



Annual Report 2021

Fiscal year ended March 31, 2021



NAKANO
CORPORATION

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Cautionary remarks regarding forward looking statements

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

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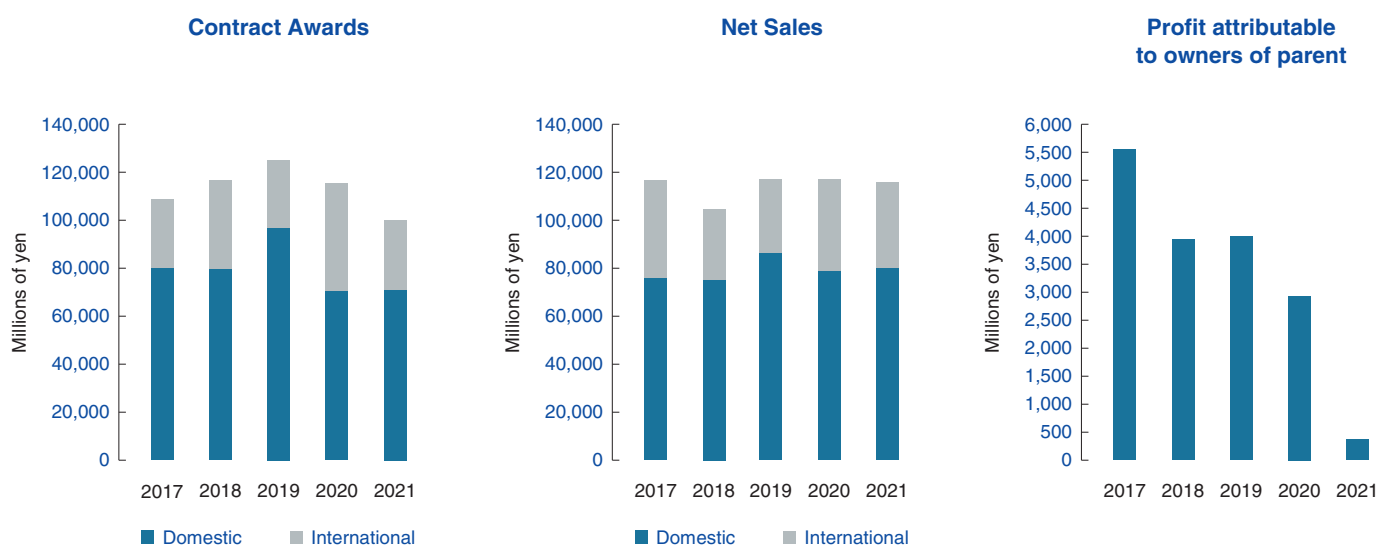
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FINANCIAL HIGHLIGHTS

NAKANO CORPORATION and its subsidiaries
Years ended March 31, 2017 through 2021

	2017	2018	2019	2020	2021	2021
	Millions of yen					Thousands of U.S. dollars
Contract awards	¥108,637	¥116,422	¥125,022	¥115,640	¥100,050	\$ 903,712
Net sales	116,802	104,456	117,152	116,977	116,046	1,048,197
Operating income	5,958	4,264	5,476	4,104	1,622	14,650
Ordinary income	6,232	4,579	5,954	4,395	1,818	16,421
Profit attributable to owners of parent	5,544	3,947	3,990	2,932	369	3,333
Comprehensive income	5,816	4,631	4,023	1,661	2,267	20,476
Total net assets	26,455	30,742	34,352	35,532	37,318	337,078
Total assets	77,984	84,554	84,450	81,349	84,467	762,957
Net cash provided by (used in) operating activities	428	4,611	2,864	(6,797)	(4,544)	(41,044)
Net cash provided by (used in) investing activities	(3,698)	(1,773)	2,544	(555)	89	803
Net cash provided by (used in) financing activities	(969)	(458)	(931)	(1,821)	4,057	36,645
Cash and cash equivalents at end of period	24,364	27,001	31,600	21,612	21,874	197,579
	Yen					U.S. dollars
Per share of common stock						
(in yen and U.S. dollars)						
Net assets	¥738.16	¥860.02	¥961.56	¥996.50	¥1,044.19	\$9.43
Net income	161.28	114.83	116.09	85.33	10.75	0.10
Cash dividends applicable to the year	10.00	12.00	14.00	14.00	12.00	0.11
Number of employees	1,363	1,355	1,390	1,361	1,336	

Notes: 1. The rate of ¥110.71=US\$1.00, the foreign exchange rate on March 31, 2021, 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

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, 2021, 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, 2021, 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.

Revenue recognition based on the percentage-of-completion method	
Description of key audit matter	How our audit addressed the key audit matter
<p>Net sales of completed construction contracts of ¥114,757 million was recorded on the consolidated statements of income for the fiscal year ended March 31, 2021. Of this, ¥108,611 million was revenue recognized based on the percentage-of-completion method. As stated in "3. Summary of Significant Accounting Policies 1.Revenue and Cost of Construction Contracts" and "n.Significant Accounting Estimates" in the notes to the consolidated financial statements, 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.</p> <p>When applying this method, a reasonable estimation was made of the total construction cost and percentage completed as of March 31, 2021, and a corresponding percentage of the total revenue from construction contracts was recognized as construction revenue for the fiscal year. The percentage completed as of March 31, 2021 was calculated based on the cost incurred to date as a percentage of the estimated total construction cost.</p> <p>Estimated total construction cost, which forms the basis for revenue recognition under the percentage-of-completion method, was estimated based on working budgets at the initial stage of construction and by using construction reports as of March 31, 2021. Estimates of total construction cost and percentage completed based on working budgets and construction reports are subject to uncertainty associated with estimates at the design stage, as well as uncertainty arising from factors such as customer requests for alterations to project details and workloads, and movements in the price of raw materials.</p> <p>We therefore consider this to be a key audit matter.</p>	<p>We performed the following audit procedures, among others, to examine the appropriateness of total revenue from construction contracts, which forms the basis for revenue recognition under the percentage-of-completion method, and the appropriateness of estimates of the total construction cost and percentage completed.</p> <ul style="list-style-type: none"> · Regarding revenue recognition using the percentage-of-completion method, we evaluated the establishment and operational status of internal controls for the appropriate calculation of percentage of completion and the timely revision of estimates of total construction cost. · Regarding the total revenue from construction contracts for major projects, we compared and reconciled the monetary amounts of orders received with construction contracts and other documents. We also sent written confirmation of contractual terms to customers as of the accounting closing date, collected the responses and compared these to the Company's recognition of the contractual terms. · Regarding estimated total construction cost, we reviewed working budgets and construction reports, and considered whether any matters had arisen that necessitated revisions to estimated total construction cost. We also considered whether the transition of construction profit margins through the construction period was reasonable. · Regarding estimated percentage completed for major construction contracts, we reviewed construction reports and schedules, performed site visits for some construction sites, and considered whether the percentage completed was reasonably estimated. We also compared and reconciled cost incurred during the fiscal year ended March 31, 2021 with evidence of the amount of progress payments, and considered whether it was appropriate.

