥ 4	¥ (0)
Subtotal	¥ 4	¥ 4	¥ (0)
Total	¥ 1,992	¥ 853	¥ 1,139

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

As of March 31, 2018	Thousands of U.S. dollars		
	Carrying amount	Acquisition cost	Difference
1) Securities with carrying amount exceeding acquisition cost			
Equity securities	\$ 21,969	\$ 7,897	\$ 14,071
Other	28	9	18
Subtotal	\$ 22,006	\$ 7,916	\$ 14,090
2) Securities with acquisition cost exceeding carrying amount			
Carrying amount	\$ —	\$ —	\$ —
Total	\$ 22,006	\$ 7,916	\$ 14,090

(Note) "Unlisted equity securities" in an amount of ¥1,207 million as of March 31, 2017 and ¥1,207 million (\$11,361 thousand) as of March 31, 2018 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, 2017 and 2018 were as follows:

For the year ended March 31	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Sales proceeds	¥ —	¥ 22	\$ 207
Gain on sales	—	11	103
Loss on sales	—	—	—

5. Securities on which impairment loss was recognized during the years ended March 31, 2017 and 2018 were as follows:

For the year ended March 31, 2017:

There were no securities on which impairment loss was recognized.

For the year ended March 31, 2018:

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.

10. Retirement Benefits

1. Outline of the Company's retirement benefit plans

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

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

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

2. Defined Benefit Plans

1) The changes in projected benefit obligations for the years ended March 31, 2017 and 2018 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
	2017	2018	2018
Beginning balance of projected benefit obligations	¥ 4,169	¥ 4,091	\$ 38,507
Service cost	275	272	2,560
Interest cost	16	24	225
Actuarial differences	(74)	18	169
Retirement benefits paid	(295)	(154)	(1,449)
Other	(0)	(12)	(112)
Ending balance of projected benefit obligations	¥ 4,091	¥ 4,240	\$ 39,909

2) The changes in plan assets for the years ended March 31, 2017 and 2018 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
	2017	2018	2018
Beginning balance of plan assets	¥ 3,230	¥ 3,463	\$ 32,596
Expected return of plan assets	64	69	649
Actuarial differences	126	120	1,129
Contribution from the employer	328	438	4,122
Retirement benefits paid	(286)	(145)	(1,364)
Ending balance of plan assets	¥ 3,463	¥ 3,945	\$ 37,132

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, 2017 and 2018 were as follows:

For the year ended March 31	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Beginning balance of net defined benefit liability	¥ 75	¥ 88	\$ 828
Retirement benefit expenses	13	4	37
Retirement benefits paid	(0)	(9)	(84)
Ending balance of net defined benefit liability	¥ 88	¥ 83	\$ 781

4) Reconciliation between the ending balances of projected benefit obligations and plan assets and net defined benefit liability recorded in the consolidated balance sheet as of March 31, 2017 and 2018 were as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Funded projected benefit obligations	¥ 3,915	¥ 4,046	\$ 38,083
Plan assets	(3,463)	(3,945)	(37,132)
	¥ 452	¥ 100	\$ 941
Unfunded projected benefit obligations	264	277	2,607
Net liability recorded in the consolidated balance sheet	¥ 717	¥ 378	\$ 3,557
Net defined benefit liability	¥ 717	¥ 378	\$ 3,557
Net liability recorded in the consolidated balance sheet	¥ 717	¥ 378	\$ 3,557

(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, 2017 and 2018 were as follows:

For the year ended March 31	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Service cost	¥ 275	¥ 272	\$ 2,560
Interest cost	16	24	225
Expected return of plan assets	(64)	(69)	(649)
Amortization of actuarial differences	95	77	724
Retirement benefit expenses computed by short-cut method	13	4	37
Other	(0)	(12)	(112)
Retirement benefit expenses on defined benefit plans	¥ 336	¥ 296	\$ 2,786

