



Annual Report 2020

Fiscal year ended March 31, 2020



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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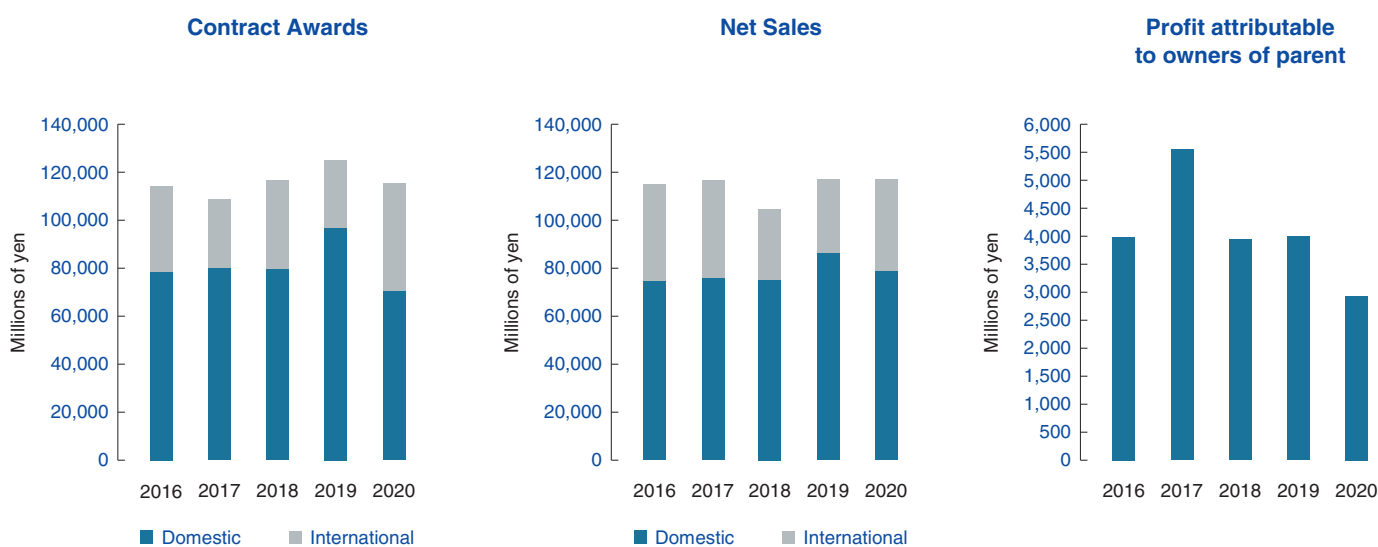
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FINANCIAL HIGHLIGHTS

NAKANO CORPORATION and its subsidiaries
Years ended March 31, 2016 through 2020

	2016	2017	2018	2019	2020	2020
	Millions of yen					Thousands of U.S. dollars
Contract awards	¥114,067	¥108,637	¥116,422	¥125,022	¥115,640	\$1,062,574
Net sales	114,989	116,802	104,456	117,152	116,977	1,074,859
Operating income	5,481	5,958	4,264	5,476	4,104	37,710
Ordinary income	5,795	6,232	4,579	5,954	4,395	40,384
Profit attributable to owners of parent	3,986	5,544	3,947	3,990	2,932	26,941
Comprehensive income	2,942	5,816	4,631	4,023	1,661	15,262
Total net assets	20,880	26,455	30,742	34,352	35,532	326,490
Total assets	73,976	77,984	84,554	84,450	81,349	747,486
Net cash provided by (used in) operating activities	9,607	428	4,611	2,864	(6,797)	(62,455)
Net cash provided by (used in) investing activities	844	(3,698)	(1,773)	2,544	(555)	(5,099)
Net cash provided by (used in) financing activities	(2,244)	(969)	(458)	(931)	(1,821)	(16,732)
Cash and cash equivalents at end of period	29,329	24,364	27,001	31,600	21,612	198,584
	Yen					U.S. dollars
Per share of common stock						
(in yen and U.S. dollars)						
Net assets	¥577.61	¥738.16	¥860.02	¥961.56	¥996.50	\$9.16
Net income	115.96	161.28	114.83	116.09	85.33	0.78
Cash dividends applicable to the year	7.00	10.00	12.00	14.00	14.00	0.13
Number of employees	1,314	1,363	1,355	1,390	1,361	

Notes: 1. The rate of ¥108.83=US\$1.00, the foreign exchange rate on March 31, 2020, 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, 2020, 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, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for 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.

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.

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.

森 英之 

Hideyuki Mori
Engagement Partner
Certified Public Accountant

Izumi Audit Corporation
Tokyo, Japan
September 17, 2020

CONSOLIDATED BALANCE SHEETS

NAKANO CORPORATION and its subsidiaries
As of March 31, 2019 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2019	2020	2020
Assets			
Current assets:			
Cash and deposits (Notes 4, 7 and 9)	¥ 32,329	¥ 22,535	\$ 207,066
Notes receivable, accounts receivable from completed construction contracts and other (Notes 4 and 9)	25,682	30,391	279,252
Securities (Notes 4, 9 and 10)	9	—	—
Costs on uncompleted construction contracts (Note 4)	1,396	2,890	26,555
Costs on real estate business	48	48	441
Raw materials and supplies	6	6	55
Accounts receivable - other	3,352	2,191	20,132
Consumption taxes receivable	—	2,202	20,233
Other	1,182	985	9,050
Allowance for doubtful accounts	—	(161)	(1,479)
Total current assets	64,009	61,091	561,343
Non-current assets:			
Property, plant and equipment (Note 4)			
Buildings and structures	8,128	7,804	71,708
Machinery, vehicles, tools, furniture and fixtures (Note 8)	1,570	1,592	14,628
Land	11,515	11,524	105,889
Construction in progress	54	49	450
Accumulated depreciation	(5,620)	(5,117)	(47,018)
Total property, plant and equipment	15,648	15,853	145,667
Intangible assets			
Leasehold right	960	903	8,297
Other	105	93	854
Total intangible assets	1,066	996	9,151
Investments and other assets			
Investment securities (Notes 4, 9 and 10)	3,243	2,909	26,729
Long-term loans receivable	108	67	615
Net defined benefit asset (Note 11)	30	—	—
Other	380	443	4,070
Allowance for doubtful accounts	(36)	(13)	(119)
Total investments and other assets	3,726	3,407	31,305
Total non-current assets	20,441	20,257	186,134
Total assets	¥ 84,450	¥ 81,349	\$ 747,486