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, 2021, 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.

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Hideyuki Mori
Engagement Partner
Certified Public Accountant

Izumi Audit Corporation
Tokyo, Japan
September 10, 2021

CONSOLIDATED BALANCE SHEETS

NAKANO CORPORATION and its subsidiaries
As of March 31, 2020 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2020	2021	2021
Assets			
Current assets:			
Cash and deposits (Notes 4, 7 and 9)	¥ 22,535	¥ 22,375	\$ 202,104
Notes receivable, accounts receivable from completed construction contracts and other (Notes 4 and 9)	30,391	36,109	326,158
Costs on uncompleted construction contracts (Note 4)	2,890	1,232	11,128
Costs on real estate business	48	48	433
Raw materials and supplies	6	5	45
Accounts receivable - other	4,394	2,313	20,892
Other	985	924	8,346
Allowance for doubtful accounts	(161)	(134)	(1,210)
Total current assets	61,091	62,875	567,925
Non-current assets:			
Property, plant and equipment (Notes 4 and 13)			
Buildings and structures	7,804	7,831	70,734
Machinery, vehicles, tools, furniture and fixtures (Note 8)	1,592	1,576	14,235
Land	11,524	11,525	104,100
Construction in progress	49	346	3,125
Accumulated depreciation	(5,117)	(5,300)	(47,872)
Total property, plant and equipment	15,853	15,978	144,323
Intangible assets			
Leasehold right	903	964	8,707
Other	93	87	785
Total intangible assets	996	1,052	9,502
Investments and other assets			
Investment securities (Notes 4, 9 and 10)	2,909	3,438	31,054
Long-term loans receivable	67	27	243
Net defined benefit asset (Note 11)	—	753	6,801
Other	443	353	3,188
Allowance for doubtful accounts	(13)	(12)	(108)
Total investments and other assets	3,407	4,560	41,188
Total non-current assets	20,257	21,591	195,023
Total assets	¥ 81,349	¥ 84,467	\$ 762,957

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

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2020	2021	2021
Liabilities			
Current liabilities:			
Notes payable, accounts payable for construction contracts and other (Note 9)	¥ 34,236	¥ 30,479	\$ 275,304
Short-term loans payable (Notes 4, 9 and 17)	480	5,480	49,498
Income taxes payable	315	805	7,271
Advances received on uncompleted construction contracts	6,644	5,886	53,165
Provision for warranties for completed construction	255	298	2,691
Provision for loss on construction contracts (Note 4)	1	17	153
Provision for bonuses	538	532	4,805
Other (Note 17)	769	1,064	9,610
Total current liabilities	43,241	44,563	402,520
Non-current liabilities:			
Bonds payable (Notes 9 and 16)	500	500	4,516
Long-term loans payable (Notes 4, 9 and 17)	720	410	3,703
Deferred tax liabilities (Note 12)	282	647	5,844
Net defined benefit liability (Note 11)	268	227	2,050
Other (Note 17)	805	800	7,226
Total non-current liabilities	2,576	2,585	23,349
Total liabilities	45,817	47,149	425,878
Net assets			
Shareholders' equity:			
Common stock			
Authorized: 154,792,300 shares			
Issued: 34,498,097 shares	¥ 5,061	¥ 5,061	\$ 45,714
Capital surplus	1,400	1,400	12,645
Retained earnings	28,933	28,821	260,328
Less: Treasury stock, at cost			
128,323 shares in 2020 and 129,465 shares in 2021	(34)	(34)	(307)
Total shareholders' equity	35,360	35,248	318,381
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	597	962	8,689
Foreign currency translation adjustment	(1,575)	(747)	(6,747)
Remeasurements of defined benefit plans (Note 11)	(133)	424	3,829
Total accumulated other comprehensive income	(1,111)	638	5,762
Non-controlling interests:			
Total net assets	35,532	37,318	337,078
Total liabilities and net assets	¥ 81,349	¥ 84,467	\$ 762,957

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, 2020 and 2021

	2020	Millions of yen 2021	Thousands of U.S. dollars (Note 2) 2021
Net sales:			
Net sales of completed construction contracts	¥ 115,691	¥ 114,757	\$ 1,036,554
Sales on real estate business (Note 13)	1,177	1,191	10,757
Sales on other business	109	97	876
Total net sales	116,977	116,046	1,048,197
Cost of sales:			
Cost of sales of completed construction contracts (Note 5)	106,787	108,262	977,888
Cost of sales on real estate business (Note 13)	426	384	3,468
Cost of sales on other business	62	61	550
Total cost of sales	107,276	108,707	981,907
Gross profit:			
Gross profit on completed construction contracts	8,903	6,494	58,657
Gross profit - real estate business	751	807	7,289
Gross profit - other business	46	36	325
Total gross profit	9,701	7,338	66,281
Selling, general and administrative expenses (Note 5)	5,596	5,715	51,621
Operating income	4,104	1,622	14,650
Non-operating income:			
Interest income	290	119	1,074
Dividend income	55	46	415
Foreign exchange gains	—	25	225
Other	22	61	550
Total non-operating income	368	253	2,285
Non-operating expenses:			
Interest expenses	31	56	505
Foreign exchange losses	28	—	—
Bond issuance cost	15	—	—
Other	2	0	0
Total non-operating expenses	77	57	514
Ordinary income	4,395	1,818	16,421
Extraordinary income:			
Subsidy income (Note 5)	—	467	4,218
Gain on liquidation of subsidiaries and associates	17	—	—
Other (Note 5)	16	8	72
Total extraordinary income	34	475	4,290
Extraordinary losses:			
Losses due to COVID-19 (Note 5)	—	698	6,304
Extra retirement payments of subsidiaries	111	—	—
Other (Note 5)	139	50	451
Total extraordinary losses	250	749	6,765
Profit before income taxes	4,178	1,545	13,955
Income taxes:			
Income taxes - current	1,153	1,069	9,655
Income taxes - deferred (Note 12)	54	38	343
Total income taxes	1,207	1,108	10,008
Profit	2,971	436	3,938
Profit attributable to non-controlling interests	38	67	605
Profit attributable to owners of parent	¥ 2,932	¥ 369	\$ 3,333

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, 2020 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2020	2021	2021
Profit	¥ 2,971	¥ 436	\$ 3,938
Other comprehensive income:			
Valuation difference on available-for-sale securities	(226)	364	3,287
Foreign currency translation adjustment	(982)	908	8,201
Remeasurements of defined benefit plans	(101)	557	5,031
Total other comprehensive income (Note 6)	(1,309)	1,830	16,529
Comprehensive income	¥ 1,661	¥ 2,267	\$ 20,476
Comprehensive income attributable to:			
Comprehensive income attributable to owners of parent	¥ 1,681	¥ 2,119	\$ 19,140
Comprehensive income attributable to non-controlling interests	(20)	147	1,327

