Annual Report 2015

NIPPO

Consolidated Financial Highlights

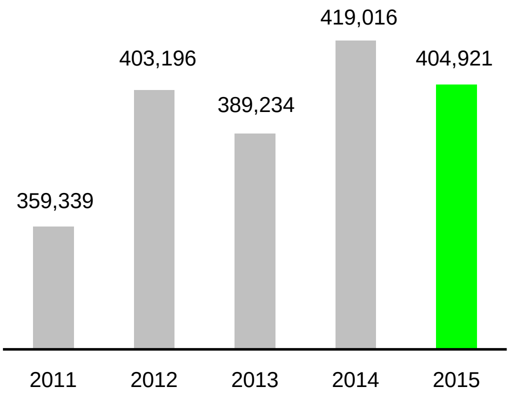
(Millions of yen, except per share information and where otherwise indicated)

For the years ended March 31,	2011	2012	2013	2014	2015
Net sales	¥ 374,840	¥ 376,523	¥ 385,017	¥ 431,638	¥ 396,948
Net income	7,669	7,474	14,537	21,786	22,437
Comprehensive income	6,966	8,560	18,400	24,462	32,103
Net assets	176,981	184,097	201,230	223,010	250,913
Total assets	364,336	393,132	400,352	440,464	469,454
Net cash from operating activities	16,227	19,982	202	39,311	29,585
Net cash from investing activities	(9,867)	(5,545)	(11,094)	(9,146)	(11,143)
Net cash from financing activities	6,087	(1,367)	(1,749)	(3,053)	(4,520)
Cash and cash equivalents at end of year	57,605	70,785	54,997	82,472	96,855
Net assets per share	¥ 1,458.80	¥ 1,517.84	¥ 1,660.09	¥ 1,838.14	¥ 2,069.43
Basic net income per share	64.37	62.74	122.03	182.89	188.37
Diluted net income per share	—	—	—	—	—
Net assets as a percentage of total assets	47.7%	46.0%	49.4%	49.7%	52.5%
Return on equity	4.48%	4.22%	7.68%	10.46%	9.64%
Price earnings ratio (times)	10.38	14.65	9.37	7.79	10.54
Employees (persons) [Average number of temporary workers, etc.]	3,793 [2,708]	3,772 [2,761]	3,586 [2,695]	3,644 [2,669]	3,795 [2,456]

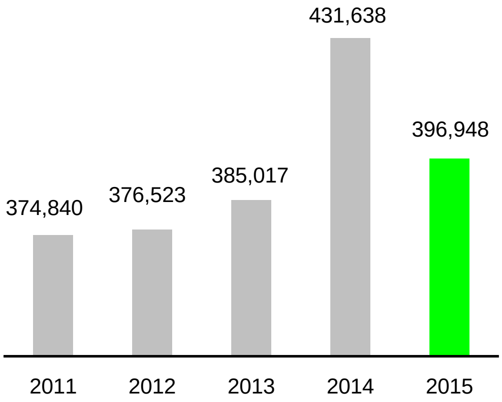
Notes: 1. Net sales are presented exclusive of consumption tax.

2. Diluted net income per share was not presented since the potential shares did not exist.

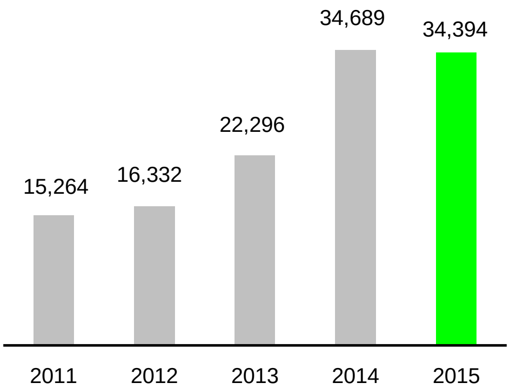
Orders
(Millions of yen)



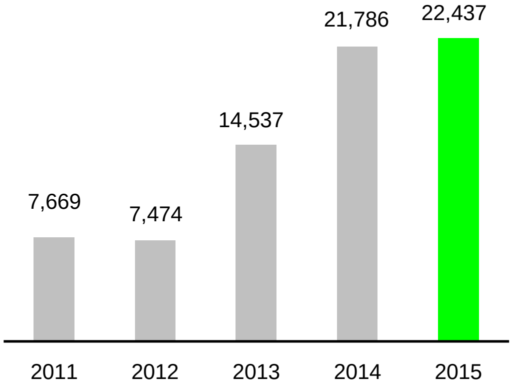
Net Sales
(Millions of yen)



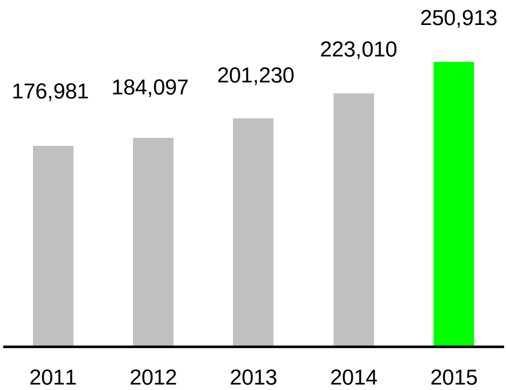
Operating Income
(Millions of yen)



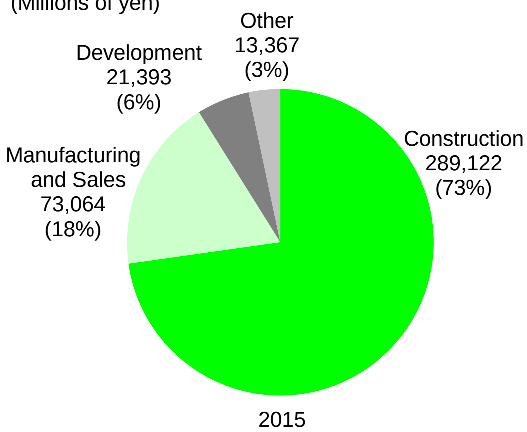
Net Income
(Millions of yen)



Net Assets
(Millions of yen)



Net Sales by Segment
(Millions of yen)



To Our Shareholders

We appreciate your continued exceptional support.

We hereby present this Annual Report for the 114th term (from April 1, 2014, to March 31, 2015) and report on the current business conditions of NIPPO CORPORATION (the “Company”), including the consolidated and nonconsolidated financial results.

Concerning Japan’s economy, during the period under review, a moderate recovery trend was seen, mainly supported by economic measures by the Japanese government.

In the construction industry, despite steady public investments, a severe management environment continued, and we had to monitor carefully the trends of the demand and supply of labor and raw material prices.

In this environment, the Company and its consolidated subsidiaries (hereinafter the “Group”) strove to receive an increasing number of orders utilizing the superior proprietary technologies of each company, reinforce sales of asphalt mixture and other products, reduce costs and enhance the efficiency of operations.

Looking ahead, although a moderate recovery of Japan’s economy is expected supported by the effect of various economic measures aiming to further expand favorable economic conditions, uncertainty about the world economy remains high and is considered a risk that could decelerate the domestic economy.

In the construction industry, although private-sector capital expenditures are projected to increase due to improvement in corporate revenues, future public investments are projected to be weak and the management environment surrounding the construction industry is predicted to continue to be harsh because of fierce competition among corporations for orders and rising construction prices.

Under such circumstances, the Group intends to continue focusing on restoration from the Great East Japan Earthquake, optimizing its technological capabilities and high maneuverability. As a corporate group backed by superior technologies and management, we will strive to improve our technical capabilities, bolster our sales skills and cope with rising raw material prices appropriately, while steadily increasing productivity and trimming costs to enhance our competitiveness. The Group will also make efforts to reinforce the revenue bases of the pavement, civil engineering and product sales businesses, as well as to stabilize operating revenues in the building construction, development and overseas businesses.