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

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2019	2020	2020
Liabilities			
Current liabilities:			
Notes payable, accounts payable for construction contracts and other (Notes 4 and 9)	¥ 35,228	¥ 34,236	\$ 314,582
Short-term loans payable (Notes 4, 9 and 17)	810	480	4,410
Current portion of bonds (Notes 9 and 16)	1,000	—	—
Income taxes payable	1,315	315	2,894
Advances received on uncompleted construction contracts	5,715	6,644	61,049
Provision for warranties for completed construction	272	255	2,343
Provision for loss on construction contracts (Note 4)	—	1	9
Provision for bonuses	599	538	4,943
Other (Note 17)	2,918	769	7,066
Total current liabilities	47,860	43,241	397,326
Non-current liabilities:			
Bonds payable (Notes 9 and 16)	—	500	4,594
Long-term loans payable (Notes 4, 9 and 17)	1,030	720	6,615
Deferred tax liabilities (Note 12)	286	282	2,591
Net defined benefit liability (Note 11)	266	268	2,462
Other (Note 17)	654	805	7,396
Total non-current liabilities	2,237	2,576	23,669
Total liabilities	50,097	45,817	420,996
Net assets			
Shareholders' equity:			
Common stock			
Authorized: 154,792,300 shares			
Issued: 34,498,097 shares	¥ 5,061	¥ 5,061	\$ 46,503
Capital surplus	1,400	1,400	12,864
Retained earnings	26,481	28,933	265,855
Less: Treasury stock, at cost			
126,779 shares in 2019 and 128,323 shares in 2020	(33)	(34)	(312)
Total shareholders' equity	32,910	35,360	324,910
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	824	597	5,485
Foreign currency translation adjustment	(651)	(1,575)	(14,472)
Remeasurements of defined benefit plans (Note 11)	(32)	(133)	(1,222)
Total accumulated other comprehensive income	139	(1,111)	(10,208)
Non-controlling interests:			
Total net assets	34,352	35,532	326,490
Total liabilities and net assets	¥ 84,450	¥ 81,349	\$ 747,486

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, 2019 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2019	2020	2020
Net sales:			
Net sales of completed construction contracts	¥ 115,970	¥ 115,691	\$ 1,063,043
Sales on real estate business (Note 13)	1,076	1,177	10,815
Sales on other business	105	109	1,001
Total net sales	117,152	116,977	1,074,859
Cost of sales:			
Cost of sales of completed construction contracts (Note 5)	105,884	106,787	981,227
Cost of sales on real estate business (Note 13)	387	426	3,914
Cost of sales on other business	63	62	569
Total cost of sales	106,335	107,276	985,720
Gross profit:			
Gross profit on completed construction contracts	10,085	8,903	81,806
Gross profit - real estate business	689	751	6,900
Gross profit - other business	42	46	422
Total gross profit	10,817	9,701	89,139
Selling, general and administrative expenses (Note 5)	5,340	5,596	51,419
Operating income	5,476	4,104	37,710
Non-operating income:			
Interest income	333	290	2,664
Dividend income	53	55	505
Foreign exchange gains	61	—	—
Other	61	22	202
Total non-operating income	510	368	3,381
Non-operating expenses:			
Interest expenses	28	31	284
Foreign exchange losses	—	28	257
Bond issuance cost	—	15	137
Other	3	2	18
Total non-operating expenses	32	77	707
Ordinary income	5,954	4,395	40,384
Extraordinary income:			
Gain on sales of non-current assets (Note 5)	2	16	147
Gain on liquidation of subsidiaries and associates	—	17	156
Total extraordinary income	2	34	312
Extraordinary losses:			
Loss on litigation	35	79	725
Head office relocation expenses (Note 5)	200	54	496
Extra retirement payments of subsidiaries	—	111	1,019
Other (Note 5)	8	5	45
Total extraordinary losses	244	250	2,297
Profit before income taxes	5,712	4,178	38,390
Income taxes:			
Income taxes - current	1,562	1,153	10,594
Income taxes - deferred (Note 12)	70	54	496
Total income taxes	1,633	1,207	11,090
Profit	4,078	2,971	27,299
Profit attributable to non-controlling interests	88	38	349
Profit attributable to owners of parent	¥ 3,990	¥ 2,932	\$ 26,941

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, 2019 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2019	2020	2020
Profit	¥ 4,078	¥ 2,971	\$ 27,299
Other comprehensive income:			
Valuation difference on available-for-sale securities	(210)	(226)	(2,076)
Foreign currency translation adjustment	115	(982)	(9,023)
Remeasurements of defined benefit plans	39	(101)	(928)
Total other comprehensive income (Note 6)	(55)	(1,309)	(12,027)
Comprehensive income	¥ 4,023	¥ 1,661	\$ 15,262
Comprehensive income attributable to:			
Comprehensive income attributable to owners of parent	¥ 3,902	¥ 1,681	\$ 15,446
Comprehensive income attributable to non-controlling interests	121	(20)	(183)

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, 2019 and 2020

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, 2018	¥ 5,061	¥ 1,400	¥ 22,904	¥ (32)	¥ 29,333	¥ 1,034	¥ (734)	¥ (71)	¥ 228	¥ 1,180	¥ 30,742	
Changes of items during period												
Dividends from surplus			(412)		(412)						(412)	
Profit attributable to owners of parent			3,990		3,990						3,990	
Purchase of treasury stock				(0)	(0)						(0)	
Net changes of items other than shareholders' equity						(210)	82	39	(88)	121	33	
Total changes of items during period	—	—	3,577	(0)	3,576	(210)	82	39	(88)	121	3,610	
Balance as at March 31, 2019	¥ 5,061	¥ 1,400	¥ 26,481	¥ (33)	¥ 32,910	¥ 824	¥ (651)	¥ (32)	¥ 139	¥ 1,302	¥ 34,352	
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	