6) The component of "Remeasurements of defined benefit plans" under "Other comprehensive income" (before adjusting for tax effects) for the years ended March 31, 2017 and 2018 was as follows:

For the year ended March 31	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Actuarial differences	¥ 296	¥ 178	\$ 1,675

7) The component of “Remeasurements of defined benefit plans” under “Accumulated other comprehensive income” (before adjusting for tax effects) as of March 31, 2017 and 2018 was as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Unrecognized actuarial differences	¥ (250)	¥ (71)	\$ (668)

8) Plan assets

a. Components of plan assets

Plan assets as of March 31, 2017 and 2018 consisted of the following:

As of March 31	2017	2018
Bonds	28%	27%
Equity securities	59	61
Insurance assets (general account)	10	10
Other	3	2
Total	100	100

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

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

9) Actuarial assumptions used for the years ended March 31, 2017 and 2018 were set forth as follows:

For the year ended March 31	2017	2018
Discount rate	0.3%	0.2%
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, 2017 and 2018 was as follows:

For the year ended March 31	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Required contribution to the defined contribution plans	¥ 73	¥ 71	\$ 668

11. Deferred Tax Accounting

1. The significant components of deferred tax assets and liabilities as of March 31, 2017 and 2018 were as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Deferred tax assets:			
Provision for bonuses	¥ 139	¥ 141	\$ 1,327
Net defined benefit liability	159	30	282
Allowance for doubtful accounts	53	6	56
Loss on valuation of real estate for sale	289	287	2,701
Accounts payable for construction contracts	133	315	2,964
Impairment loss	1,449	1,444	13,591
Tax loss carryforwards	523	25	235
Other	492	429	4,038
Subtotal	3,241	2,681	25,235
Less: valuation allowance	(2,983)	(2,132)	(20,067)
Deferred tax assets	¥ 258	¥ 549	\$ 5,167
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	¥ (351)	¥ (461)	\$ (4,339)
Undistributed earnings of foreign consolidated subsidiaries	(402)	(400)	(3,765)
Other	(18)	(8)	(75)
Deferred tax liabilities	¥ (772)	¥ (869)	\$ (8,179)
Net deferred tax liabilities	¥ (514)	¥ (320)	\$ (3,012)

2. A 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, 2017 and 2018 were as follows:

As of March 31	2017	2018
Normal effective statutory tax rate	30.9%	30.9%
Expenses not deductible income tax purposes	1.2	0.7
Tax rate differences in foreign consolidated subsidiaries	(4.6)	(2.4)
Undistributed earnings of foreign consolidated subsidiaries	0.7	(0.1)
Inhabitant per capita taxes	0.6	0.8
Refund of income taxes for prior periods	(0.8)	(0.6)
Reduction of deferred tax assets due to tax rate change	—	0.1
Valuation allowance	(16.7)	(17.2)
Other	(2.0)	0.0
Actual effective tax rate	9.3	12.2

12. Investment and Rental Properties

1. 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, 2017 and 2018 were ¥593 million and ¥612 million (\$5,760 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, 2017 and 2018.

2. 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
		2017	2018	2018
Carrying amounts				
(Note 1):	Beginning balance	¥ 10,398	¥ 11,423	\$ 107,520
	Increase (decrease) (Note 2)	1,025	(39)	(367)
	Ending balance	¥ 11,423	¥ 11,384	\$ 107,153
Fair value (Note 3)		¥ 14,772	¥ 15,216	\$ 143,222

(Notes): 1. The carrying amount is presented after deducting accumulated depreciation from the acquisition cost.
 2. Increase during the year ended March 31, 2017 primarily represents the acquisition of real estate of ¥1,077 million and decrease is primarily due to depreciation of ¥110 million.
 . Increase during the year ended March 31, 2018 primarily represents the acquisition of real estate of ¥64 million (\$602 thousand) and decrease is primarily due to depreciation of ¥110 million (\$1,035 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.