On January 28, 2015, the Company was subject to an onsite inspection by the Japan Fair Trade Commission on suspicion of violating the antimonopoly act in connection with pavement work orders from the Tohoku Branch of East Nippon Expressway Company Limited and the Tohoku Regional Bureau of Ministry of Land, Infrastructure and Transport. Addressing this matter seriously and sincerely, the Company will fully cooperate with the inspections conducted by the Japan Fair Trade Commission and make further and focused efforts for thorough legal compliance.

We ask for your continued understanding and support.

June 2015

Hiromi Iwata
President, Representative Director
NIPPO CORPORATION

Overview of the Company

The Company and its affiliated companies are primarily engaged in construction, manufacturing/sales of asphalt mixture and other products, development and other businesses. The positioning of the Company, the Company's parent company, the Company's 137 subsidiaries and 26 affiliated companies, and their relations to segment information are as follows:

1. Construction business

The Company is engaged in pavement works, civil engineering and construction works, and receives orders for a portion of the works of JX Nippon Oil & Energy Corporation (the Company's fellow subsidiary).
Dai Nippon Construction (a consolidated subsidiary) is engaged in the construction and civil engineering businesses; HASEGAWA SPORTS FACILITIES Co., Ltd. (a consolidated subsidiary) is mainly engaged in the construction of sports facilities; and NIPPO CONSTRUCTION CO., LTD. (a consolidated subsidiary) is engaged in civil engineering. Additionally, 48 consolidated subsidiaries, 21 unconsolidated subsidiaries, 10 affiliated companies and 10 affiliates accounted for by equity methods are engaged in pavement works and civil engineering.
The Company contracts a portion of its works to the above companies and also receives orders for works from them.

2. Manufacturing and sales business

The Company is engaged in the manufacture and sales of asphalt mixture, asphalt emulsion and other materials related to pavement works, and purchases asphalt, the main material of asphalt mixture, from JX Nippon Oil & Energy Corporation.
Fair Road Co., Ltd. and 19 other consolidated subsidiaries, and other 32 non-consolidated subsidiaries and affiliated companies are engaged in the manufacture and sales of asphalt mixture.
The Company supplies or sells asphalt mixture, asphalt emulsion and other products to the above companies and to a portion of the affiliated companies engaged in construction and also purchases asphalt mixture from some of the above companies.

3. Development business

The Company is engaged in the real-estate business, including housing-land development and sales of condominiums.
Nippo FACILITIES CO., LTD. (a non-consolidated subsidiary) is engaged in the real-estate management business.

4. Other businesses

The Company is engaged in leasing, manufacturing and maintenance of construction machinery, motor-vehicle leasing, the operation of golf courses and hotels, construction consulting, PFI, and other businesses.

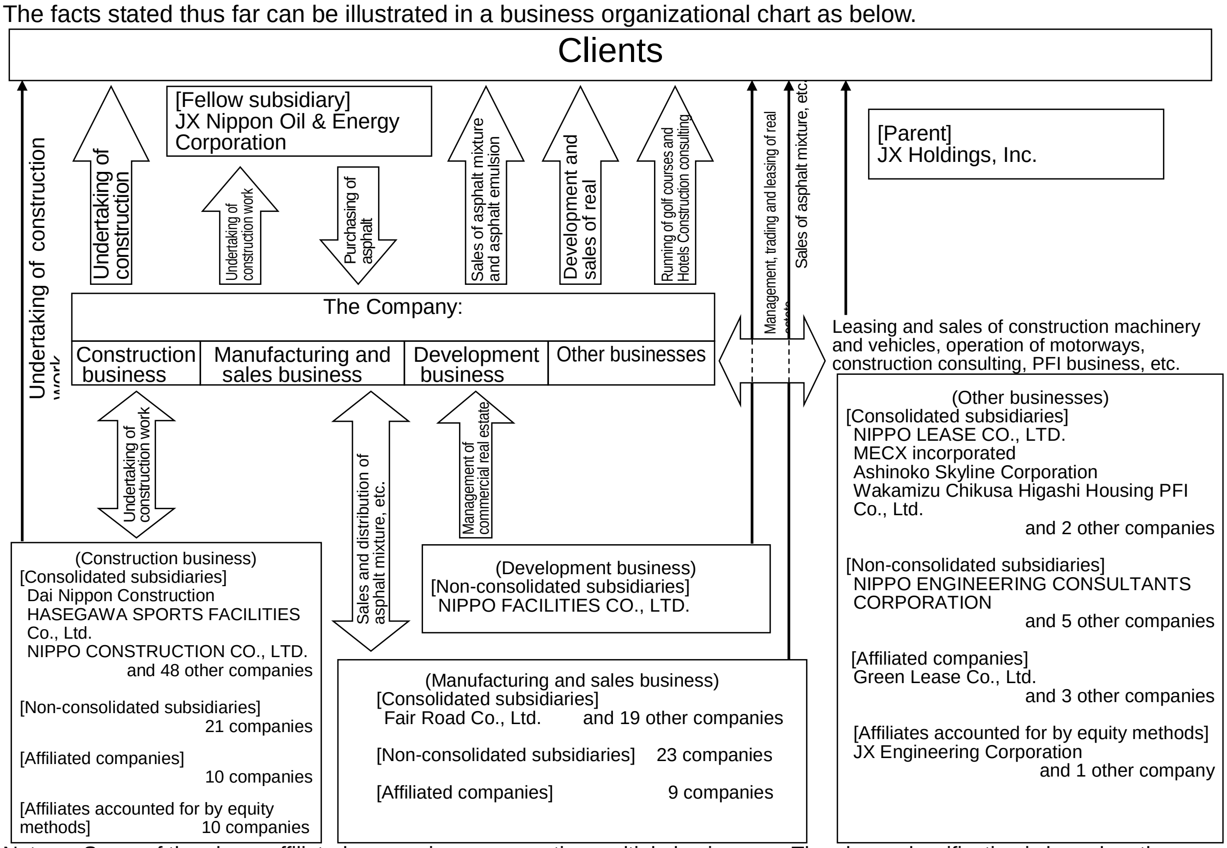
NIPPO LEASE CO., LTD. (a consolidated subsidiary) is engaged in motor-vehicle leasing; and MECX incorporated (a consolidated subsidiary) and 2 affiliated companies are engaged in leasing, sales, manufacturing and maintenance of construction machinery. Additionally, these 2 consolidated subsidiaries have integrated their businesses through an absorption-type merger on April 1, 2015, whereby MECX incorporated is the surviving company and NIPPO LEASE CO., LTD. is the absorbed company.

Ashinoko Skyline Corporation (a consolidated subsidiary) operates motorways; and 3 consolidated subsidiaries including Wakamizu Chikusa Higashi Housing PFI and 1 affiliated company are engaged in the PFI business. Additionally, JX Engineering Corporation (an affiliate accounted for by equity methods) is engaged in plant engineering business; 3 non-consolidated subsidiaries including NIPPO ENGINEERING CONSULTANTS CORPORATION (a non-consolidated overseas subsidiary) are engaged in the construction consulting business; 1 non-consolidated subsidiary is engaged in the operation of a golf course and a hotel; 1 affiliated company is engaged in the soil-pollution investigation business; and 1 affiliated company and 2 non-consolidated companies are engaged in other businesses.

The Company receives orders for construction work from some of the above companies and also places orders for the leasing, sales and maintenance of construction machinery, and construction consulting with some of the above companies.

5. Business organizational chart

The facts stated thus far can be illustrated in a business organizational chart as below.



Notes: Some of the above affiliated companies are operating multiple businesses. The above classification is based on the representative business of each company.