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, 2019	\$ 46,503	\$ 12,864	\$ 243,324	\$ (303)	\$ 302,398	\$ 7,571	\$ (5,981)	\$ (294)	\$ 1,277	\$ 11,963	\$ 315,648	
Changes of items during period												
Dividends from surplus			(4,419)		(4,419)						(4,419)	
Profit attributable to owners of parent			26,941		26,941						26,941	
Purchase of treasury stock				(0)	(0)						(0)	
Net changes of items other than shareholders' equity						(2,076)	(8,481)	(928)	(11,494)	(183)	(11,678)	
Total changes of items during period	—	—	22,521	(0)	22,512	(2,076)	(8,481)	(928)	(11,494)	(183)	10,833	
Balance as at March 31, 2020	\$ 46,503	\$ 12,864	\$ 265,855	\$ (312)	\$ 324,910	\$ 5,485	\$ (14,472)	\$ (1,222)	\$ (10,208)	\$ 11,779	\$ 326,490	

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, 2019 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2019	2020	2020
Cash flows from operating activities:			
Profit before income taxes	¥ 5,712	¥ 4,178	\$ 38,390
Adjustments for:			
Depreciation and amortization	314	474	4,355
Increase (decrease) in allowance for doubtful accounts	23	156	1,433
Increase (decrease) in net defined benefit liability	(41)	(7)	(64)
Decrease (increase) in net defined benefit asset	(77)	(83)	(762)
Increase (decrease) in provision for loss on construction contracts	(41)	1	9
Interest and dividend income	(386)	(346)	(3,179)
Interest expenses	28	31	284
Decrease (increase) in notes and accounts receivable - trade	1,158	(5,372)	(49,361)
Decrease (increase) in costs on uncompleted construction contracts	107	(1,545)	(14,196)
Increase (decrease) in notes and accounts payable - trade	(2,231)	(351)	(3,225)
Increase (decrease) in advances received on uncompleted construction contracts	(3,449)	951	8,738
Decrease/increase in consumption taxes receivable/payable	3,215	(4,074)	(37,434)
Other, net	(942)	986	9,060
Subtotal	3,389	(5,001)	(45,952)
Interest and dividend income received	391	357	3,280
Interest expenses paid	(28)	(29)	(266)
Income taxes paid	(888)	(2,124)	(19,516)
Net cash provided by (used in) operating activities	2,864	(6,797)	(62,455)
Cash flows from investing activities:			
Payments into time deposits	(1,093)	(1,236)	(11,357)
Proceeds from withdrawal of time deposits	5,285	1,020	9,372
Purchase of property, plant and equipment	(1,611)	(314)	(2,885)
Purchase of intangible assets	(78)	(14)	(128)
Other, net	42	(11)	(101)
Net cash provided by (used in) investing activities	2,544	(555)	(5,099)
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	(140)	(30)	(275)
Repayments of long-term loans payable	(310)	(610)	(5,605)
Proceeds from issuance of bonds	—	482	4,428
Redemption of bonds	(40)	(1,000)	(9,188)
Cash dividends paid	(412)	(480)	(4,410)
Other, net	(29)	(183)	(1,681)
Net cash provided by (used in) financing activities	(931)	(1,821)	(16,732)
Effect of exchange rate change on cash and cash equivalents	122	(813)	(7,470)
Net increase (decrease) in cash and cash equivalents	4,599	(9,988)	(91,776)
Cash and cash equivalents at beginning of period	27,001	31,600	290,361
Cash and cash equivalents at end of period (Note 7)	¥ 31,600	¥ 21,612	\$ 198,584

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 “Group”) are prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.</p> <p>In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made to the 2019 financial statements to conform to the classifications used in 2020.</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 ¥108.83 to U.S.\$1, the rate of exchange prevailing at March 31, 2020, 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 The Company had 9 subsidiaries as of March 31, 2020. The consolidated financial statements for the year ended March 31, 2020 include the accounts of the Company and all subsidiaries.</p> <p>2) Financial Statements of Subsidiaries The subsidiaries’ financial year-end is March 31.</p> <p>b. Securities Securities are classified and accounted for as follows:</p> <p>1) 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>2) 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 Costs on uncompleted construction contracts are stated at cost determined by the specific identification method.</p> <p>Costs on real estate business and raw materials and supplies are stated at cost determined by the specific identification method for costs on real estate business and by the last purchase price method for raw material and supplies, while the net book value of these inventories in the balance sheet is written down if the net realizable value declines.</p> <p>d. Property, Plant and Equipment (excluding lease assets) Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its domestic consolidated subsidiaries is computed by the declining-balance method. Buildings (excluding building fixtures) acquired on or after April 1, 1998 and building fixtures and structures acquired on or after April 1, 2016 are depreciated using the straight-line method. Useful lives and residual values of the assets are determined based on the regulations of the Corporation Tax Act.</p> <p>Foreign consolidated subsidiaries use primarily the straight-line method.</p>

e. Intangible Assets (excluding lease assets)

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

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

f. Lease Assets

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

Some foreign consolidated subsidiaries prepare their financial statements pursuant to the International Financial Reporting Standards. As stated in "Changes in Accounting Policies", they have applied International Financial Reporting Standard 16 Leases since the fiscal year ended March 31, 2020. 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 are calculated by the straight-line method.

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, 2020 was ¥109,342 million (\$1,004,704 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. Changes in Accounting Policies

(Application of International Financial Reporting Standard (IFRS) 16 Leases)

Subsidiaries that adopt the International Financial Reporting Standards have applied International Financial Reporting Standard 16 Leases (hereinafter referred to as "IFRS 16") since the fiscal year ended March 31, 2020. Accordingly, lessees recognize all leases as assets and liabilities on the balance sheet, in principle.

As a result, "Property, plant and equipment" increased by ¥80 million (\$735 thousand) and "Other" under current liabilities and "Other" under non-current liabilities increased by ¥70 million (\$643 thousand) and ¥11 million (\$101 thousand) respectively, on the Consolidated Balance Sheets as of March 31, 2020.

The impact of this change on the consolidated statements of income for the year ended March 31, 2020 was immaterial.

In applying IFRS 16, the cumulative effect of the application of the standard was recognized at the date of initial application pursuant to the transitional treatment.