13. Segment Information

1. Description of reportable segments

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

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

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

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

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

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

For the year ended March 31, 2017	Reportable segments									Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
	Construction						Real estate						
	Southeast Asia			Southeast Asia									
	Japan	Asia	Total	Japan	Asia	Total							
Net sales:													
Customers	¥ 74,512	¥ 41,165	¥ 115,677	¥ 1,014	¥ 0	¥ 1,014	¥ 110	¥ 116,802	¥ —	¥ 116,802	—	¥ 116,802	
Inter-segment	13	12	25	0	—	0	—	25	(25)	—			
Total	74,525	41,177	115,702	1,015	0	1,015	110	116,828	(25)	116,802			
Segment income	3,208	2,178	5,387	555	0	555	15	5,959	(0)	5,958			
Segment assets	22,462	27,505	49,968	11,046	1,035	12,082	513	62,564	15,419	77,984			
Other items:													
Depreciation	¥ 136	¥ 74	¥ 211	¥ 114	¥ —	¥ 114	¥ 53	¥ 378	¥ —	¥ 378			
Increase in property, plant, and equipment and intangible assets	856	42	899	66	1,017	1,084	0	1,983	—	1,983			

- (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 ¥15,419 million was corporate assets which were not allocated to each reportable segment and consisted of surplus fund (cash and deposits) and long-term investment fund (investment securities and insurance funds) of the Company.
3. Segment income is reconciled with operating income in the accompanying consolidated statements of income.

For the year ended March 31, 2018	Reportable segments									Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
	Construction						Real estate						
	Southeast Asia			Southeast Asia									
	Japan	Asia	Total	Japan	Asia	Total							
Net sales:													
Customers	¥ 73,895	¥ 29,416	¥ 103,312	¥ 1,013	¥ 24	¥ 1,038	¥ 105	¥ 104,456	¥ —	¥ 104,456			
Inter-segment	0	—	0	0	—	0	—	0	(0)	—			
Total	73,895	29,416	103,312	1,014	24	1,039	105	104,456	(0)	104,456			
Segment income	2,985	691	3,677	563	11	574	13	4,265	(0)	4,264			
Segment assets	27,330	24,638	51,969	11,215	1,039	12,255	439	64,664	20,314	84,978			
Other items:													
Depreciation	¥ 120	¥ 63	¥ 183	¥ 107	¥ 6	¥ 114	¥ 46	¥ 343	¥ —	¥ 343			
Increase in property, plant, and equipment and intangible assets	60	28	89	245	—	245	0	335	—	335			

For the year ended March 31, 2018	Reportable segments									Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
	Construction						Real estate						
	Southeast Asia			Southeast Asia									
	Japan	Asia	Total	Japan	Asia	Total							
Net sales:													
Customers	\$ 695,547	\$ 276,882	\$ 972,439	\$ 9,535	\$ 225	\$ 9,770	\$ 988	\$ 983,207	\$ —	\$ 983,207			
Inter-segment	0	—	0	0	—	0	—	0	(0)	—			
Total	695,547	276,882	972,439	9,544	225	9,779	988	983,207	(0)	983,207			
Segment income	28,096	6,504	34,610	5,299	103	5,402	122	40,144	(0)	40,135			
Segment assets	257,247	231,908	489,166	105,562	9,779	115,352	4,132	608,659	191,208	799,868			
Other items:													
Depreciation	\$ 1,129	\$ 592	\$ 1,722	\$ 1,007	\$ 56	\$ 1,073	\$ 432	\$ 3,228	\$ —	\$ 3,228			
Increase in property, plant, and equipment and intangible assets	564	263	837	2,306	—	2,306	0	3,153	—	3,153			

- (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 ¥20,314 million (\$191,208 thousand) was corporate assets which were not allocated to each reportable segment and consisted of surplus fund (cash and deposits) and long-term investment fund (investment securities and insurance funds) of the Company.
3. Segment income is reconciled with operating income in the accompanying consolidated statements of income.