Overview of Affiliated Companies

Company name	Address	Paid in capital (¥ million)	Principal business	Ratio of voting rights holding (held) (%)	Relationship	
					Concurrent positions held by Directors	Business transactions and financial assistance
(Parent) JX Holdings, Inc. (Notes) 2, 4	Chiyoda-ku, Tokyo	100,000	Pure holding company	Ratio of voting rights held: 57.2 (0.0)	Yes	Interlocking Directors: 1
(Consolidated subsidiaries) Dai Nippon Construction (Notes) 3, 5	Gifu-shi, Gifu	2,000	(Construction business) Construction and civil engineering work, etc. by contract	Ratio of voting rights holding: 78.5	None	Receiving or placing order of construction work. The subsidiary is renting buildings, etc. owned by the Company.
HASEGAWA SPORTS FACILITIES, Co., Ltd.	Setagaya-ku, Tokyo	100	(Construction business) Construction of sports facilities, etc. by contract	Ratio of voting rights holding: 81.3	None	Receiving or placing order of construction work. The subsidiary is renting buildings, etc. owned by the Company.
NIPPO CONSTRUCTION CO., LTD.	Setagaya-ku, Tokyo	50	(Construction business) Civil engineering work by contract	Ratio of voting rights holding: 100.0	None	Receiving or placing order of construction work. The subsidiary is renting buildings, etc. owned by the Company.
MECX incorporated (Note) 6	Nishi-ku, Saitama-shi	30	(Other businesses) Lease, etc. of construction machinery	Ratio of voting rights holding: 100.0	None	The subsidiary is leasing construction machinery to, and repairing manufacturing equipment for the Company, etc. The subsidiary is renting buildings, etc. owned by the Company.
NIPPO LEASE CO., LTD. (Note) 6	Shinjuku-ku, Tokyo	100	(Other businesses) Leasing of vehicles, etc.	Ratio of voting rights holding: 100.0	None	The subsidiary is leasing vehicles, etc. to the Company. The subsidiary is borrowing working capital from the Company. The subsidiary is renting buildings, etc. owned by the Company.
Fair Road Co., Ltd. and 71 other companies	-	-	-	-	-	-
(Affiliates accounted for using equity method) JX Engineering Corporation and 11 other companies	-	-	-	-	-	-

Notes: 1. Principal business as stated in the segment information is quoted here.
2. A securities report issuing company.
3. Qualified as specified subsidiary.
4. Parentheses in ratio of voting rights held indicates percentage of voting rights indirectly owned.
5. Dai Nippon Construction's net sales (excluding net sales from the internal transactions with other consolidated subsidiaries) exceed 10% of the consolidated net sales.

Main profit or loss information, etc.

(1)	Net sales	¥64,479 million
(2)	Net income	¥714 million
(3)	Net assets	¥17,265 million
(4)	Total assets	¥56,976 million

6. NIPPO LEASE CO., LTD. became extinct after the absorption-type merger with MECX incorporated on April 1, 2015.

Major Shareholders

(As of March 31, 2015)

Name	Address	Number of shares held (Thousands of shares)	Percentage of shares held to the total number of issued shares (%)
JX Holdings, Inc.	6-3 Otemachi 2-chome, Chiyoda-ku, Tokyo	67,890	56.86
Japan Trustee Services Bank, Ltd. (Trust account)	11-3 Hamamatsucho 2-chome, Minato-ku, Tokyo	8,204	6.87
The Master Trust Bank of Japan, Ltd. (Trust account)	8-11 Harumi 1-chome, Chuo-ku, Tokyo	3,559	2.98
STATE STREET BANK AND TRUST COMPANY 505001 (Standing proxy: Mizuho Bank, Ltd.)	P.O. BOX 351 BOSTON MASSACHUSETTS 02101 U.S.A (16-13 Tsukishima 4-chome, Chuo-ku, Tokyo)	1,480	1.24
Evergreen (Standing proxy: The Bank of Tokyo-Mitsubishi UFJ, Ltd.)	P. O. BOX 2992 RIYADH 11169 KINGDOM OF SAUDI ARABIA SAFAT-KUWAIT (7-1 Marunouchi 2-chome, Chiyoda-ku, Tokyo)	1,361	1.14
THE BANK OF NEW YORK MELLON SA/NV 10 (Standing proxy: The Bank of Tokyo-Mitsubishi UFJ, Ltd.)	RUE MONTOYERSTRAAT 46, 1000 BRUSSELS, BELGIUM (7-1 Marunouchi 2-chome, Chiyoda-ku, Tokyo	1,192	1.00
Japan Trustee Services Bank, Ltd. (Trust account 9)	8-11 Harumi 1-chome, Chuo-ku, Tokyo	1,001	0.84
MELLON BANK, N.A. AS AGENT FOR ITS CLIENT MELLON OMNIBUS US PENSION (Standing proxy: Mizuho Bank, Ltd.)	ONE BOSTON PLACE BOSTON, MA 02108 (16-13 Tsukishima 4-chome, Chuo-ku, Tokyo)	957	0.80
THE BANK OF NEW YORK GCM CLIENT ACCOUNT JBRDISG FE-AC (Standing proxy: The Bank of Tokyo-Mitsubishi UFJ, Ltd.)	PETERBOROUGH COURT 133 FLEET STREET LONDON EC4A2BB UNITED KINGDOM (7-1 Marunouchi 2-chome, Chiyoda-ku, Tokyo)	880	0.74
MELLON BANK TREATY CLIENTS OMNIBUS (Standing proxy: Mizuho Bank, Ltd.)	ONE BOSTON PLACE BOSTON, MA 02108 (16-13 Tsukishima 4-chome, Chuo-ku, Tokyo)	733	0.61
Total	—	87,257	73.07

Note: Of the shares held by the major shareholders shown above as of the end of the current fiscal year, the Company cannot accurately determine the number of shares related to trust services.

Business Overview

The amounts stated below do not include consumption tax. Net sales by segment indicate “Sales to third parties” and operating income/loss indicates amounts prior to taking “adjustments” into account.

1. Financial results

Concerning Japan’s economy during the consolidated fiscal year under review, a moderate recovery trend was seen as a result of the economic measures by the Japanese government.
In the construction industry, despite steady public investments, a severe management environment continued with the need of attention to the trend of demand for labor and raw material prices.
In this environment, the Company and its consolidated subsidiaries (the “Group”) strove to secure orders utilizing the superior proprietary technologies of each company, reinforce sales of asphalt mixture and other products, reduce costs and raise the efficiency of operations.
The Consolidated business results of the Group for the consolidated fiscal year under review are as follows.
Net sales were ¥396,948 million, down 8.0% from the previous consolidated fiscal year. Operating income was ¥34,394 million, down 0.9% year over year, and net income was ¥22,437 million, up 3.0% from the previous fiscal year.

Results by business segment were as follows:

(1) Construction business

The construction business is a major segment of the Group, and orders received for construction for the current fiscal year decreased by 2.1% from the previous fiscal year to ¥299, 932 million; net sales decreased by 9.5% to ¥289,122 million; and operating income decreased by 1.6% to ¥21,191 million.

(Pavement and Civil Engineering)

Orders received for construction decreased by 8.6% from the previous fiscal year to ¥220,672 million; net sales decreased by 8.1% to ¥222,553 million; and operating income increased by 17.4% to ¥23,446 million.

(Building Construction)

Orders received for construction increased by 22.4% from the previous fiscal year to ¥79,260 million; net sales decreased by 13.9% to ¥66,568 million; and operating loss was ¥2,254 million (compared with an operating income of ¥1,572 million for the previous consolidated fiscal year).

(2) Manufacturing and sales business

Net sales decreased by 8.9% from the previous fiscal year to ¥73,064 million, and operating income decreased by 2.2% to ¥15,043 million.

(3) Development business

Net sales increased by 11.5% from the previous fiscal year to ¥21,393 million, and operating income decreased by 16.3% from the previous fiscal year to ¥2,474 million.