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 31, 2020)

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)

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"

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 Accounting Policy Disclosures, Accounting Changes and Error Corrections” (ASBJ Statement No. 24, March 31, 2020)

1) Overview

This standard is aimed at indicating the principles of adopted accounting treatment and the overview of procedures when provisions of related accounting standards, etc. are not well-defined.

2) Scheduled date of application

Effective from the end of the fiscal year ending March 31, 2021.

“Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, March 31, 2020)

1) Overview

The standard is aimed at disclosing information that would help users of the financial statements understand details of accounting estimates that involve the risk of having material impact on the financial statements of the following fiscal year among the accounting estimates recorded in the financial statements of the fiscal year under review.

2) Scheduled date of application

Effective from the end of the fiscal year ending March 31, 2021.

p. Additional Information

(Accounting estimates associated with the spread of the coronavirus disease 2019)

With the global expansion of the coronavirus disease 2019 (COVID-19), some of the Company's consolidated subsidiaries in Southeast Asia faced strengthened regulations of local authorities and other difficulties. As a result, business activities were suspended due to the closure, etc. of construction sites and offices, which caused a delay in account settlement operations.

Although it is difficult to forecast the future impact of COVID-19, we rationally estimated amounts for completed construction contracts based on the percentage-of-completion method and such accounting estimates as impairment loss on non-current assets and recoverability of deferred tax assets, in consideration of generally smooth progress in domestic construction work and by taking into account the resumption of construction work and other factors with regard to construction works suspended, delayed, etc. at foreign consolidated subsidiaries.

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 and after the fiscal year ending March 31, 2021.

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
	2019	2020	U.S. dollars
			2020
Cash and deposits	¥ 102	¥ 52	\$ 477
Notes receivable	200	200	1,837
Buildings	717	703	6,459
Land	6,320	6,320	58,072
Investment securities	1,474	1,189	10,925
Total	¥ 8,814	¥ 8,466	\$ 77,791
Short-term loans payable	¥ 270	¥ 210	\$ 1,929
Long-term loans payable	590	280	2,572
Total	¥ 860	¥ 490	\$ 4,502

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

As of March 31	Millions of yen		Thousands of U.S. dollars	
	2019	2020	2019	2020
Securities	¥ 9	¥ —	\$ —	\$ —

2. The Group was contingently liable for the following:

As of March 31	Millions of yen		Thousands of U.S. dollars	
	2019	2020	2019	2020
Guarantees to financial institutions, etc. to ensure the completion of construction contracts of Nakano Singapore (Pte.) Ltd. and its subsidiaries	¥ 3,473	¥ 3,925	\$ 36,065	\$ 36,065
Advance payment guarantees	—	206	1,892	1,892
Total	¥ 3,473	¥ 4,131	\$ 37,958	\$ 37,958

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

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

As of March 31	Millions of yen		Thousands of U.S. dollars	
	2019	2020	2019	2020
Electronically recorded monetary claims	¥ 0	¥ —	\$ —	\$ —
Notes payable	567	—	—	—
Electronically recorded obligations	2,256	—	—	—

5. Notes to Consolidated Statements of Income

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

For the year ended March 31	Millions of yen		Thousands of U.S. dollars	
	2019	2020	2019	2020
Provision for loss on construction contracts	¥ —	¥ 1	\$ 9	\$ 9

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

For the year ended March 31	Millions of yen		Thousands of U.S. dollars	
	2019	2020	2019	2020
Employees' salaries and allowances	¥ 2,522	¥ 2,378	\$ 21,850	\$ 21,850
Provision for bonuses	246	227	2,085	2,085
Retirement benefit expenses	129	150	1,378	1,378
Provision of allowance for doubtful accounts	28	158	1,451	1,451
Depreciation	135	181	1,663	1,663

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

For the year ended March 31	Millions of yen		Thousands of U.S. dollars	
	2019	2020	2019	2020
Research and development costs	¥ 13	¥ 60	\$ 551	\$ 551

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

For the year ended March 31	Millions of yen		Thousands of U.S. dollars	
	2019	2020	2019	2020
Vehicles	¥ 2	¥ 16	\$ —	\$ 147
Other	0	—	—	—
Total	¥ 2	¥ 16	\$ —	\$ 147

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

For the year ended March 31	Millions of yen		Thousands of U.S. dollars	
	2019	2020	2019	2020
Impairment loss	¥ 89	¥ —	\$ —	\$ —
Demolition cost	103	25	229	229
Other	8	28	257	257
Total	¥ 200	¥ 54	\$ 496	\$ 496

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

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	
	2019	2020	2019	2020
Valuation difference on available-for-sale securities				
Amount arising during the year	¥ (302)	¥ (330)	\$ (3,032)	\$ (3,032)
Reclassification adjustments	(0)	5	45	45
Total before tax effect	(302)	(325)	(2,986)	(2,986)
Tax effect	91	99	909	909
Valuation difference on available-for-sale securities	(210)	(226)	(2,076)	(2,076)
Foreign currency translation adjustments				
Amount arising during the year	115	(982)	(9,023)	(9,023)
Reclassification adjustments	—	—	—	—
Total before tax effect	115	(982)	(9,023)	(9,023)
Tax effect	—	—	—	—
Foreign currency translation adjustments	115	(982)	(9,023)	(9,023)
Remeasurements of defined benefit plans				
Amount arising during the year	(34)	(200)	(1,837)	(1,837)
Reclassification adjustments	59	54	496	496
Total before tax effect	25	(145)	(1,332)	(1,332)
Tax effect	14	44	404	404
Remeasurements of defined benefit plans	39	(101)	(928)	(928)
Total other comprehensive income	¥ (55)	¥ (1,309)	\$ (12,027)	\$ (12,027)

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
	2019	2020	2020
Cash and deposits per consolidated balance sheets	¥ 32,329	¥ 22,535	\$ 207,066
Less: Time deposits maturing over 3 months	(728)	(923)	(8,481)
Cash and cash equivalents per consolidated statements of cash flows	¥ 31,600	¥ 21,612	\$ 198,584

8. Lease Transactions

1. Finance lease transactions

(As lessee)

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

1) Contents of lease assets

Property, plant and equipment

Equipment such as computers 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, 2019 and 2020 were as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
(As lessee)			
Due in 1 year	¥ 105	¥ 126	\$ 1,157
Due after 1 year	178	52	477
Total	¥ 283	¥ 178	\$ 1,635
(As lessor)			
Due in 1 year	¥ 14	¥ 76	\$ 698
Due after 1 year	23	257	2,361
Total	¥ 38	¥ 334	\$ 3,069