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, 2020 and 2021

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, 2019	¥ 5,061	¥ 1,400	¥ 26,481	¥ (33)	¥ 32,910	¥ 824	¥ (651)	¥ (32)	¥ 139	¥ 1,302	¥ 34,352	
Changes of items during period												
Dividends from surplus			(481)		(481)						(481)	
Profit attributable to owners of parent			2,932		2,932						2,932	
Purchase of treasury stock				(0)	(0)						(0)	
Net changes of items other than shareholders' equity						(226)	(923)	(101)	(1,251)	(20)	(1,271)	
Total changes of items during period	—	—	2,451	(0)	2,450	(226)	(923)	(101)	(1,251)	(20)	1,179	
Balance as at March 31, 2020	¥ 5,061	¥ 1,400	¥ 28,933	¥ (34)	¥ 35,360	¥ 597	¥ (1,575)	¥ (133)	¥ (1,111)	¥ 1,282	¥ 35,532	
Changes of items during period												
Dividends from surplus			(481)		(481)						(481)	
Profit attributable to owners of parent			369		369						369	
Purchase of treasury stock				(0)	(0)						(0)	
Net changes of items other than shareholders' equity						364	827	557	1,750	147	1,898	
Total changes of items during period	—	—	(111)	(0)	(112)	364	827	557	1,750	147	1,785	
Balance as at March 31, 2021	¥ 5,061	¥ 1,400	¥ 28,821	¥ (34)	¥ 35,248	¥ 962	¥ (747)	¥ 424	¥ 638	¥ 1,430	¥ 37,318	

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, 2020	\$ 45,714	\$ 12,645	\$ 261,340	\$ (307)	\$ 319,393	\$ 5,392	\$ (14,226)	\$ (1,201)	\$ (10,035)	\$ 11,579	\$ 320,946	
Changes of items during period												
Dividends from surplus			(4,344)		(4,344)						(4,344)	
Profit attributable to owners of parent			3,333		3,333						3,333	
Purchase of treasury stock				(0)	(0)						(0)	
Net changes of items other than shareholders' equity						3,287	7,469	5,031	15,807	1,327	17,143	
Total changes of items during period	—	—	(1,002)	(0)	(1,011)	3,287	7,469	5,031	15,807	1,327	16,123	
Balance as at March 31, 2021	\$ 45,714	\$ 12,645	\$ 260,328	\$ (307)	\$ 318,381	\$ 8,689	\$ (6,747)	\$ 3,829	\$ 5,762	\$ 12,916	\$ 337,078	

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, 2020 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2020	2021	2021
Cash flows from operating activities:			
Profit before income taxes	¥ 4,178	¥ 1,545	\$ 13,955
Adjustments for:			
Depreciation and amortization	474	451	4,073
Increase (decrease) in allowance for doubtful accounts	156	(31)	(280)
Increase (decrease) in net defined benefit liability	(7)	(28)	(252)
Decrease (increase) in net defined benefit asset	(83)	18	162
Increase (decrease) in provision for loss on construction contracts	1	15	135
Interest and dividend income	(346)	(165)	(1,490)
Interest expenses	31	56	505
Subsidy income	—	(467)	(4,218)
Decrease (increase) in notes and accounts receivable - trade	(5,372)	(4,846)	(43,772)
Decrease (increase) in costs on uncompleted construction contracts	(1,545)	1,684	15,210
Increase (decrease) in notes and accounts payable - trade	(351)	(4,534)	(40,953)
Increase (decrease) in advances received on uncompleted construction contracts	951	(769)	(6,946)
Decrease/increase in consumption taxes receivable/payable	(4,074)	2,002	18,083
Other, net	986	729	6,584
Subtotal	(5,001)	(4,339)	(39,192)
Interest and dividend income received	357	173	1,562
Interest expenses paid	(29)	(63)	(569)
Income taxes paid	(2,124)	(743)	(6,711)
Subsidy income received	—	427	3,856
Net cash provided by (used in) operating activities	(6,797)	(4,544)	(41,044)
Cash flows from investing activities:			
Payments into time deposits	(1,236)	(1,315)	(11,877)
Proceeds from withdrawal of time deposits	1,020	1,764	15,933
Purchase of property, plant and equipment	(314)	(378)	(3,414)
Purchase of intangible assets	(14)	(20)	(180)
Other, net	(11)	38	343
Net cash provided by (used in) investing activities	(555)	89	803
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	(30)	5,000	45,163
Repayments of long-term loans payable	(610)	(310)	(2,800)
Proceeds from issuance of bonds	482	—	—
Redemption of bonds	(1,000)	—	—
Cash dividends paid	(480)	(480)	(4,335)
Other, net	(183)	(151)	(1,363)
Net cash provided by (used in) financing activities	(1,821)	4,057	36,645
Effect of exchange rate change on cash and cash equivalents	(813)	659	5,952
Net increase (decrease) in cash and cash equivalents	(9,988)	261	2,357
Cash and cash equivalents at beginning of period	31,600	21,612	195,212
Cash and cash equivalents at end of period (Note 7)	¥ 21,612	¥ 21,874	\$ 197,579

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NAKANO CORPORATION and its subsidiaries

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- 1. Basis of Presenting Consolidated Financial Statements** 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.
- 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 2020 financial statements to conform to the classifications used in 2021.
-
- 2. U.S. Dollar Amounts** The accounts of consolidated financial statements presented herein are expressed in Japanese yen by rounding down to the nearest million. The U.S. dollar amounts shown in the accompanying consolidated financial statements and notes thereto have been translated from Japanese yen into U.S. dollars on the basis of ¥110.71 to U.S.\$1, the rate of exchange prevailing at March 31, 2021, 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.
-
- 3. Summary of Significant Accounting Policies**
- a. Consolidation**
- 1) Scope of Consolidation
The Company had 9 subsidiaries as of March 31, 2021. The consolidated financial statements for the year ended March 31, 2021 include the accounts of the Company and all subsidiaries.
- 2) Financial Statements of Subsidiaries
The subsidiaries’ financial year-end is March 31.
- b. Securities**
Securities are classified and accounted for as follows:
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.
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.
- c. Inventories**
Costs on uncompleted construction contracts are stated at cost determined by the specific identification method.
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.
- d. Property, Plant and Equipment (excluding lease assets)**
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.
Foreign consolidated subsidiaries use primarily the straight-line method.

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 (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, 2021 was ¥108,611 million (\$981,040 thousand).