(4) Other businesses

Net sales increased by 4.5% from the previous fiscal year to ¥13,367 million, and operating income increased by 26.6% to ¥1,987 million.

2. Cash flows

Cash and cash equivalents (hereinafter "cash") as at the end of the current fiscal year increased by ¥14,383 million from the end of the previous fiscal year to ¥96,855 million.

(Net cash provided by operating activities)

Net cash provided by operating activities amounted to ¥29,585 million. (A net inflow of ¥39,311 million was recorded in the previous fiscal year.) This was primarily due to income before income taxes and minority interests recorded.

(Net cash used in investing activities)

Net cash used in investing activities amounted to ¥11,143 million. (A net outflow of ¥9,146 million was recorded in the previous fiscal year.) This was primarily due to purchases of machinery for the manufacturing and sales business, etc.

(Net cash used in financing activities)

Net cash used in financing activities amounted to ¥4,520 million. (A net outflow of ¥3,053 million was recorded in the previous fiscal year.) This was primarily due to cash dividends paid.

CONSOLIDATED BALANCE SHEET

NIPPO CORPORATION
As of March 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	2015	2014	2015
Current assets:			
Cash and bank deposits (Notes 3 & 21)	¥ 54,696	¥ 47,865	$ 455,155
Notes receivable, accounts receivable on completed construction contracts and other (Note 21)	135,692	149,816	1,129,167
Lease receivables and investments in leased assets (Note 20)	3,615	3,250	30,082
Inventories (Note 5)	55,392	49,025	460,946
Short-term loans receivable (Notes 3 & 21)	42,421	35,139	353,008
Deferred tax assets (Note 17)	4,481	3,522	37,288
Other	16,067	16,252	133,702
Allowance for doubtful accounts (Note 21)	(243)	(350)	(2,022)
Total current assets	312,125	304,523	2,597,362
Property, plant and equipment: (Notes 7 & 16)			
Land (Notes 5 & 6)	58,785	57,255	489,181
Buildings and structures (Notes 5 & 6)	63,280	59,975	526,587
Machinery, equipment and vehicles	90,904	89,903	756,461
Tools, furniture and fixtures	5,120	5,075	42,606
Leased assets (Note 20)	966	880	8,038
Construction in progress (Note 5)	2,920	834	24,298
Total	221,977	213,924	1,847,191
Accumulated depreciation	(124,060)	(123,866)	(1,032,370)
Net property, plant and equipment	97,917	90,058	814,820
Intangible assets	2,116	2,008	17,608
Investments and other assets:			
Investment securities (Notes 4, 7 & 21)	52,922	41,253	440,392
Long-term loans receivable (Note 7)	315	263	2,621
Deferred tax assets (Note 17)	390	385	3,245
Other	4,674	3,136	38,894
Allowance for doubtful accounts	(1,009)	(1,165)	(8,396)
Total investments and other assets	57,293	43,874	476,766
Total assets	¥ 469,454	¥ 440,464	$ 3,906,582

LIABILITIES AND NET ASSETS	Millions of yen 2015	2014	Thousands of U.S. dollars (Note 1) 2015
Current liabilities:			
Short-term bank loans payable (Note 7)	¥ 1,985	¥ 1,965	$ 16,518
Notes payable, accounts payable on construction contracts and other (Note 21)	127,535	142,133	1,061,288
Income taxes payable	10,270	10,676	85,462
Advances received on uncompleted construction contracts	18,366	11,083	152,833
Reserve for bonuses	3,606	3,829	30,007
Reserve for warranty on completed construction contracts	331	351	2,754
Reserve for loss on construction contracts (Note 5)	4,268	947	35,516
Other	20,103	16,987	167,288
Total current liabilities	186,467	187,974	1,551,693
Non-current liabilities:			
Long-term debt (Notes 7 & 21)	3,262	4,668	27,144
Deferred tax liabilities (Note 17)	11,079	8,785	92,194
Reserve for directors' retirement benefits	110	106	915
Liability for employees' retirement benefits (Note 8)	8,309	6,757	69,143
Asset retirement obligations (Note 9)	1,061	1,022	8,829
Other	8,248	8,139	68,636
Total non-current liabilities	32,072	29,479	266,888
Commitments and contingent liabilities (Notes 12 & 20)			
Net assets (Notes 10 & 19):			
Shareholders' equity:			
Common stock (Note 11):			
Authorized-240,000,000 shares in 2015 and 2014			
Issued-119,401,836 shares in 2015 and 2014	15,324	15,324	127,519
Capital surplus	15,916	15,916	132,445
Retained earnings	191,170	172,899	1,590,829
Treasury stock (Note 11):			
290,721 shares in 2015 and 283,688 shares in 2014	(202)	(190)	(1,680)
Total shareholders' equity	222,209	203,950	1,849,122
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities (Note 4)	24,553	16,263	204,318
Deferred gains (losses) on hedging instruments	(0)	(0)	(0)
Accumulated adjustments for retirement benefits	(269)	(1,258)	(2,238)
Total accumulated other comprehensive income	24,282	15,005	202,063
Minority interests	4,421	4,055	36,789
Total net assets	250,913	223,010	2,087,983
Total liabilities and net assets	¥ 469,454	¥ 440,464	$ 3,906,582

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENT OF INCOME

NIPPO CORPORATION
Year ended March 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
Net sales (Note 23)	¥ 396,948	¥ 431,638	$ 3,303,220
Cost of sales (Note 13)	341,301	376,748	2,840,151
Gross profit	55,647	54,889	463,068
Selling, general and administrative expenses (Note 14)	21,252	20,199	176,849
Operating income	34,394	34,689	286,211
Other income (expenses):			
Interest and dividend income	992	802	8,254
Interest expenses	(87)	(94)	(723)
Loss on sales of notes receivable	(1)	(1)	(8)
Guarantee expenses	(87)	(90)	(723)
Rental (loss) profit, net	(3)	37	(24)
Gain (loss) on valuation of derivatives	186	(291)	1,547
Net gain (loss) on disposal or sales of property, plant and equipment (Note 15)	458	(220)	3,811
Equity in earnings of unconsolidated subsidiaries and affiliates	565	351	4,701
Foreign exchange gain	330	317	2,746
Loss on devaluation of investment securities	(10)	0	(83)
Loss on impairment (Note 16)	(167)	―	(1,389)
Loss on sales of shares in affiliates	―	(20)	-
Other-net	326	344	2,712
Other income (expenses)-net	2,501	1,134	20,812
Income before income taxes and minority interests	36,896	35,823	307,031
Income taxes (Note 17):			
Current	14,661	13,204	122,002
Deferred	(470)	507	(3,911)
Total income taxes	14,191	13,711	118,091
Net income before minority interests	22,705	22,111	188,940
Minority interests	267	325	2,221
Net income	¥ 22,437	¥ 21,786	$ 186,710

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

NIPPO CORPORATION
Year ended March 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
Net income before minority interests	¥ 22,705	¥ 22,111	$ 188,940
Other comprehensive income (Note 18):			
Valuation difference on available-for-sale securities	8,426	2,351	70,117
Adjustments for employees' retirement benefits	972	―	8,088
Share of other comprehensive income of affiliates accounted for using equity method	(0)	(0)	(0)
Total other comprehensive income	9,397	2,351	78,197
Comprehensive income	¥ 32,103	¥ 24,462	$ 267,146
Total comprehensive income attributable to:			
Shareholders of NIPPO CORPORATION	¥ 31,715	¥ 24,129	$ 263,917
Minority interests	¥ 387	¥ 332	$ 3,220