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 securities and 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, 2019 and 2020 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, 2019	Millions of yen		
	Carrying amount	Fair value	Difference
(1) Cash and deposits	¥ 32,329	¥ 32,329	¥ —
(2) Notes receivable, accounts receivable from completed construction contracts and other	25,682	25,682	—
(3) Securities and investment securities			
Held-to-maturity securities	9	10	0
Available-for-sale securities	2,036	2,036	—
Assets total	¥ 60,058	¥ 60,058	¥ 0
(1) Notes payable, accounts payable for construction contracts and other	35,228	35,228	—
(2) Short-term loans payable	810	810	—
(3) Current portion of bonds	1,000	1,000	—
(4) Long-term loans payable	1,030	1,030	—
Liabilities total	¥ 38,068	¥ 38,068	¥ —
Derivative transactions	—	—	—

As of March 31, 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, 2020	Thousands of U.S. dollars		
	Carrying amount	Fair value	Difference
(1) Cash and deposits	\$ 207,066	\$ 207,066	\$ —
(2) Notes receivable, accounts receivable from completed construction contracts and other	279,252	279,252	—
(3) Investment securities			
Available-for-sale securities	15,666	15,666	—
Assets total	\$ 501,984	\$ 501,984	\$ —
(1) Notes payable, accounts payable for construction contracts and other	314,582	314,582	—
(2) Short-term loans payable	4,410	4,410	—
(3) Long-term loans payable	6,615	6,615	—
(4) Bonds payable	4,594	4,594	—
Liabilities total	\$ 330,203	\$ 330,203	\$ —
Derivative transactions	—	—	—

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

Assets:

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

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

(3) Securities and investment securities

The fair value of equity securities is determined based on the quoted price of the exchanges, the fair value of investment trust is determined based on the published standard quotation price and the fair value of debt securities is determined based on the published price by the Japan Securities Dealers Association.

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
	2019	2020	2020
Unlisted equity securities	¥ 1,207	¥ 1,204	\$ 11,063

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

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

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

As of March 31, 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, 2020	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	\$ 207,066	\$ —	\$ —	\$ —
Notes receivable, accounts receivable from completed construction contracts and other	279,252	—	—	—
Investment securities:				
Available-for-sale securities with contractual maturities	—	—	18	—
Total	\$ 486,327	\$ —	\$ 18	\$ —

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

As of March 31, 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, 2020	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	\$ 4,410	\$ —	\$ —	\$ —	\$ —	\$ —
Long-term loans payable	—	2,848	1,929	459	459	918
Bonds payable	—	—	4,594	—	—	—
Total	\$ 4,410	\$ 2,848	\$ 6,523	\$ 459	\$ 459	\$ 918

10. Securities

1. Investment securities as of March 31, 2019 and 2020 consisted of the following:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Held-to-maturity securities	¥ 9	¥ —	\$ —
Available-for-sale securities with market value	2,036	1,705	15,666
Total	¥ 2,046	¥ 1,705	\$ 15,666

2. The carrying amount and fair value of held-to-maturity debt securities as of March 31, 2019 and 2020 were as follows:

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

As of March 31, 2020
Not applicable

3. The carrying amount (fair value) and acquisition cost of available-for-sale securities as of March 31, 2019 and 2020 were as follows:

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

As of March 31, 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, 2020	Thousands of U.S. dollars		
	Carrying amount	Acquisition cost	Difference
1) Securities with carrying amount exceeding acquisition cost			
Equity securities	\$ 13,884	\$ 5,402	\$ 8,471
Other	18	9	9
Subtotal	\$ 13,902	\$ 5,421	\$ 8,481
2) Securities with acquisition cost exceeding carrying amount			
Equity securities	\$ 1,755	\$ 2,251	\$ (496)
Subtotal	\$ 1,755	\$ 2,251	\$ (496)
Total	\$ 15,666	\$ 7,672	\$ 7,984

(Note) "Unlisted equity securities" in an amount of ¥1,207 million as of March 31, 2019 and ¥1,204 million (\$11,063 thousand) as of March 31, 2020 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, 2019 and 2020 were as follows:

For the year ended March 31, 2019:

There were no Available-for-sale securities which were sold.

For the year ended March 31, 2020:

There were no Available-for-sale securities which were sold.

5. Securities on which impairment loss was recognized during the years ended March 31, 2019 and 2020 were as follows:

For the year ended March 31, 2019:

There were no securities on which impairment loss was recognized.

For the year ended March 31, 2020:

The Group recognized impairment loss on available-for-sale securities in amount of ¥5 million (\$45 thousand).

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, 2019 and 2020 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
	2019	2020	2020
Beginning balance of projected benefit obligations	¥ 4,240	¥ 4,274	\$ 39,272
Service cost	268	268	2,462
Interest cost	21	17	156
Actuarial differences	11	(16)	(147)
Retirement benefits paid	(266)	(436)	(4,006)
Extra retirement payments of subsidiaries	—	(37)	(339)
Other	(0)	(18)	(165)
Ending balance of projected benefit obligations	¥ 4,274	¥ 4,050	\$ 37,214

2) The changes in plan assets for the years ended March 31, 2019 and 2020 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
	2019	2020	2020
Beginning balance of plan assets	¥ 3,945	¥ 4,119	\$ 37,848
Expected return of plan assets	78	82	753
Actuarial differences	(2)	(203)	(1,865)
Contribution from the employer	345	312	2,866
Retirement benefits paid	(247)	(416)	(3,822)
Ending balance of plan assets	¥ 4,119	¥ 3,895	\$ 35,789

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, 2019 and 2020 were as follows:

For the year ended March 31	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Beginning balance of net defined benefit liability	¥ 83	¥ 80	\$ 735
Retirement benefit expenses	6	37	339
Retirement benefits paid	(8)	(5)	(45)
Ending balance of net defined benefit liability	¥ 80	¥ 113	\$ 1,038