14. 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, 2017 and 2018 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, 2017 and 2018 were as follows:

For the year ended March 31	Yen		U.S. dollars
	2017	2018	2018
Net assets per share	¥ 738.16	¥ 860.02	\$ 8.10
Basic net income per share	161.28	114.83	1.08

(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
	2017	2018	2018
Total net assets	¥ 26,455	¥ 30,742	\$ 289,363
Deductions from total net assets:			
Non-controlling interests	(1,081)	(1,180)	(11,106)
Net assets attributable to common stock	¥ 25,373	¥ 29,561	\$ 278,247
Number of shares of common stock used in computing net assets per share (in thousand shares)	34,374	34,372	34,372

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
	2017	2018	2018
Profit attributable to owners of parent	¥ 5,544	¥ 3,947	\$ 37,151
Amount not attributable to common stock shareholders	—	—	—
Profit attributable to common stock of owners of parent	¥ 5,544	¥ 3,947	\$ 37,151
Average number of shares of common stock during the year (in thousand shares)	34,374	34,373	34,373

15. Bonds Payable

Short-term and long-term bonds payable as of March 31, 2017 and 2018 consisted of the following:

Issuer and Issue type	Issue date	Millions of yen		Thousands of	Interest rate (%)	Collateral	Maturity
		2017	2018	U.S. dollars			
(Nakano Corporation)							
7 th unsecured bond	Sep.30, 2013	¥ 120	¥ 40	\$ 376	0.64	None	Sep. 28, 2018
			(40)	(376)			
(Nakano Corporation)							
8 th unsecured bond	Mar.10, 2017	1,000	1,000	9,412	0.69	None	Mar. 10, 2020
Total		¥ 1,120	¥ 1,040	\$ 9,789			
			(40)	(376)			

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

2. The following was a summary of maturities of bonds subsequent to March 31, 2018:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2019	¥ 40	\$ 376
2020	1,000	9,412
2021	—	—
2022	—	—
2023	—	—
2024 and thereafter	—	—
Total	¥ 1,040	\$ 9,789

16. Loans Payable and Other Debts Short-term loans payable, long-term loans payable and other debts as of March 31, 2017 and 2018 were as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars	Average interest rate (%)	Maturity
	2017	2018	2018		
Short-term loans payable	¥ 1,450	¥ 340	\$ 3,200	1.16	—
Current portion of long-term loans payable	50	310	2,917	0.96	—
Current portion of lease obligations	74	28	263	—	—
Long-term loans payable excluding current portion	750	1,640	15,436	0.93	May. 31, 2019 – Feb. 25, 2027
Lease obligations excluding current portion	36	8	75	—	Apr. 30, 2019 – Feb. 28, 2021
Total	¥ 2,361	¥ 2,326	\$21,893	—	—

(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, 2018:

Years ending March 31	Millions of yen		Thousands of U.S. dollars	
	Long-term loans payable	Lease obligations	Long-term loans payable	Lease obligations
2019	¥ 310	¥ 28	\$ 2,917	\$ 263
2020	610	7	5,741	65
2021	310	0	2,917	0
2022	310	—	2,917	—
2023	210	—	1,976	—
2024 and thereafter	200	—	1,882	—
Total	¥ 1,950	¥ 36	\$ 18,354	\$ 338

17. Subsequent Events

At the Annual General Meeting of Shareholders held on June 28, 2018, it was resolved to distribute the year-end cash dividends of ¥12 (\$0.11) per share of common stock of the Company.

The aggregate amount of such cash dividends was ¥412 million (\$3,878 thousand).