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

NIPPO CORPORATION
Year ended March 31, 2015

Millions of Yen

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2013	¥ 15,324	¥ 15,916	¥ 152,776	¥ (173)	¥ 183,843
Changes during the year:					
Cash dividends paid			(1,786)		(1,786)
Net income for the year			21,786		21,786
Purchases of treasury stock				(16)	(16)
Changes in the scope of consolidation			124		124
Net changes in items other than those in shareholders' equity					–
Balance as of April 1, 2014	¥ 15,324	¥ 15,916	¥ 172,899	¥ (190)	¥ 203,950
Cumulative effect of accounting changes			(1,227)		(1,227)
Restated balance	15,324	15,916	171,671	(190)	202,722
Changes during the year:					
Cash dividends paid			(2,977)		(2,977)
Net income for the year			22,437		22,437
Purchases of treasury stock				(12)	(12)
Changes in the scope of consolidation			39		39
Net changes in items other than those in shareholders' equity					–
Balance as of March 31, 2015	¥ 15,324	¥ 15,916	¥ 191,170	¥ (202)	¥ 222,209

Millions of Yen

	Accumulated other comprehensive income					
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedging instruments	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance as of April 1, 2013	¥ 13,919	¥ –	¥ –	¥ 13,919	¥ 3,466	¥ 201,230
Changes during the year:						
Cash dividends paid						(1,786)
Net income for the year						21,786
Purchases of treasury stock						(16)
Changes in the scope of consolidation						124
Net changes in items other than those in shareholders' equity	2,344	(0)	(1,258)	1,085	588	1,673
Balance as of April 1, 2014	¥ 16,263	¥ (0)	¥ (1,258)	¥ 15,005	¥ 4,055	¥ 223,010
Cumulative effect of accounting changes						(1,227)
Restated balance	16,263	(0)	(1,258)	15,005	4,055	221,782

Changes during the year:						
Cash dividends paid						(2,977)
Net income for the year						22,437
Purchases of treasury stock						(12)
Changes in the scope of consolidation						39
Net changes in items other than those in shareholders' equity	8,289	(0)	989	9,277	366	9,644
Balance as of March 31, 2015	¥ 24,553	¥ (0)	¥ (269)	¥ 24,282	¥ 4,421	¥ 250,913

Thousands of U.S. Dollars (Note 1)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2014	$ 127,519	$ 132,445	$ 1,438,786	$ (1,581)	$ 1,697,178
Cumulative effect of accounting changes			(10,210)		(10,210)
Restated balance	127,519	132,445	1,428,567	(1,581)	1,686,960
Changes during the year:					
Cash dividends paid			(24,773)		(24,773)
Net income for the year			186,710		186,710
Purchases of treasury stock				(99)	(99)
Changes in the scope of consolidation			324		324
Net changes in items other than those in shareholders' equity					–
Balance as of March 31, 2015	$ 127,519	$ 132,445	$ 1,590,829	$ (1,680)	$ 1,849,122

Thousands of U.S. Dollars (Note 1)

	Accumulated other comprehensive income					
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedging instruments	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance as of April 1, 2014	$ 135,333	$ (0)	$ (10,468)	$ 124,864	$ 33,743	$ 1,855,787
Cumulative effect of accounting changes						(10,210)
Restated balance	135,333	(0)	(10,468)	124,864	33,743	1,845,568
Changes during the year:						
Cash dividends paid						(24,773)
Net income for the year						186,710
Purchases of treasury stock						(99)
Changes in the scope of consolidation						324
Net changes in items other than those in shareholders' equity	68,977	(0)	8,230	77,198	3,045	80,252
Balance as of March 31, 2015	$ 204,318	$ (0)	$ (2,238)	$ 202,063	$ 36,789	$ 2,087,983

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

NIPPO CORPORATION
Year ended March 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
Operating activities:			
Income before income taxes and minority interests	¥ 36,896	¥ 35,823	$ 307,031
Depreciation and amortization	5,499	4,823	45,760
Loss on impairment	167	―	1,389
Net (gain) loss on disposal or sales of property, plant and equipment	(458)	220	(3,811)
Loss on write-down of inventories	272	880	2,263
Increase (decrease) in allowance for doubtful accounts	(265)	(469)	(2,205)
Increase (decrease) in reserve for bonuses	(223)	413	(1,855)
Increase (decrease) in reserve for employees' retirement benefits	-	(8,005)	―
Increase (decrease) in liability for employees' retirement benefits	342	6,757	2,845
Increase (decrease) in reserve for loss on construction contracts	3,320	(895)	27,627
Interest and dividend income	(992)	(802)	(8,254)
Interest expenses	87	94	723
Equity in (earnings) losses of unconsolidated subsidiaries and affiliates	(565)	(351)	(4,701)
Foreign exchange (gain) loss	(243)	(184)	(2,022)
(Increase) decrease in trade receivables	14,342	(1,040)	119,347
(Increase) decrease in costs on uncompleted construction contracts	(6,115)	(428)	(50,886)
(Increase) decrease in other inventories	(445)	(305)	(3,703)
Increase (decrease) in trade payables	(14,712)	14,407	(122,426)
Increase (decrease) in advances received on uncompleted construction contracts	7,283	(1,500)	60,605
Increase (decrease) in consumption taxes payable	234	(13)	1,947
Other, net	(416)	(1,944)	(3,461)
Sub total	43,967	47,479	365,873
Interest and dividend income received	991	949	8,246
Interest expenses paid	(96)	(103)	(798)
Income taxes paid	(15,277)	(9,013)	(127,128)
Net cash provided by operating activities	29,585	39,311	246,192
Investing activities:			
Purchases of property, plant and equipment	(12,010)	(8,115)	(99,941)
Proceeds from sales of property, plant and equipment	767	215	6,382
Purchases of investment securities	(917)	(1,274)	(7,630)
Proceeds from sales of investment securities	140	17	1,165
Proceeds from repayment of investment securities	800	―	6,657
Payments of loans receivable	(1,387)	(1,218)	(11,541)
Collections of loans receivable	1,289	1,323	10,726
Other, net	174	(93)	1,447
Net cash used in investing activities	(11,143)	(9,146)	(92,726)
Financing activities:			
Proceeds from short-term bank loans payable	480	1,466	3,994
Repayments of short-term bank loans payable	(487)	(1,841)	(4,052)
Proceeds from long-term debt	100	535	832
Repayments of long-term debt	(1,494)	(1,503)	(12,432)
Cash dividends paid	(2,977)	(1,786)	(24,773)
Cash dividends paid to minority shareholders	(25)	(26)	(208)
Other, net	(114)	102	(948)
Net cash used in financing activities	(4,520)	(3,053)	(37,613)
Foreign currency translation adjustments on cash and cash equivalents	244	183	2,030
Net increase (decrease) in cash and cash equivalents	14,166	27,295	117,882
Cash and cash equivalents at beginning of the year	82,472	54,997	686,294
Increase in cash and cash equivalents due to inclusion in consolidation	217	179	1,805
Cash and cash equivalents at end of the year (Note 3)	¥ 96,855	¥ 82,472	$ 805,983

The accompanying notes are an integral part of these statements

Notes to Consolidated Financial Statements

NIPPO CORPORATION and Consolidated Subsidiaries
Year ended March 31, 2015

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of NIPPO CORPORATION (the “Company”) and its consolidated subsidiaries (collectively, the “Group”) have been compiled from the statutory Japanese consolidated financial statements prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations and have been in conformity with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards. Certain supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

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 that is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the financial statements for the year ended March 31, 2014 to conform to the classifications used in the financial statements for the year ended March 31, 2015.

As permitted by the Financial Instruments and Exchange Act, amounts of less than one million yen have been omitted. Consequently, the totals shown in the accompanying consolidated financial statements do not necessarily agree with the sums of the individual amounts.

The translation of the Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan, using the prevailing exchange rate as of March 31, 2015, which was ¥120.17 to U.S. $1.00. The translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2. Summary of Significant Accounting Policies

(1) Consolidation

The consolidated financial statements include the accounts of the Company and its significant subsidiaries, the management of which is controlled by the Company. For the year ended March 31, 2015, the accounts of 77 (66 in 2014) subsidiaries have been included in the consolidated financial statements.