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, 2019 and 2020 was as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Funded projected benefit obligations	¥ 4,088	¥ 3,926	\$ 36,074
Plan assets	(4,119)	(3,895)	(35,789)
Net	¥ (30)	¥ 31	\$ 284
Unfunded projected benefit obligations	266	237	2,177
Net liability recorded in the consolidated balance sheet	¥ 235	¥ 268	\$ 2,462
Net defined benefit liability	¥ 266	¥ 268	\$ 2,462
Net defined benefit asset	(30)	—	—
Net liability recorded in the consolidated balance sheet	¥ 235	¥ 268	\$ 2,462

(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, 2019 and 2020 were as follows:

For the year ended March 31	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Service cost	¥ 268	¥ 268	\$ 2,462
Interest cost	21	17	156
Expected return of plan assets	(78)	(82)	(753)
Amortization of actuarial differences	38	40	367
Retirement benefit expenses computed by short-cut method	6	37	339
Extra retirement payments of subsidiaries	—	103	946
Other	(0)	(18)	(165)
Retirement benefit expenses on defined benefit plans	¥ 255	¥ 366	\$ 3,363

6) The component of “Remeasurements of defined benefit plans” under “Other comprehensive income” (before adjusting for tax effects) for the years ended March 31, 2019 and 2020 was as follows:

For the year ended March 31	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Actuarial differences	¥ 25	¥ (145)	\$ (1,332)

7) The component of “Remeasurements of defined benefit plans” under “Accumulated other comprehensive income” (before adjusting for tax effects) as of March 31, 2019 and 2020 was as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Unrecognized actuarial differences	¥ (46)	¥ (192)	\$ (1,764)

8) Plan assets

a. Components of plan assets

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

As of March 31	2019	2020
Bonds	45%	58%
Equity securities	43	29
Insurance assets (general account)	10	10
Other	2	3
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, 2019 and 2020 were set forth as follows:

For the year ended March 31	2019	2020
Discount rate	0.1%	0.1%
Long-term expected rate of return on plan assets	2.0	2.0

3. Defined Contribution Plans

The amount of the required contribution to the defined contribution plans of the Company for the years ended March 31, 2019 and 2020 was as follows:

For the year ended March 31	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Required contribution to the defined contribution plans	¥ 70	¥ 71	\$ 652

12. Deferred Tax Accounting

1. The significant components of deferred tax assets and liabilities as of March 31, 2019 and 2020 were as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Deferred tax assets:			
Tax loss carryforwards	¥ 5	¥ 87	\$ 799
Provision for bonuses	183	165	1,516
Net defined benefit liability	18	35	321
Allowance for doubtful accounts	11	44	404
Loss on valuation of real estate for sale	287	287	2,637
Accounts payable for construction contracts	195	55	505
Impairment loss	1,359	1,355	12,450
Head office relocation expenses	58	—	—
Other	443	394	3,620
Subtotal	2,564	2,425	22,282
Less: valuation allowance (Note)	(1,997)	(1,885)	(17,320)
Deferred tax assets	¥ 566	¥ 540	\$ 4,961
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	¥ (371)	¥ (272)	\$ (2,499)
Undistributed earnings of foreign consolidated subsidiaries	(424)	(410)	(3,767)
Net defined benefit asset	(9)	—	—
Other	(45)	(57)	(523)
Deferred tax liabilities	¥ (850)	¥ (739)	\$ (6,790)
Net deferred tax liabilities	¥ (284)	¥ (199)	\$ (1,828)

(Note) Valuation allowance decreased by ¥112 million (\$1,029 thousand). The major reason for this decrease is that the valuation allowance for accounts payable for construction contracts decreased by ¥140 million (\$1,286 thousand) in the consolidated subsidiary Nakano Singapore (Pte.) Ltd.

2. Reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the consolidated statements of income as of March 31, 2019 and 2020 was as follows:

As of March 31	2019	2020
Normal effective statutory tax rate	30.6%	30.6%
Expenses not deductible income tax purposes	0.6	0.7
Tax rate differences in foreign consolidated subsidiaries	(2.0)	(2.3)
Undistributed earnings of foreign consolidated subsidiaries	0.4	(0.3)
Inhabitant per capita taxes	0.6	0.8
Income taxes for prior periods	0.5	1.3
Valuation allowance	(2.4)	(3.1)
Other	0.3	1.2
Actual effective tax rate	28.6	28.9

13. Investment and Rental Properties

- The Company and certain consolidated subsidiaries own office buildings, commercial facilities and residual units for lease in Tokyo and other areas. Rental income from these real estate properties for lease for the years ended March 31, 2019 and 2020 were ¥672 million and ¥732 million (\$6,726 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, 2019 and 2020.
- 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
	2019	2020	2020
Carrying amounts			
(Note 1):			
Beginning balance	¥ 11,384	¥ 12,787	\$ 117,495
Increase (decrease) (Note 2)	1,403	2	18
Ending balance	¥ 12,787	¥ 12,789	\$ 117,513
Fair value (Note 3)	¥ 17,014	¥ 17,852	\$ 164,035

- (Notes):
- The carrying amount is presented after deducting accumulated depreciation from the acquisition cost.
 - Increase during the year ended March 31, 2019 primarily represents the acquisition of real estate of ¥1,566 million and decrease is primarily due to depreciation of ¥121 million.
Increase during the year ended March 31, 2020 primarily represents the acquisition of real estate of ¥214 million (\$1,966 thousand) and decrease is primarily due to depreciation of ¥141 million (\$1,295 thousand) and effect of change in exchange rate of ¥70 million (\$643 thousand).
 - 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, following the acquisition of leased real estates by Nakano Construction SDN.BHD. in Malaysia, Malaysia is included in "Real estate (Southeast Asia)", the reportable segment, from the year ended March 31, 2020.

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".

As stated in "Changes in Accounting Policies", subsidiaries that adopt the International Financial Reporting Standards have applied International Financial Reporting Standard 16 Leases since the fiscal year ended March 31, 2020.

The impact of this change on segment income for the year ended March 31, 2020 is immaterial.

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

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

(Notes): 1. "Other" is a business segment not included in the reportable segments, which consists of solar power generation business and insurance agent business.