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

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

n. Significant Accounting Estimates

1) "Percentage-of-completion Method"

i) Amount recorded in the consolidated financial statements for the year ended March 31, 2021
Construction revenue recognized based on the percentage-of-completion method: ¥108,611 million (\$981,040 thousand)

ii) Information on significant accounting estimates for identified items

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 recorded by the completed-contract method if its outcome cannot be reliably estimated. Where the percentage-of-completion method is applied, the percentage completed at the balance sheet date is calculated based on the cost-to-cost method. 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 based on the percentage-of-completion method 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, 2021
Provision for warranties for completed construction: ¥298 million (\$2,691 thousand)

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. Accounting Standards not yet Applied

"Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020)

"Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 26, 2021)

1) Overview

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

Step 1: Identify the contract with the customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

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

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

2) Scheduled date of application

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

3) Effects of the application of the guidance

The Company is currently evaluating the effect of the adoption of this accounting standard and implementation guidance on its consolidated financial statements.

“Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019)
 “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, July 4, 2019)
 “Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9, July 4, 2019)
 “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019)
 “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 31, 2020)

1) Overview

To improve comparability with international accounting standards, the “Accounting Standard for Fair Value Measurement” and the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (hereinafter collectively referred to as the “Accounting Standard for Fair Value Measurement and the Guidance”) were developed and guidance, etc. for fair value measurement methods were established. The Accounting Standard for Fair Value Measurement and the Guidance are applied to fair values of the following items.

- Financial instruments under the “Accounting Standard for Financial Instruments”
- Inventories held for trading purposes under the “Accounting Standard for Measurement of Inventories”

In addition, “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” has been revised to provide the notes for a breakdown of financial instruments by fair value level and others.

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 currently evaluating the effect of the adoption of this accounting standard and implementation guidance on its consolidated financial statements.

p. 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 estimated amounts for completed construction contracts based on the percentage-of-completion method, 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 assets pledged as collateral and collateralized liabilities were as follows:

As of March 31	Millions of yen		Thousands of
	2020	2021	U.S. dollars
Cash and deposits	¥ 52	¥ 52	\$ 469
Notes receivable	200	200	1,806
Buildings	703	566	5,112
Land	6,320	5,697	51,458
Investment securities	1,189	322	2,908
Total	¥ 8,466	¥ 6,838	\$ 61,764
Short-term loans payable	¥ 210	¥ 2,800	\$ 25,291
Long-term loans payable	280	120	1,083
Total	¥ 490	¥ 2,920	\$ 26,375

2. The Group was contingently liable for the following:

As of March 31	Millions of yen		Thousands of
	2020	2021	U.S. dollars
Guarantees to financial institutions, etc. to ensure the completion of construction contracts of Nakano Singapore (Pte.) Ltd. and its subsidiaries	¥ 3,925	¥ 2,978	\$ 26,899
Advance payment guarantees	206	330	2,980
Total	¥ 4,131	¥ 3,308	\$ 29,879

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.

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
	2020	2021	U.S. dollars
Provision for loss on construction contracts	¥ 1	¥ 17	\$ 153

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

For the year ended March 31	Millions of yen		Thousands of
	2020	2021	U.S. dollars
Employees' salaries and allowances	¥ 2,378	¥ 2,668	\$ 24,098
Provision for bonuses	227	228	2,059
Retirement benefit expenses	150	152	1,372
Provision of allowance for doubtful accounts	158	(34)	(307)
Depreciation	181	199	1,797

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
	2020	2021	U.S. dollars
Research and development costs	¥ 60	¥ 84	\$ 758

4. “Subsidy Income”

For the year ended March 31, 2021:

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. as a result of the impact of the coronavirus disease 2019 (COVID-19).

The Company has recorded subsidies paid by the governments of both countries to companies suffering the impact of COVID-19 under their respective schemes to support employment: the Jobs Support Scheme (JSS) in Singapore and the Wage Subsidy Program (PSU: Program Subsidi Upah) in Malaysia.

5. “Losses due to COVID-19”

For the year ended March 31, 2021:

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.

6. "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	
	2020	2021	2021	2021
Vehicles	¥ 16	¥ 3	\$	27
Other	—	0		0
Total	¥ 16	¥ 3	\$	27

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

For the year ended March 31	Millions of yen		Thousands of U.S. dollars	
	2020	2021	2021	2021
Demolition cost	¥ 25	¥ —	\$	—
Depreciation	6	6		54
Other	22	7		63
Total	¥ 54	¥ 14	\$	126

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	
	2020	2021	2021	2021
Valuation difference on available-for-sale securities				
Amount arising during the year	¥ (330)	¥ 530	\$	4,787
Reclassification adjustments	5	—		—
Total before tax effect	(325)	530		4,787
Tax effect	99	(166)		(1,499)
Valuation difference on available-for-sale securities	(226)	364		3,287
Foreign currency translation adjustments				
Amount arising during the year	(982)	908		8,201
Reclassification adjustments	—	—		—
Total before tax effect	(982)	908		8,201
Tax effect	—	—		—
Foreign currency translation adjustments	(982)	908		8,201
Remeasurements of defined benefit plans				
Amount arising during the year	(200)	732		6,611
Reclassification adjustments	54	71		641
Total before tax effect	(145)	803		7,253
Tax effect	44	(246)		(2,222)
Remeasurements of defined benefit plans	(101)	557		5,031
Total other comprehensive income	¥ (1,309)	¥ 1,830	\$	16,529

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	
	2020	2021	2021	2021
Cash and deposits per consolidated balance sheets	¥ 22,535	¥ 22,375	\$	202,104
Less: Time deposits maturing over 3 months	(923)	(500)		(4,516)
Cash and cash equivalents per consolidated statements of cash flows	¥ 21,612	¥ 21,874	\$	197,579

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, 2020 and 2021 were as follows:

As of March 31	Millions of yen		Thousands of
	2020	2021	U.S. dollars
(As lessee)			2021
Due in 1 year	¥ 126	¥ 130	\$ 1,174
Due after 1 year	52	—	—
Total	¥ 178	¥ 130	\$ 1,174
(As lessor)			
Due in 1 year	¥ 76	¥ 71	\$ 641
Due after 1 year	257	186	1,680
Total	¥ 334	¥ 257	\$ 2,321

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, 2020 and 2021 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, 2020	Millions of yen		
	Carrying amount	Fair value	Difference
(1) Cash and deposits	¥ 22,535	¥ 22,535	¥ —
(2) Notes receivable, accounts receivable from completed construction contracts and other	30,391	30,391	—
(3) Investment securities			
Available-for-sale securities	1,705	1,705	—
Assets total	¥ 54,632	¥ 54,632	¥ —
(1) Notes payable, accounts payable for construction contracts and other	34,236	34,236	—
(2) Short-term loans payable	480	480	—
(3) Long-term loans payable	720	720	—
(4) Bonds payable	500	500	—
Liabilities total	¥ 35,936	¥ 35,936	¥ —
Derivative transactions	—	—	—