Under the control or influence concept, the companies over which the Company, directly or indirectly, is able to exercise control are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for using the equity method.

Investments in 12 (13 in 2014) unconsolidated subsidiaries or affiliates are accounted for using the equity method as of March 31, 2015. Investments in the remaining unconsolidated subsidiaries or affiliates are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

Intercompany transactions and accounts have been eliminated.
In the elimination of investments in consolidated subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are evaluated using the fair value at the time when the Company acquired the control over the respective subsidiary. The consolidated subsidiaries, except for Ashinoko Skyline Corporation, whose fiscal closing date is December 31, close their fiscal accounts on March 31.
Regarding Ashinoko Skyline Corporation, adjustments are made in the consolidated financial statements to reflect significant transactions occurring in the period between December 31 and March 31.

a. Changes in scope of consolidation during the year ended March 31, 2015
12 subsidiaries were newly included in the scope of consolidation effective from the year ended March 31, 2015 due to the increased materiality, while one subsidiary was deconsolidated due to merger.

Major unconsolidated subsidiary as of March 31, 2015 is as follows:
Nihon Hozai, Ltd.
This company was not consolidated because their effect on the consolidated financial statements was immaterial in terms of total assets, net sales and retained earnings.

b. Major unconsolidated subsidiaries or affiliates accounted for using the equity method
JX Engineering Corporation and Tsudanuma Housing No. 2 PFI Co., Ltd.

c. Major unconsolidated subsidiaries and affiliates not accounted for using the equity method
Nihon Hozai, Ltd. was not accounted for using the equity method because its effect on the consolidated financial statements was immaterial in terms of net income and retained earnings which correspond to the shares.

The difference between the cost of investment in a subsidiary and the equity in the net assets of the subsidiary at the date of acquisition is amortized over the estimated years if available years are possible to estimate substantially. If it is not possible to estimate available years, the difference is amortized over five years.

Investments in unconsolidated subsidiaries and affiliates were included in “Investment securities” and “Other” under “Investments and other assets” in the total amounts of ¥10,738 million ($89,356 thousand) and ¥9,381 million as of March 31, 2015 and 2014, respectively.

(2) Securities
Securities other than investments in affiliates are classified into two categories, based on the Group’s intent as follows:

- Held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity and stated at amortized cost, and
- Available-for-sale securities, which are not classified as either of aforementioned securities and stated at fair value which is determined based on the market price or other relevant value, as of the fiscal year-end, with unrealized gain (loss), net of applicable taxes, reported in net assets. Unrealized gain (loss), net of applicable income taxes, is reported as a separate component of accumulated other comprehensive income in net assets. Realized gain and loss on the sale of such securities are computed using the moving average method.
  If the fair value of available-for-sale securities is extremely difficult to determine, such securities are reported at acquisition cost determined by the moving average method.

(3) Derivatives
Derivatives are stated at fair value.

(4) Inventories
Inventories consist of costs on uncompleted construction contracts, real estate for sale and development projects in progress and other inventories, including manufactured goods, raw material and supplies.
Inventories, other than costs on uncompleted construction contracts, are valued at the lower of cost or net realizable value. Cost is determined principally by the specific identification method, except for manufactured goods and materials that are determined principally by the moving average method.

(5) Depreciation and Amortization
Property, plant and equipment of the Group, except for leased assets, are depreciated by the straight-line method. The useful lives are determined using the same standards as provided by the Corporate Tax Law.

Intangible assets, except for leased assets, are amortized over the useful life using the straight-line method. Software cost for internal use is amortized over the useful life within five years.

Leased assets under finance leases are amortized by the straight-line method with no residual value over the lease term as the useful life.

(6) Leases
As lessee:
Finance leases are capitalized to recognize leased assets and lease obligations in the balance sheet.
However, as permitted by the accounting standard for leases, the Company and its domestic consolidated subsidiaries account for finance leases which do not transfer ownership of the leased assets to the lessee and which started prior to April 1, 2008 in the same manner as operating leases.
As lessor:
The Group recognizes net sales and cost of sales on finance lease transactions upon receipt of lease charges.

(7) Allowance for Doubtful Accounts
Allowance for doubtful accounts is provided principally at an amount based on the actual ratio of bad debts in the past plus the estimated uncollectible amounts of certain individual receivables.

(8) Reserve for Bonuses
The Company and certain consolidated subsidiaries record reserve for bonuses payable to employees to provide for payment of bonuses applicable to the current fiscal year.

(9) Reserve for Warranties on Completed Construction Contracts
Reserve for warranties on completed construction contracts is provided for future payments on defects or after service costs to be incurred in connection with warranties on completed construction contracts based on past experience.

(10) Reserve for Loss on Construction Contracts
Reserve for loss on construction contracts is provided with respect to uncompleted construction contracts on which estimated total costs would exceed the contract amounts and the related loss can be reasonably estimated.

(11) Reserve for Directors' Retirement Benefits
Certain consolidated subsidiaries record necessary amounts to be paid based on the internal rule as of the fiscal year-end to provide for future payments for directors' retirement benefits.

(12) Accounting for Employees' Retirement Benefits
In determining retirement benefit obligations, the estimated amount of retirement benefits are attributed to periods on a benefit formula basis.
Past service cost is amortized by the straight-line method over periods which are shorter than the average remaining service years (12 years) of employees at the time of occurrence.
Actuarial gain and loss are amortized by the straight-line method over periods which are shorter than the average remaining service years (principally 12 years) of employees at the time of occurrence from the year following the year of occurrence.

Some consolidated subsidiaries adopt a short-cut method.

(13) Recognizing Revenues and Costs of Construction Contracts

The Company recognizes the construction revenue and construction costs by the percentage-of-completion method, if the outcome of a construction contract can be estimated reliably. The percentage of completion is determined using the percentage of the cost incurred to the estimated total cost. Revenue from other construction contracts is recognized based on the completed-contract method.

Revenue recognized by the percentage-of-completion method was ¥169,197 million ($1,407,980 thousand) and ¥184,617 million for the years ended March 31, 2015 and 2014, respectively.

(14) Consumption Taxes

National and local consumption taxes are deducted from transaction amounts and recorded on the consolidated balance sheet.

(15) Cash and Cash Equivalents

In preparing the consolidated statement of cash flows, cash on hand, readily-available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

(16) Accounting Changes

Accounting for liability for retirement benefits

Effective from the year ended March 31, 2015, the Company and its domestic consolidated subsidiaries adopted the provisions described in the main clause of Paragraph 35 of the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26 of May 17, 2012) and the main clause of Paragraph 67 of the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25 of March 26, 2015). Consequently, the Company reviewed the calculation method of retirement benefit obligations and service costs, changed the method of attributing expected retirement benefits to periods from a straight line basis to a benefit formula basis and changed the determination method of discount rates.

In the application of the Accounting Standard for Retirement Benefits, the Company followed the transitional treatment set out in Paragraph 37 of the standard whereby the effects of changes in the calculation method of retirement benefit obligations and service costs are reflected in retained earnings at April 1, 2014.

As a result, the liability for employees' retirement benefits increased by ¥2,316 million ($19,272 thousand) and retained earnings decreased by ¥1,227 million ($10,210 thousand) as of April 1, 2014. The effects on operating income and income before income taxes and minority interests were immaterial.

The effects on per share data are described in Note 19.