2. An adjustment of "Segment assets" in an amount of ¥23,497 million 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, 2020	Millions of yen									
	Reportable segments						Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
	Construction			Real estate						
	Japan	Southeast Asia	Total	Japan	Southeast Asia	Total				
Net sales:										
Customers	¥ 77,504	¥ 38,187	¥ 115,691	¥ 1,150	¥ 26	¥ 1,177	¥ 109	¥ 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

For the year ended March 31, 2020	Thousands of U.S. dollars									
	Reportable segments						Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
	Construction			Real estate						
	Japan	Southeast Asia	Total	Japan	Southeast Asia	Total				
Net sales:										
Customers	\$ 712,156	\$ 350,886	\$ 1,063,043	\$ 10,566	\$ 238	\$ 10,815	\$ 1,001	\$ 1,074,859	\$ —	\$ 1,074,859
Inter-segment	0	—	0	9	—	9	—	9	(9)	—
Total	712,156	350,886	1,063,043	10,576	238	10,824	1,001	1,074,878	(9)	1,074,859
Segment income	27,814	3,748	31,562	5,715	119	5,843	303	37,710	—	37,710
Segment assets	286,134	216,493	502,627	114,995	9,519	124,515	3,234	630,386	117,100	747,486
Other items:										
Depreciation	\$ 955	\$ 1,736	\$ 2,701	\$ 1,277	\$ 55	\$ 1,332	\$ 321	\$ 4,355	\$ —	\$ 4,355
Increase in property, plant, and equipment and intangible assets	2,416	2,287	4,704	1,093	624	1,727	9	6,450	—	6,450

- (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 (\$117,100 thousand) was corporate assets which were not allocated to each reportable segment and consisted of surplus fund (cash and deposits) and long-term investment fund (investment securities and insurance funds) of the Company.
3. Segment income is reconciled with operating income in the accompanying consolidated statements of income.

15. Per Share Information

Basic net income per share is computed based on the weighted average number of shares of common stock outstanding during the year. Diluted net income per share was not presented for the years ended March 31, 2019 and 2020 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, 2019 and 2020 were as follows:

For the year ended March 31	Yen		U.S. dollars
	2019	2020	2020
Net assets per share	¥ 961.56	¥ 996.50	\$ 9.16
Basic net income per share	116.09	85.33	0.78

(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
	2019	2020	2020
Total net assets	¥ 34,352	¥ 35,532	\$ 326,490
Deductions from total net assets:			
Non-controlling interests	(1,302)	(1,282)	(11,779)
Net assets attributable to common stock	¥ 33,049	¥ 34,249	\$ 314,701
Number of shares of common stock used in computing net assets per share (in thousand shares)	34,371	34,369	34,369

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
	2019	2020	2020
Profit attributable to owners of parent	¥ 3,990	¥ 2,932	\$ 26,941
Amount not attributable to common stock shareholders	—	—	—
Profit attributable to common stock of owners of parent	¥ 3,990	¥ 2,932	\$ 26,941
Average number of shares of common stock during the year (in thousand shares)	34,372	34,370	34,370

16. Bonds Payable

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

Issuer and Issue type	Issue date	Millions of yen		Thousands of U.S. dollars	Interest rate (%)	Collateral	Maturity
		2019	2020	2020			
(Nakano Corporation)							
8 th unsecured bond	Mar. 10, 2017	¥ 1,000	¥ —	\$ —	0.69	None	Mar. 10, 2020
(Nakano Corporation)							
9 th unsecured bond	Mar. 10, 2020	—	500	4,594	0.34	None	Mar. 10, 2023
Total		¥ 1,000	¥ 500	\$ 4,594			

(Notes): The following was a summary of maturities of bonds subsequent to March 31, 2020:

Years ending March 31	Millions of yen		Thousands of U.S. dollars
2021	¥	—	\$ —
2022		—	—
2023		500	4,594
2024		—	—
2025		—	—
2026 and thereafter		—	—
Total	¥	500	\$ 4,594

17. Loans Payable and Other Debts Short-term loans payable, long-term loans payable and other debts as of March 31, 2019 and 2020 were as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars	Average interest rate (%)	Maturity
	2019	2020	2020		
Short-term loans payable	¥ 200	¥ 170	\$ 1,562	1.02	—
Current portion of long-term loans payable	610	310	2,848	0.96	—
Current portion of lease obligations	7	108	992	—	—
Long-term loans payable excluding current portion	1,030	720	6,615	0.97	May.31, 2021 – Feb. 25, 2027
Lease obligations excluding current portion	0	99	909	—	Apr. 30, 2021 – Oct. 31, 2025
Total	¥ 1,848	¥ 1,407	\$ 12,928	—	—

(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, 2020:

Years ending March 31	Millions of yen		Thousands of U.S. dollars	
	Long-term loans payable	Lease obligations	Long-term loans payable	Lease obligations
2021	¥ 310	¥ 108	\$ 2,848	\$ 992
2022	310	43	2,848	395
2023	210	39	1,929	358
2024	50	14	459	128
2025	50	1	459	9
2026 and thereafter	100	—	918	—
Total	¥ 1,030	¥ 207	\$ 9,464	\$ 1,902

18. Subsequent Events

At the Annual General Meeting of Shareholders held on June 26, 2020, it was resolved to distribute the year-end cash dividends of ¥14 (\$0.13) per share of common stock of the Company. The aggregate amount of such cash dividends was ¥481 million (\$4,419 thousand).