As of March 31, 2021	Millions of yen		
	Carrying amount	Fair value	Difference
(1) Cash and deposits	¥ 22,375	¥ 22,375	¥ —
(2) Notes receivable, accounts receivable from completed construction contracts and other	36,109	36,109	—
(3) Investment securities			
Available-for-sale securities	2,236	2,236	—
Assets total	¥ 60,721	¥ 60,721	¥ —
(1) Notes payable, accounts payable for construction contracts and other	30,479	30,479	—
(2) Short-term loans payable	5,480	5,480	—
(3) Long-term loans payable	410	410	—
(4) Bonds payable	500	500	—
Liabilities total	¥ 36,869	¥ 36,869	¥ —
Derivative transactions	—	—	—

As of March 31, 2021	Thousands of U.S. dollars		
	Carrying amount	Fair value	Difference
(1) Cash and deposits	\$ 202,104	\$ 202,104	\$ —
(2) Notes receivable, accounts receivable from completed construction contracts and other	326,158	326,158	—
(3) Investment securities			
Available-for-sale securities	20,196	20,196	—
Assets total	\$ 548,459	\$ 548,459	\$ —
(1) Notes payable, accounts payable for construction contracts and other	275,304	275,304	—
(2) Short-term loans payable	49,498	49,498	—
(3) Long-term loans payable	3,703	3,703	—
(4) Bonds payable	4,516	4,516	—
Liabilities total	\$ 333,023	\$ 333,023	\$ —
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.

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
	2020	2021	2021
Unlisted equity securities	¥ 1,204	¥ 1,202	\$ 10,857

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, 2020	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	¥ 22,535	¥ —	¥ —	¥ —
Notes receivable, accounts receivable from completed construction contracts and other	30,391	—	—	—
Investment securities Available-for-sale securities with contractual maturities	—	—	2	—
Total	¥ 52,927	¥ —	¥ 2	¥ —

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	36,109	—	—	—
Investment securities Available-for-sale securities with contractual maturities	—	—	5	—
Total	¥ 58,485	¥ —	¥ 5	¥ —

As of March 31, 2021	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	\$ 202,104	\$ —	\$ —	\$ —
Notes receivable, accounts receivable from completed construction contracts and other	326,158	—	—	—
Investment securities: Available-for-sale securities with contractual maturities	—	—	45	—
Total	\$ 528,272	\$ —	\$ 45	\$ —

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, 2020	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	—	310	210	50	50	100
Bonds payable	—	—	500	—	—	—
Total	¥ 480	¥ 310	¥ 710	¥ 50	¥ 50	¥ 100

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	—	—	—	—
Total	¥ 5,480	¥ 710	¥ 50	¥ 50	¥ 50	¥ 50

As of March 31, 2021	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	\$ 49,498	\$ —	\$ —	\$ —	\$ —	\$ —
Long-term loans payable	—	1,896	451	451	451	451
Bonds payable	—	4,516	—	—	—	—
Total	\$ 49,498	\$ 6,413	\$ 451	\$ 451	\$ 451	\$ 451

10. Securities

1. Investment securities as of March 31, 2020 and 2021 consisted of the following:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Available-for-sale securities with market value	¥ 1,705	¥ 2,236	\$ 20,196

2. The carrying amount and fair value of held-to-maturity debt securities as of March 31, 2020 and 2021 were as follows:

Not applicable

3. The carrying amount (fair value) and acquisition cost of available-for-sale securities as of March 31, 2020 and 2021 were as follows:

As of March 31, 2020	Millions of yen		
	Carrying amount	Acquisition cost	Difference
1) Securities with carrying amount exceeding acquisition cost			
Equity securities	¥ 1,511	¥ 588	¥ 922
Other	2	1	0
Subtotal	¥ 1,513	¥ 590	¥ 923
2) Securities with acquisition cost exceeding carrying amount			
Equity securities	¥ 191	¥ 245	¥ (54)
Subtotal	¥ 191	¥ 245	¥ (54)
Total	¥ 1,705	¥ 835	¥ 869

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)
Total	¥ 2,236	¥ 835	¥ 1,400

As of March 31, 2021	Thousands of U.S. dollars		
	Carrying amount	Acquisition cost	Difference
1) Securities with carrying amount exceeding acquisition cost			
Equity securities	\$ 18,679	\$ 5,952	\$ 12,726
Other	45	9	36
Subtotal	\$ 18,724	\$ 5,970	\$ 12,754
2) Securities with acquisition cost exceeding carrying amount			
Equity securities	\$ 1,463	\$ 1,571	\$ (108)
Subtotal	\$ 1,463	\$ 1,571	\$ (108)
Total	\$ 20,196	\$ 7,542	\$ 12,645

(Note) "Unlisted equity securities" in an amount of ¥1,204 million as of March 31, 2020 and ¥1,202 million (\$10,857 thousand) as of March 31, 2021 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, 2020 and 2021 were as follows:

For the year ended March 31	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Sales proceeds	¥ —	¥ 3	\$ 27
Gain on sales	—	1	9
Loss on sales	—	—	—

5. Securities on which impairment loss was recognized during the years ended March 31, 2020 and 2021 were as follows:

For the year ended March 31, 2020:

The Group recognized impairment loss on available-for-sale securities in amount of ¥5 million.

For the year ended March 31, 2021:

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, 2020 and 2021 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
	2020	2021	2021
Beginning balance of projected benefit obligations	¥ 4,274	¥ 4,050	\$ 36,582
Service cost	268	262	2,366
Interest cost	17	13	117
Actuarial differences	(16)	(47)	(424)
Retirement benefits paid	(436)	(343)	(3,098)
Extra retirement payments of subsidiaries	(37)	(2)	(18)
Other	(18)	(6)	(54)
Ending balance of projected benefit obligations	¥ 4,050	¥ 3,927	\$ 35,471

2) The changes in plan assets for the years ended March 31, 2020 and 2021 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
	2020	2021	2021
Beginning balance of plan assets	¥ 4,119	¥ 3,895	\$ 35,182
Expected return of plan assets	82	77	695
Actuarial differences	(203)	692	6,250
Contribution from the employer	312	230	2,077
Retirement benefits paid	(416)	(310)	(2,800)
Ending balance of plan assets	¥ 3,895	¥ 4,586	\$ 41,423

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, 2020 and 2021 were as follows:

For the year ended March 31	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Beginning balance of net defined benefit liability	¥ 80	¥ 113	\$ 1,020
Retirement benefit expenses	37	21	189
Retirement benefits paid	(5)	(2)	(18)
Ending balance of net defined benefit liability	¥ 113	¥ 132	\$ 1,192

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, 2020 and 2021 was as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Funded projected benefit obligations	¥ 3,926	¥ 3,832	\$ 34,612
Plan assets	(3,895)	(4,586)	(41,423)
Net	¥ 31	¥ (753)	\$ (6,801)
Unfunded projected benefit obligations	237	227	2,050
Net liability recorded in the consolidated balance sheet	¥ 268	¥ (526)	\$ (4,751)
Net defined benefit liability	¥ 268	¥ 227	\$ 2,050
Net defined benefit asset	—	(753)	(6,801)
Net liability recorded in the consolidated balance sheet	¥ 268	¥ (526)	\$ (4,751)