SUPPLEMENTAL INFORMATION

NONCONSOLIDATED BALANCE SHEETS

NAKANO CORPORATION

As of March 31, 2017 and 2018

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Assets			
Current assets:			
Cash and deposits	¥ 11,385	¥ 14,929	\$ 140,521
Notes receivable - trade	2,189	996	9,375
Accounts receivable from completed construction contracts	14,293	18,950	178,369
Costs on uncompleted construction contracts	885	1,467	13,808
Costs on real estate business	43	43	404
Raw materials and supplies	5	6	56
Short-term loans receivable from subsidiaries and affiliates	10	15	141
Deferred tax assets	229	529	4,979
Accounts receivable - other	1,177	2,013	18,947
Consumption taxes receivable	593	1,341	12,622
Other	757	729	6,861
Total current assets	31,570	41,023	386,135
Non-current assets:			
Property, plant and equipment			
Buildings	6,539	6,562	61,765
Accumulated depreciation	(3,850)	(3,961)	(37,283)
Buildings, net	2,688	2,600	24,472
Structures	144	145	1,364
Accumulated depreciation	(116)	(121)	(1,138)
Structures, net	28	23	216
Machinery and equipment	562	562	5,289
Accumulated depreciation	(199)	(242)	(2,277)
Machinery and equipment, net	363	319	3,002
Vehicles	11	11	103
Accumulated depreciation	(7)	(8)	(75)
Vehicles, net	3	2	18
Tools, furniture and fixtures	301	355	3,341
Accumulated depreciation	(274)	(286)	(2,692)
Tools, furniture and fixtures, net	27	69	649
Land	10,426	10,445	98,315
Lease assets	225	96	903
Accumulated depreciation	(170)	(76)	(715)
Lease assets, net	54	20	188
Construction in progress	28	199	1,873
Total property, plant and equipment	13,620	13,681	128,774
Intangible assets			
Total intangible assets	208	163	1,534
Investments and other assets			
Investment securities	3,068	3,408	32,078
Stocks of subsidiaries and affiliates	1,183	1,390	13,083
Long-term loans receivable from subsidiaries and affiliates	600	120	1,129
Claims provable in bankruptcy, claims provable in rehabilitation and other	32	—	—
Insurance funds	31	31	291
Other	460	321	3,021
Allowance for doubtful accounts	(451)	(21)	(197)
Total investments and other assets	4,924	5,251	49,425
Total non-current assets	18,754	19,096	179,743
Total assets	¥ 50,324	¥ 60,119	\$ 565,879

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Liabilities			
Current liabilities:			
Notes payable – trade	¥ 5,258	¥ 4,573	\$ 43,044
Electronically recorded obligations - operating	8,118	9,134	85,975
Accounts payable for construction contracts	9,752	12,137	114,241
Short-term loans payable	1,500	650	6,118
Current portion of bonds	80	40	376
Income taxes payable	505	215	2,023
Advances received on uncompleted construction contracts	4,076	8,837	83,179
Provision for warranties for completed construction	134	169	1,590
Provision for loss on construction contracts	25	—	—
Provision for bonuses	448	458	4,310
Other	1,299	935	8,800
Total current liabilities	31,198	37,151	349,689
Non-current liabilities:			
Bonds payable	1,040	1,000	9,412
Long-term loans payable	750	1,640	15,436
Deferred tax liabilities	315	423	3,981
Provision for retirement benefits	242	58	545
Long-term deposits received	492	489	4,602
Other	161	132	1,242
Total non-current liabilities	3,001	3,743	35,231
Total liabilities	34,200	40,895	384,930
Net assets			
Shareholders' equity:			
Common stock			
Authorized: 154,792,300 shares			
Issued: 34,498,097 shares	¥ 5,061	¥ 5,061	\$ 47,637
Capital surplus			
Legal capital surplus	1,400	1,400	13,177
Total capital surplus	1,400	1,400	13,177
Retained earnings			
Other retained earnings			
Retained earnings brought forward	8,979	11,836	111,408
Total retained earnings	8,979	11,836	111,408
Less: Treasury stock, at cost			
124,006 shares in 2017 and 125,310 shares in 2018	(31)	(32)	(301)
Total shareholders' equity	15,409	18,265	171,922
Valuation and translation adjustments:			
Valuation difference on available-for-sale securities	715	959	9,026
Total valuation and translation adjustments	715	959	9,026
Total net assets	16,124	19,224	180,948
Total liabilities and net assets	¥ 50,324	¥ 60,119	\$ 565,879