SUPPLEMENTAL INFORMATION

NONCONSOLIDATED BALANCE SHEETS

NAKANO CORPORATION

As of March 31, 2019 and 2020

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Assets			
Current assets:			
Cash and deposits	¥ 21,239	¥ 11,310	\$ 103,923
Notes receivable - trade	1,040	1,433	13,167
Accounts receivable from completed construction contracts	15,702	19,452	178,737
Costs on uncompleted construction contracts	1,377	1,458	13,397
Costs on real estate business	43	43	395
Raw materials and supplies	6	6	55
Short-term loans receivable from subsidiaries and affiliates	15	15	137
Accounts receivable - other	2,629	1,332	12,239
Consumption taxes receivable	—	2,202	20,233
Other	475	567	5,209
Allowance for doubtful accounts	—	(78)	(716)
Total current assets	42,529	37,743	346,806
Non-current assets:			
Property, plant and equipment			
Buildings	7,433	6,938	63,750
Accumulated depreciation	(4,077)	(3,593)	(33,014)
Buildings, net	3,356	3,345	30,736
Structures	147	147	1,350
Accumulated depreciation	(126)	(130)	(1,194)
Structures, net	21	16	147
Machinery and equipment	569	560	5,145
Accumulated depreciation	(281)	(307)	(2,820)
Machinery and equipment, net	287	252	2,315
Vehicles	11	11	101
Accumulated depreciation	(9)	(10)	(91)
Vehicles, net	1	0	0
Tools, furniture and fixtures	362	296	2,719
Accumulated depreciation	(309)	(227)	(2,085)
Tools, furniture and fixtures, net	52	69	634
Land	11,170	11,170	102,637
Lease assets	47	145	1,332
Accumulated depreciation	(39)	(30)	(275)
Lease assets, net	7	115	1,056
Construction in progress	—	49	450
Total property, plant and equipment	14,897	15,022	138,031
Intangible assets			
Total intangible assets	205	194	1,782
Investments and other assets			
Investment securities	2,051	1,708	15,694
Stocks of subsidiaries and affiliates	2,428	2,425	22,282
Long-term loans receivable from subsidiaries and affiliates	105	90	826
Insurance funds	31	31	284
Prepaid pension cost	77	161	1,479
Deferred tax assets	158	100	918
Other	378	313	2,876
Allowance for doubtful accounts	(36)	(13)	(119)
Total investments and other assets	5,194	4,817	44,261
Total non-current assets	20,296	20,034	184,085
Total assets	¥ 62,826	¥ 57,778	\$ 530,901

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Liabilities			
Current liabilities:			
Notes payable – trade	¥ 3,511	¥ 2,112	\$ 19,406
Electronically recorded obligations - operating	11,082	8,983	82,541
Accounts payable for construction contracts	12,560	13,142	120,757
Short-term loans payable	810	480	4,410
Current portion of bonds	1,000	—	—
Lease obligations	7	37	339
Income taxes payable	1,305	272	2,499
Accrued consumption taxes	1,875	—	—
Advances received on uncompleted construction contracts	5,553	6,124	56,271
Provision for warranties for completed construction	272	255	2,343
Provision for loss on construction contracts	—	1	9
Provision for bonuses	593	532	4,888
Other	831	550	5,053
Total current liabilities	39,403	32,492	298,557
Non-current liabilities:			
Bonds payable	—	500	4,594
Long-term loans payable	1,030	720	6,615
Lease obligations	0	87	799
Provision for retirement benefits	23	31	284
Long-term deposits received	497	548	5,035
Other	119	120	1,102
Total non-current liabilities	1,671	2,008	18,450
Total liabilities	41,074	34,500	317,008
Net assets			
Shareholders' equity:			
Common stock			
Authorized: 154,792,300 shares			
Issued: 34,498,097 shares	¥ 5,061	¥ 5,061	\$ 46,503
Capital surplus			
Legal capital surplus	1,400	1,400	12,864
Total capital surplus	1,400	1,400	12,864
Retained earnings			
Other retained earnings			
Retained earnings brought forward	14,585	16,347	150,206
Total retained earnings	14,585	16,347	150,206
Less: Treasury stock, at cost			
126,779 shares in 2019 and 128,323 shares in 2020	(33)	(34)	(312)
Total shareholders' equity	21,013	22,775	209,271
Valuation and translation adjustments:			
Valuation difference on available-for-sale securities	737	502	4,612
Total valuation and translation adjustments	737	502	4,612
Total net assets	21,751	23,277	213,884
Total liabilities and net assets	¥ 62,826	¥ 57,778	\$ 530,901

NONCONSOLIDATED STATEMENTS OF INCOME

NAKANO CORPORATION

For the years ended March 31, 2019 and 2020

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Net sales:			
Net sales of completed construction contracts	¥ 85,096	¥ 77,504	\$ 712,156
Sales on real estate business	986	1,090	10,015
Sales on other business	74	72	661
Total net sales	86,157	78,667	722,842
Cost of sales:			
Cost of sales of completed construction contracts	76,765	70,399	646,871
Cost of sales on real estate business	411	457	4,199
Cost of sales on other business	47	43	395
Total cost of sales	77,224	70,899	651,465
Gross profit:			
Gross profit on completed construction contracts	8,331	7,105	65,285
Gross profit - real estate business	575	633	5,816
Gross profit - other business	26	28	257
Total gross profit	8,933	7,768	71,377
Selling, general and administrative expenses	4,209	4,343	39,906
Operating income	4,724	3,424	31,461
Non-operating income:			
Interest income	30	30	275
Dividend income	51	53	486
Foreign exchange gains	60	—	—
Other	31	17	156
Total non-operating income	173	101	928
Non-operating expenses:			
Interest expenses	21	15	137
Interest on bonds	7	6	55
Foreign exchange losses	—	28	257
Bond issuance cost	—	15	137
Other	0	1	9
Total non-operating expenses	29	67	615
Ordinary income	4,868	3,458	31,774
Extraordinary income:			
Gain on liquidation of subsidiaries and associates	—	17	156
Total extraordinary income	—	17	156
Extraordinary losses:			
Loss on litigation	35	79	725
Head office relocation expenses	200	54	496
Other	0	4	36
Total extraordinary losses	236	137	1,258
Profit before income taxes	4,631	3,339	30,680
Income taxes:			
Income taxes - current	1,424	933	8,573
Income taxes - deferred	45	162	1,488
Total income taxes	1,470	1,095	10,061
Profit	¥ 3,161	¥ 2,243	\$ 20,610

CORPORATE PROFILE

Company Outline (As of March 31, 2020)

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	1,361(Group)
Stock Listing	Tokyo Stock Exchange, First Section
Primary Business	Domestic Construction Projects International Construction Projects Real Estate Business

Board of Directors (As of September 17, 2020)

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

Main Affiliated Financial Institutions

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

Major Shareholders

Oshima Scholarship Foundation	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
Civil Engineering Office	Taito Branch Office
Hokkaido Branch Office	Kita Tohoku Branch Office
Kita Kanto Branch Office	Higashi Kanto Branch Office
Yokohama Branch Office	Sales Offices (Mie, Kita Kyushu)

International Offices

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

Industry Affiliations

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



NAKANO
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