(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, 2020 and 2021 were as follows:

For the year ended March 31	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Service cost	¥ 268	¥ 262	\$ 2,366
Interest cost	17	13	117
Expected return of plan assets	(82)	(77)	(695)
Amortization of actuarial differences	40	63	569
Retirement benefit expenses computed by short-cut method	37	21	189
Extra retirement payments of subsidiaries	103	(2)	(18)
Other	(18)	(6)	(54)
Retirement benefit expenses on defined benefit plans	¥ 366	¥ 275	\$ 2,483

6) The component of "Remeasurements of defined benefit plans" under "Other comprehensive income" (before adjusting for tax effects) for the years ended March 31, 2020 and 2021 was as follows:

For the year ended March 31	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Actuarial differences	¥ (145)	¥ 803	\$ 7,253

7) The component of “Remeasurements of defined benefit plans” under “Accumulated other comprehensive income” (before adjusting for tax effects) as of March 31, 2020 and 2021 was as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Unrecognized actuarial differences	¥ (192)	¥ 611	\$ 5,518

8) Plan assets

a. Components of plan assets

Plan assets as of March 31, 2020 and 2021 consisted of the following:

As of March 31	2020	2021
Bonds	58%	57%
Equity securities	29	33
Insurance assets (general account)	10	8
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, 2020 and 2021 were set forth as follows:

For the year ended March 31	2020	2021
Discount rate	0.1%	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, 2020 and 2021 was as follows:

For the year ended March 31	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Required contribution to the defined contribution plans	¥ 71	¥ 70	\$ 632

12. Deferred Tax Accounting

1. The significant components of deferred tax assets and liabilities as of March 31, 2020 and 2021 were as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Deferred tax assets:			
Tax loss carryforwards	¥ 87	¥ 537	\$ 4,850
Provision for bonuses	165	163	1,472
Net defined benefit liability	35	30	270
Allowance for doubtful accounts	44	18	162
Loss on valuation of real estate for sale	287	287	2,592
Provision for loss on construction contracts	0	5	45
Accounts payable for construction contracts	55	87	785
Impairment loss	1,355	1,350	12,194
Other	394	430	3,884
Subtotal	2,425	2,911	26,293
Less: valuation allowance (Note)	(1,885)	(2,432)	(21,967)
Deferred tax assets	¥ 540	¥ 479	\$ 4,326
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	¥ (272)	¥ (438)	\$ (3,956)
Undistributed earnings of foreign consolidated subsidiaries	(410)	(426)	(3,847)
Net defined benefit asset	—	(230)	(2,077)
Other	(57)	(31)	(280)
Deferred tax liabilities	¥ (739)	¥ (1,126)	\$(10,170)
Net deferred tax liabilities	¥ (199)	¥ (647)	\$ (5,844)

(Note) Valuation allowance increased by ¥547 million (\$4,940 thousand). The major reason for this increase was the recognition of valuation allowance of ¥340 million (\$3,071 thousand) and ¥196 million (\$1,770 thousand) associated with tax loss carryforwards by the consolidated subsidiaries Nakano Singapore (Pte.) Ltd. and Nakano Construction Sdn. Bhd., 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, 2020 and 2021 was as follows:

As of March 31	2020	2021
Normal effective statutory tax rate	30.6%	30.6%
Expenses not deductible income tax purposes	0.7	1.1
Tax rate differences in foreign consolidated subsidiaries	(2.3)	11.4
Undistributed earnings of foreign consolidated subsidiaries	(0.3)	1.4
Inhabitant per capita taxes	0.8	2.1
Withholding tax of foreign consolidated subsidiaries for prior periods	1.1	(6.2)
Valuation allowance	(3.1)	32.5
Other	1.4	(1.2)
Actual effective tax rate	28.9	71.7

13. 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, 2020 and 2021 were ¥732 million and ¥791 million (\$7,144 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, 2020 and 2021.

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
	2020	2021	2021
Carrying amounts			
(Note 1):			
Beginning balance	¥ 12,787	¥ 12,789	\$ 115,518
Increase (decrease) (Note 2)	2	(1,048)	(9,466)
Ending balance	¥ 12,789	¥ 11,741	\$ 106,051
Fair value (Note 3)	¥ 17,852	¥ 16,821	\$ 151,937

(Notes): 1. The carrying amount is presented after deducting accumulated depreciation from the acquisition cost.
 2. Increase during the year ended March 31, 2020 primarily represents the acquisition of real estate of ¥214 million and decrease is primarily due to depreciation of ¥141 million and effect of change in exchange rate of ¥70 million.
 Increase during the year ended March 31, 2021 primarily represents the acquisition of real estate of ¥32 million (\$289 thousand) and effect of change in exchange rate of ¥78 million (\$704 thousand), and decrease is primarily due to the change in holding purpose from investment to internal use of ¥1,036 million (\$9,357 thousand), and depreciation of ¥146 million (\$1,318 thousand).
 3. The fair values of major properties are determined based on the real estate appraisal value by independent real estate appraisers and the fair values of other properties are determined based on the value in accordance with “Japanese Real Estate Appraisal Standard” or based on reasonable internal appraisal.

14. Segment Information

1. Description of reportable segments

The 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 (Singapore and Malaysia)”.

In addition, during the fiscal year ended March 31, 2021, the holding purpose of real estate owned by Nakano Singapore (Pre.) 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”.

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

For the year ended March 31, 2020	Reportable segments									Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
	Construction			Real estate			Total	Adjustments (Note 2)	Consolidated (Note 3)				
	Japan	Southeast Asia	Total	Japan	Southeast Asia	Total							
Net sales:													
Customers	¥ 77,504	¥ 38,187	¥ 115,691	¥ 1,150	¥ 26	¥ 1,177	¥ 109	¥ 116,977	¥ —	¥ 116,977	—	¥ 116,977	
Inter-segment	0	—	0	1	—	1	—	1	(1)	—			
Total	77,504	38,187	115,691	1,151	26	1,178	109	116,979	(1)	116,977			
Segment income	3,027	408	3,435	622	13	636	33	4,104	—	4,104			
Segment assets	31,140	23,561	54,701	12,515	1,036	13,551	352	68,605	12,744	81,349			
Other items:													
Depreciation	¥ 104	¥ 189	¥ 294	¥ 139	¥ 6	¥ 145	¥ 35	¥ 474	¥ —	¥ 474			
Increase in property, plant and equipment and intangible assets	263	249	512	119	68	188	1	702	—	702			

- (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 ¥12,744 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 is reconciled with operating income in the accompanying consolidated statements of income.