NONCONSOLIDATED STATEMENTS OF INCOME

NAKANO CORPORATION

For the years ended March 31, 2017 and 2018

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Net sales:			
Net sales of completed construction contracts	¥ 74,525	¥ 73,895	\$ 695,547
Sales on real estate business	953	956	8,998
Sales on other business	75	75	705
Total net sales	75,554	74,927	705,261
Cost of sales:			
Cost of sales of completed construction contracts	67,430	67,006	630,704
Cost of sales on real estate business	372	382	3,595
Cost of sales on other business	61	53	498
Total cost of sales	67,863	67,442	634,807
Gross profit:			
Gross profit on completed construction contracts	7,095	6,888	64,834
Gross profit - real estate business	581	573	5,393
Gross profit - other business	14	22	207
Total gross profit	7,690	7,484	70,444
Selling, general and administrative expenses			
Operating income	4,158	4,164	39,194
	3,531	3,320	31,250
Non-operating income:			
Interest income	26	21	197
Dividend income	42	45	423
Other	56	27	254
Total non-operating income	124	95	894
Non-operating expenses:			
Interest expenses	54	27	254
Foreign exchange losses	—	75	705
Bond issuance cost	34	—	—
Other	3	8	75
Total non-operating expenses	92	111	1,044
Ordinary income	3,563	3,304	31,099
Extraordinary income:			
Reversal of allowance for doubtful accounts	—	275	2,588
Gain on liquidation of subsidiaries and associates	11	—	—
Other	—	11	103
Total extraordinary income	11	286	2,692
Extraordinary losses:			
Loss on valuation of shares of subsidiaries	—	252	2,371
Other	86	35	329
Total extraordinary losses	86	288	2,710
Profit before income taxes	3,488	3,302	31,080
Income taxes:			
Income taxes - current	491	402	3,783
Refund of income taxes for prior periods	(46)	—	—
Income taxes - deferred	(231)	(300)	(2,823)
Total income taxes	214	102	960
Profit	¥ 3,274	¥ 3,200	\$ 30,120

CORPORATE PROFILE

As of 31st March 2018

Company Outline

Company Name	NAKANO CORPORATION
Headquarters	4-2-28 Kudan-kita, Chiyoda-ku, Tokyo 102-0073, Japan
Foundation	8th February 1933
Established	19th December 1942
Capitalization	¥5,061,678,686
Employees	1,355
Stock Listing	Tokyo Stock Exchange, First Section
Primary Business	Domestic Construction Projects International Construction Projects

Board of Directors

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

Main Affiliated Financial Institutions

MUFG Bank, Ltd.	Mitsubishi UFJ Trust and Banking Corporation
Mizuho Bank, Ltd.	The Shoko Chukin Bank, Ltd.
The Bank of Yokohama, Ltd.	The Shizuoka Bank, Ltd.
The Yamanashi Chuo Bank, Ltd.	The Fukushima Bank, Ltd.

Major Shareholders

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

Domestic Offices

Headquarters	Tokyo Main Office
Tohoku Regional Office	Nagoya Regional Office
Osaka Regional Office	Kyushu Regional Office
Civil Engineering Office	Taito Branch Office
Hokkaido Branch Office	Kita Tohoku Branch Office
Ibaraki Branch Office	Kita Kanto Branch Office
Higashi Kanto Branch Office	Yokohama Branch Office
Sales Offices (Mie, Hyogo, 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., #06-02 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