3. Cash and Cash Equivalents

The reconciliation of "Cash and cash equivalents" in the consolidated statement of cash flows at the end of the fiscal year and "Cash and bank deposits" in the consolidated balance sheet as of March 31, 2015 and 2014 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Cash and bank deposits	¥54,696	¥47,865	$455,155
Time deposits maturing over 3 months	(176)	(471)	(1,464)
Short-term loans which will be collected within 3 months	42,335	35,078	352,292
Cash and cash equivalents at the end of year	¥96,855	¥82,472	$805,983

4. Investment Securities

There were no held-to-maturity securities as of March 31, 2015 and 2014.
The following table summarizes carrying amounts, acquisition costs and unrealized gain (loss) of available-for sale securities as of March 31, 2015 and 2014:

Available-for-sale securities

	Millions of Yen		
	2015		
March 31	Carrying amount	Acquisition cost	Unrealized gain (loss)
Carrying amount exceeds acquisition cost:			
Equity securities	¥42,209	¥5,473	¥36,735
Carrying amount does not exceed acquisition cost:			
Equity securities	¥1	¥1	¥0
Total	¥42,210	¥5,475	¥36,735

	Millions of Yen		
	2014		
March 31	Carrying amount	Acquisition cost	Unrealized gain (loss)
Carrying amount exceeds acquisition cost:			
Equity securities	¥30,634	¥5,089	¥25,545
Carrying amount does not exceed acquisition cost:			
Equity securities	¥1	¥1	¥—
Total	¥30,635	¥5,090	¥25,545

	Thousands of U.S. Dollars		
	2015		
March 31	Carrying amount	Acquisition cost	Unrealized gain (loss)
Carrying amount exceeds acquisition cost:			
Equity securities	$351,244	$45,543	$305,691
Carrying amount does not exceed acquisition cost:			
Equity securities	$8	$8	$0
Total	$351,252	$45,560	$305,691

Proceeds from sales of available-for-sale securities and realized gain (loss) for the years ended March 31, 2015 and 2014 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Sales proceeds	¥70	¥0	$582
Realized gain	69	0	574
Realized loss	—	—	—

The Company recognized loss on impairment in an amount of ¥10 million ($83 thousand) on equity securities classified as available-for-sale securities for the year ended March 31, 2015.
The Company recognized no loss on impairment on securities for the year ended March 31, 2014.

The Company recognizes loss on impairment if the fair value at the fiscal year-end declines more than 30% from the acquisition cost. Concerning securities for which there is no market value, the Company recognizes loss on impairment if the substantial value at the fiscal year-end declines more than 50% from the acquisition cost, unless the recoverability can be sufficiently justified.

5. Inventories

Inventories as of March 31, 2015 and 2014 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Costs on uncompleted construction contracts	¥24,359	¥18,203	$202,704
Real estate for sale	28,111	27,843	233,926
Manufactured goods	455	327	3,786
Raw material and supplies	2,467	2,652	20,529
Total	¥55,392	¥49,025	$460,946

Inventories related to construction contracts on which losses are expected are presented on a gross basis without offsetting against reserve for loss on construction contracts.
Inventories related to construction contracts that are covered by reserve for loss on construction contracts were ¥3,014 million ($25,081 thousand) and ¥214 million as of March 31, 2015 and 2014, respectively.

During the year ended March 31, 2015, land in an amount of ¥533 million ($4,435 thousand) and buildings and structures in an amount of ¥55 million ($457 thousand) were reclassified from real estate for sale to property, plant and equipment due to change in holding purpose.

During the year ended March 31, 2014, land in an amount of ¥1,122 million, buildings and structures in an amount of ¥565 million and construction in progress in an amount of ¥7,627 million were reclassified from property, plant and equipment to real estate for sale due to change of holding purpose. In addition, land in an amount of ¥1,423 million and buildings and structures in an amount of ¥167 million were reclassified from real estate for sale to property, plant and equipment due to change of holding purpose.

6. Investment and Rental Property

The Company and certain consolidated subsidiaries own rental properties such as office buildings, commercial facilities, residential houses, parking lots and others in Tokyo and other areas for the purpose of earning rental income. Certain office buildings for rent are included in "Real estate including portions to be used for rental properties," since the Company and certain consolidated subsidiaries use them.

The carrying amounts, changes in such balances and fair values of such properties for the years ended March 31, 2015 and 2014 were as follows.

	Millions of Yen			
	Carrying amounts			Fair value
Year ended March 31, 2015	April 1, 2014	Changes	March 31, 2015	March 31, 2015
Investment and rental properties	¥13,326	¥4,667	¥17,994	¥21,153
Real estate including portions to be used for investment and rental properties	3,645	(457)	3,187	4,127

	Millions of Yen			
	Carrying amounts			Fair value
Year ended March 31, 2014	April 1, 2013	Changes	March 31, 2014	March 31, 2014
Investment and rental properties	¥20,057	¥(6,730)	¥13,326	¥16,391
Real estate including portions to be used for investment and rental properties	3,291	353	3,645	4,639

	Thousands of U.S. Dollars			
	Carrying amounts			Fair value
Year ended March 31, 2015	April 1, 2014	Changes	March 31, 2015	March 31, 2015
Investment and rental properties	$110,892	$38,836	$149,737	$176,025
Real estate including portions to be used for investment and rental properties	30,332	(3,802)	26,520	34,343

Notes:

1. Carrying amounts represent the net book values of acquisition costs, less accumulated depreciation and accumulated impairment losses.
2. Changes during the year ended March 31, 2015 consist of an increase primarily due to purchase of real estate in the amount of ¥1,051 ($8,745 thousand) at Machida city, Tokyo.
   Changes during the year ended March 31, 2014 consist of an increase primarily due to purchase of real estate in the amount of ¥1,107 and a decrease primarily due to transfer to real estate for sale in the amount of ¥7,470 million.
3. The fair value is measured based on the real estate appraisal values by independent real estate appraisers for significant properties and internally measured based on the certain appraisal values and indices considered to be reflecting market prices properly for other properties.

Profit or loss on these properties for the years ended March 31, 2015 and 2014 was as follows:

	Millions of Yen		
Year ended March 31, 2015	Rental income	Rental costs	Profit
Investment and rental properties	¥2,005	¥1,094	¥911
Real estate including portions to be used for investment and rental properties	409	251	157

	Millions of Yen		
Year ended March 31, 2014	Rental income	Rental costs	Profit
Investment and rental properties	¥1,868	¥938	¥930
Real estate including portions to be used for investment and rental properties	407	261	145

	Thousands of U.S. Dollars		
Year ended March 31, 2015	Rental income	Rental costs	Profit
Investment and rental properties	$16,684	$9,103	$7,580
Real estate including portions to be used for investment and rental properties	3,403	2,088	1,306

Note: Since real estate including portions to be used for investment and rental properties include portions used by the Company and certain consolidated subsidiaries, rental income for such portions is not included in the above table. However, such real estate expenses including depreciation, repair and maintenance expenses, insurance and taxes and dues are included in rental costs.

7. Short-term Bank Loans, Long-term Debt and Lease Obligations

The annual weighted-average interest rate applicable to short-term bank loans was 1.10% for the year ended March 31, 2015.
The annual weighted-average interest rates applicable to long-term debt were 1.57% and 1.55% for the years ended March 31, 2015 and 2014, respectively and the repayment due dates are from 2016 through 2022.
The due dates of long-term lease obligations are from 2016 through 2023.