For the year ended March 31, 2021	Reportable segments									Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
	Construction			Real estate			Total	Adjustments (Note 2)	Consolidated (Note 3)				
	Japan	Southeast Asia	Total	Japan	Southeast Asia	Total							
Net sales:													
Customers	¥ 78,557	¥ 36,200	¥ 114,757	¥ 1,173	¥ 17	¥ 1,191	¥ 97	¥ 116,046	¥ —	¥ 116,046			
Inter-segment	0	—	0	3	—	3	—	3	(3)	—			
Total	78,557	36,200	114,757	1,177	17	1,194	97	116,050	(3)	116,046			
Segment income (loss)	2,865	(1,964)	901	691	7	698	22	1,623	(0)	1,622			
Segment assets	30,001	25,194	55,195	12,551	68	12,620	321	68,137	16,330	84,467			
Other items:													
Depreciation	¥ 105	¥ 166	¥ 272	¥ 141	¥ 5	¥ 147	¥ 31	¥ 451	¥ —	¥ 451			
Increase in property, plant and equipment and intangible assets	322	194	517	35	0	35	2	555	—	555			

For the year ended March 31, 2021	Reportable segments									Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
	Construction			Real estate			Total	Adjustments (Note 2)	Consolidated (Note 3)				
	Japan	Southeast Asia	Total	Japan	Southeast Asia	Total							
Net sales:													
Customers	\$ 709,574	\$ 326,980	\$ 1,036,554	\$ 10,595	\$ 153	\$ 10,757	\$ 876	\$ 1,048,197	\$ —	\$ 1,048,197			
Inter-segment	0	—	0	27	—	27	—	27	(27)	—			
Total	709,574	326,980	1,036,554	10,631	153	10,784	876	1,048,234	(27)	1,048,197			
Segment income (loss)	25,878	(17,740)	8,138	6,241	63	6,304	198	14,659	(0)	14,650			
Segment assets	270,987	227,567	498,554	113,368	614	113,991	2,899	615,454	147,502	762,957			
Other items:													
Depreciation	\$ 948	\$ 1,499	\$ 2,456	\$ 1,273	\$ 45	\$ 1,327	\$ 280	\$ 4,073	\$ —	\$ 4,073			
Increase in property, plant and equipment and intangible assets	2,908	1,752	4,669	316	0	316	18	5,013	—	5,013			

- (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 (\$147,502 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 income in the accompanying consolidated statements of income.

15. Per Share Information

Basic net income per share is computed based on the weighted average number of shares of common stock outstanding during the year. Diluted net income per share was not presented for the years ended March 31, 2020 and 2021 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, 2020 and 2021 were as follows:

For the year ended March 31	Yen		U.S. dollars
	2020	2021	2021
Net assets per share	¥ 996.50	¥1,044.19	\$ 9.43
Basic net income per share	85.33	10.75	0.10

(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
	2020	2021	2021
Total net assets	¥ 35,532	¥ 37,318	\$ 337,078
Deductions from total net assets:			
Non-controlling interests	(1,282)	(1,430)	(12,916)
Net assets attributable to common stock	¥ 34,249	¥ 35,887	\$ 324,153
Number of shares of common stock used in computing net assets per share (in thousand shares)	34,369	34,368	34,368

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
	2020	2021	2021
Profit attributable to owners of parent	¥ 2,932	¥ 369	\$ 3,333
Amount not attributable to common stock shareholders	—	—	—
Profit attributable to common stock of owners of parent	¥ 2,932	¥ 369	\$ 3,333
Average number of shares of common stock during the year (in thousand shares)	34,370	34,369	34,369

16. Bonds Payable

Bonds payable as of March 31, 2020 and 2021 consisted of the following:

Issuer and Issue type (Nakano Corporation)	Issue date	Millions of yen		Thousands of U.S. dollars	Interest rate (%)	Collateral	Maturity
		2020	2021	2021			
9 th unsecured bond	Mar.10, 2020	¥ 500	¥ 500	\$ 4,516	0.34	None	Mar. 10, 2023

(Notes): The following was a summary of maturities of bonds subsequent to March 31, 2021:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2022	¥ —	\$ —
2023	500	4,516
2024	—	—
2025	—	—
2026	—	—
2027 and thereafter	—	—
Total	¥ 500	\$ 4,516

17. Loans Payable and Other Debts Short-term loans payable, long-term loans payable and other debts as of March 31, 2020 and 2021 were as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars	Average interest rate (%)	Maturity
	2020	2021	2021		
Short-term loans payable	¥ 170	¥ 5,170	\$ 46,698	0.85	—
Current portion of long-term loans payable	310	310	2,800	0.96	—
Current portion of lease obligations	108	104	939	—	—
Long-term loans payable excluding current portion	720	410	3,703	0.97	May.31, 2022 – Feb. 25, 2027
Lease obligations excluding current portion	99	95	858	—	Apr. 10, 2022 – Sep. 30, 2025
Total	¥ 1,407	¥ 6,089	\$ 54,999	—	—

(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, 2021:

Years ending March 31	Millions of yen		Thousands of U.S. dollars	
	Long-term loans payable	Lease obligations	Long-term loans payable	Lease obligations
2022	¥ 310	¥ 104	\$ 2,800	\$ 939
2023	210	75	1,896	677
2024	50	17	451	153
2025	50	2	451	18
2026	50	0	451	0
2027 and thereafter	50	—	451	—
Total	¥ 720	¥ 199	\$ 6,503	\$ 1,797

18. Subsequent Events

1. At the Annual General Meeting of Shareholders held on June 29, 2021, 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 (\$3,721 thousand).

2. Acquisition of non-current assets

Based on a resolution made at the Board of Directors meeting in July 2021, the Company concluded contracts, etc. for the acquisition of non-current assets effective July 16, 2021, and acquired the assets the same day. The details of the acquisition are as follows.

1) Details of the non-current assets

Address	1-36-2 Shikinaï, Otaru-shi, Hokkaido
Land	751.79m ²
Buildings	i) 7 floors above ground, total floor space 3,018.84m ² ii) 3 floors above ground, total floor space 222.71m ²
Acquisition value	Publication has been withheld by agreement with the seller.

2) Overview of the seller

Company name	WBF Hotels & Resorts Co., Ltd.
Address	1-11-1 Nakatsu, Kita-ku, Osaka-shi, Osaka
Name and position of representative	Chiyoko Ikeda, Representative Director
Description of business	Management of hotels and restaurants, real estate leasing and other
Capital	¥6 million (\$54 thousand)
Relationship with the Company	The Company has a business relationship with the seller, but does not have a capital relationship or human relationship. The seller is not a related party of the Company.

3) Reason for the acquisition

This acquisition of non-current assets constitutes the collection of monetary claims against the seller, concerning which doubts had arisen regarding recoverability.

SUPPLEMENTAL INFORMATION

NONCONSOLIDATED BALANCE SHEETS

NAKANO CORPORATION

As of March 31, 2020 and 2021

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Assets			
Current assets:			
Cash and deposits	¥ 11,310	¥ 13,581	\$ 122,671
Notes receivable - trade	1,433	2,671	24,126
Accounts receivable from completed construction contracts	19,452	19,485	176,000
Costs on uncompleted construction contracts	1,458	990	8,942
Costs on real estate business	43	43	388
Raw materials and supplies	6	5	45
Short-term loans receivable from subsidiaries and affiliates	15	15	135
Accounts receivable - other	3,535	1,565	14,136
Other	567	502	4,534
Allowance for doubtful accounts	(78)	(46)	(415)
Total current assets	37,743	38,814	350,591
Non-current assets:			
Property, plant and equipment			
Buildings	6,938	6,972	62,975
Accumulated depreciation	(3,593)	(3,741)	(33,790)
Buildings, net	3,345	3,230	29,175
Structures	147	147	1,327
Accumulated depreciation	(130)	(134)	(1,210)
Structures, net	16	12	108
Machinery and equipment	560	562	5,076
Accumulated depreciation	(307)	(338)	(3,053)
Machinery and equipment, net	252	223	2,014
Vehicles	11	11	99
Accumulated depreciation	(10)	(11)	(99)
Vehicles, net	0	0	0
Tools, furniture and fixtures	296	306	2,763
Accumulated depreciation	(227)	(252)	(2,276)
Tools, furniture and fixtures, net	69	53	478
Land	11,170	11,170	100,894
Lease assets	145	147	1,327
Accumulated depreciation	(30)	(61)	(550)
Lease assets, net	115	85	767
Construction in progress	49	346	3,125
Total property, plant and equipment	15,022	15,124	136,609
Intangible assets			
Total intangible assets	194	189	1,707
Investments and other assets			
Investment securities	1,708	2,148	19,402
Stocks of subsidiaries and affiliates	2,425	2,425	21,904
Long-term loans receivable from subsidiaries and affiliates	90	75	677
Insurance funds	31	31	280
Prepaid pension cost	161	142	1,282
Deferred tax assets	100	34	307
Other	313	265	2,393
Allowance for doubtful accounts	(13)	(12)	(108)
Total investments and other assets	4,817	5,109	46,147
Total non-current assets	20,034	20,422	184,463
Total assets	¥ 57,778	¥ 59,237	\$ 535,064

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Liabilities			
Current liabilities:			
Notes payable – trade	¥ 2,112	¥ 1,376	\$ 12,428
Electronically recorded obligations - operating	8,983	6,617	59,768
Accounts payable for construction contracts	13,142	10,507	94,905
Short-term loans payable	480	5,480	49,498
Lease obligations	37	38	343
Income taxes payable	272	794	7,171
Advances received on uncompleted construction contracts	6,124	5,717	51,639
Provision for warranties for completed construction	255	298	2,691
Provision for loss on construction contracts	1	17	153
Provision for bonuses	532	527	4,760
Other	550	793	7,162
Total current liabilities	32,492	32,167	290,551
Non-current liabilities:			
Bonds payable	500	500	4,516
Long-term loans payable	720	410	3,703
Lease obligations	87	54	487
Provision for retirement benefits	31	42	379
Long-term deposits received	548	546	4,931
Other	120	120	1,083
Total non-current liabilities	2,008	1,674	15,120
Total liabilities	34,500	33,841	305,672
Net assets			
Shareholders' equity:			
Common stock			
Authorized: 154,792,300 shares			
Issued: 34,498,097 shares	¥ 5,061	¥ 5,061	\$ 45,714
Capital surplus			
Legal capital surplus	1,400	1,400	12,645
Total capital surplus	1,400	1,400	12,645
Retained earnings			
Other retained earnings			
Retained earnings brought forward	16,347	18,159	164,023
Total retained earnings	16,347	18,159	164,023
Less: Treasury stock, at cost			
128,323 shares in 2020 and 129,465 shares in 2021	(34)	(34)	(307)
Total shareholders' equity	22,775	24,586	222,075
Valuation and translation adjustments:			
Valuation difference on available-for-sale securities	502	808	7,298
Total valuation and translation adjustments	502	808	7,298
Total net assets	23,277	25,395	229,383
Total liabilities and net assets	¥ 57,778	¥ 59,237	\$ 535,064

NONCONSOLIDATED STATEMENTS OF INCOME

NAKANO CORPORATION

For the years ended March 31, 2020 and 2021

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Net sales:			
Net sales of completed construction contracts	¥ 77,504	¥ 78,557	\$ 709,574
Sales on real estate business	1,090	1,116	10,080
Sales on other business	72	68	614
Total net sales	78,667	79,741	720,269
Cost of sales:			
Cost of sales of completed construction contracts	70,399	71,529	646,093
Cost of sales on real estate business	457	419	3,784
Cost of sales on other business	43	41	370
Total cost of sales	70,899	71,990	650,257
Gross profit:			
Gross profit on completed construction contracts	7,105	7,027	63,472
Gross profit - real estate business	633	696	6,286
Gross profit - other business	28	26	234
Total gross profit	7,768	7,751	70,011
Selling, general and administrative expenses	4,343	4,393	39,680
Operating income	3,424	3,357	30,322
Non-operating income:			
Interest income	30	4	36
Dividend income	53	44	397
Foreign exchange gains	—	25	225
Interest on tax refund	—	15	135
Other	17	18	162
Total non-operating income	101	108	975
Non-operating expenses:			
Interest expenses	15	50	451
Foreign exchange losses	28	—	—
Bond issuance cost	15	—	—
Other	7	1	9
Total non-operating expenses	67	52	469
Ordinary income	3,458	3,413	30,828
Extraordinary income:			
Gain on sales of investment securities	—	1	9
Gain on liquidation of subsidiaries and associates	17	—	—
Total extraordinary income	17	1	9
Extraordinary losses:			
Loss on litigation	79	18	162
Head office relocation expenses	54	14	126
Other	4	0	0
Total extraordinary losses	137	33	298
Profit before income taxes	3,339	3,380	30,530
Income taxes:			
Income taxes - current	933	1,156	10,441
Income taxes - deferred	162	(69)	(623)
Total income taxes	1,095	1,087	9,818
Profit	¥ 2,243	¥ 2,292	\$ 20,702

CORPORATE PROFILE

Company Outline (As of March 31, 2021)

Company Name	NAKANO CORPORATION
Headquarters	Sumitomoichigaya Building 8F 1-1, Ichigayahonmura-cho, Shinjuku-ku, Tokyo 162-0845, Japan
Foundation	February 8, 1933
Established	December 19, 1942
Capitalization	¥5,061,678,686
Employees	1,336(Group)
Stock Listing	Tokyo Stock Exchange, First Section
Primary Business	Domestic Construction Projects International Construction Projects Real Estate Business

Board of Directors / Audit & Supervisory Board Members (As of September 10, 2021)

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

Major Shareholders

Oshima Scholarship Foundation	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
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