Annual maturities of long-term debt and long-term lease obligations, excluding current portions, as of March 31, 2015 were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
Years ending March 31	Long-term debt	Long-term lease obligations	Long-term debt	Long-term lease obligations
2017	¥1,895	¥756	$15,769	$6,291
2018	1,235	507	10,277	4,219
2019	29	285	241	2,371
2020	29	103	241	857
2021 and thereafter	73	16	607	133
Total	¥3,262	¥1,669	$27,144	$13,888

Assets pledged as collateral for long-term debt as of March 31, 2015 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Land	¥78	¥78	$649
Buildings and structures	35	31	291
Investment securities	52	52	432
Long-term loans receivable	3	3	24
Total	¥169	¥165	$1,406

Note: The above investment securities and long-term loans receivable are pledged as collateral for liabilities including borrowings of companies other than consolidated subsidiaries as of March 31, 2015 and 2014 and a part of investment securities is pledged as collateral for long-term debt of affiliates in an amount of ¥1,193 million ($9,927 thousand) and ¥1,789 million as of March 31, 2015 and 2014, respectively. In addition, shares issued by consolidated subsidiaries and

investments in partnerships which are eliminated in the consolidation process are pledged as collateral in the amounts of ¥292 million ($2,429 thousand) and ¥365 million ($3,037 thousand), respectively, as of March 31, 2015 and ¥292 million and ¥337 million, respectively, as of March 31, 2014.
Furthermore, PFI business assets in an amount of ¥6,676 million ($55,554 thousand) and ¥7,452 million corresponding to non-recourse loans (short-term bank loans) in the amounts of ¥1,955 million ($16,268 thousand) and ¥1,935 million and non-recourse loans (long-term debt) in the amounts of ¥3,071 million ($25,555 thousand) and ¥4,447 million, financed from financial institutions by consolidated subsidiaries operating PFI business, are pledged as collateral as of March 31, 2015 and 2014, respectively.
The liability secured by the above pledged assets was long-term debt (including current portion) in an amount of ¥235 million ($1,955 thousand) and ¥249 million as of March 31, 2015 and 2014, respectively.

8. Employees' Retirement Benefits

(1) Summary of retirement benefit plans of the Group

The Company and its consolidated subsidiaries have defined benefit corporate pension plans, welfare pension fund plans and lump-sum payment plans (including external funding plans) to cover the employees' retirement benefits. As of March 31, 2015, a consolidated subsidiary has a funded defined benefit corporate pension plan, four subsidiaries have welfare pension fund plans, five subsidiaries have lump-sum payment plans (excluding external funding plans) and one subsidiary has a defined contribution pension plan. As lump-sum payment plans (external funding plans), 69 subsidiaries participate in the Retirement Mutual Fund Plan for Small and Medium Size Companies or the Construction Industry Retirement Mutual Fund Plan.
Some consolidated subsidiaries adopt a short-cut method to calculate the liability for retirement benefits and retirement benefit expenses for their lump-sum payment plans.

(2) Defined benefit plans

1) The changes in retirement benefit obligations for the years ended March 31, 2015 and 2014, were as follows (excluding the plans to which a short-cut method is applied):

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Beginning balance of retirement benefit obligations	¥ 31,374	¥ 33,205	$261,080
Cumulative effect of accounting changes	(2,316)	-	(19,272)
Restated balance	29,057	33.205	241,799
Service cost	1,067	1,047	8,879
Interest cost	318	377	2,646
Actuarial differences	786	(148)	6,540
Retirement benefits paid	(2,800)	(3,107)	(23,300)
Ending balance of retirement benefit obligations	¥ 33,063	¥ 31,374	$275,135

2) The changes in plan assets for the years ended March 31, 2015 and 2014, were as follows (excluding the plans to which a short-cut method is applied):

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Beginning balance of plan assets	¥ 24,890	¥ 23,682	$207,123
Expected return on plan assets	622	592	5,176
Actuarial differences	1,551	1,109	12,906
Contribution from the employer	333	2,057	2,771
Retirement benefits paid	(2,361)	(2,551)	(19,647)
Ending balance of plan assets	¥ 25,037	¥ 24,890	$208,346

3) The changes in liability for retirement benefits of the plans to which a short-cut method is applied for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Beginning balance of liability for retirement benefits	¥ 274	¥ 269	$2,280
Retirement benefit expenses	36	33	299
Retirement benefits paid	(27)	(28)	(224)
Ending balance of liability for retirement benefits	¥ 284	¥ 274	$2,363

4) Reconciliation between the ending balances of retirement benefit obligations and plan assets and liability for retirement benefits recorded in the consolidated balance sheet were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Funded defined benefit obligations	¥ 27,344	¥ 24,984	$227,544
Plan assets	25,037	24,890	208,346
	2,307	93	19,197
Unfunded defined benefit obligations	6,002	6,664	49,945
Net liability recorded in the consolidated balance sheet	8,309	6,757	69,143
Liability for employees' retirement benefits	8,309	6,757	69,143
Net liability recorded in the consolidated balance sheet	¥ 8,309	¥ 6,757	$69,143

Note: Above amounts include those plans to which a short-cut method is applied.

5) The components of retirement benefit expenses for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Service cost	¥ 1,067	¥ 1,047	$8,879
Interest cost	318	377	2,646
Expected return on plan assets	(622)	(592)	(5,176)
Amortization of actuarial differences	463	649	3,852
Amortization of past service cost	(121)	(121)	(1,006)
Retirement benefit expenses computed by a short-cut method	36	33	299
Retirement benefit expenses on defined benefit plans	¥ 1,143	¥ 1,394	$9,511

6) The components of adjustments for retirement benefits (before adjusting for tax effects) for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Past service costs	¥ (121)	¥ -	$(1,006)
Actuarial differences	1,288	-	10,718
Total	¥ 1,107	¥ -	$9,211

7) The components of accumulated adjustments for retirement benefits (before adjusting for tax effects) for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Unrecognized past service costs	¥ 31	¥ (90)	$257
Unrecognized actuarial differences	119	1,348	990
Total	¥ 151	¥ 1,258	$1,256

8) Plan assets

a. Components of plan assets

Plan assets consisted of the following:

	2015	2014
Debt securities	44.8%	43.7%
Equity securities	27.3%	26.6%
Cash and deposits	4.9%	3.0%
Other	23.0%	26.7%
Total	100.0%	100.0%

Note: “Other” mainly includes alternative investments.

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, 2015 and 2014, were set forth as follows:

	2015	2014
Discount rate	0.4%-1.0%	0.8%-1.2%
Long-term expected rate of return	2.5%	2.5%
Expected rate of salary increase	2.7%-3.4%	-

(3) Defined contribution plan

The amount of the required contribution to the defined contribution plan of a consolidated subsidiary was ¥23 million ($191 thousand) and ¥19 million for the years ended March 31, 2015 and 2014, respectively.

(4) Multi-employer plans

The amount of the required contribution to the Welfare Pension Fund Plans of multi-employer plans which are accounted for in the same manner as defined contribution plans was ¥793 million ($6,598 thousand) and ¥809 million for the years ended March 31, 2015 and 2014, respectively.

1) Latest funding status of multi-employer plans

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Plan assets	¥ 259,886	¥ 225,553	$2,162,652
Total of actuarial obligations and minimum policy reserve for pension accounting purpose*	256,893	230,627	2,137,746
Net	¥ 2,993	¥ (5,073)	$24,906

*This item was presented as “Benefit obligations for pension accounting purpose” in the year ended March 31, 2014.

2) The Company’s share of contribution to the multi-employer plans was 11.1% and 9.7% for the years ended March 31, 2015 and 2014, respectively.

3) Supplementary explanation

The outstanding balance of unamortized past service liabilities of the plans, which amounts to ¥12,679 million ($105,508 thousand) and ¥12,188 million as of March 31, 2015 and 2014, respectively, will be amortized over the periods until March 2023 for ¥11,199 million ($93,192 thousand) and until March 2030 for ¥1,480 million ($12,315 thousand) on a straight-line basis.

The share of above (2) does not agree with the actual share of the contribution of the Group.

9. Asset Retirement Obligations

The group's asset retirement obligations represent obligations of restoration stipulated in the real estate rental contracts of land for business use.
Asset retirement obligations are measured by estimating the periods for use to be 6 years through 44 years after the beginning of the contract term and using the discount rates of 1.0% through 2.3%.
The changes in asset retirement obligations during the years ended March 31, 2015 and 2014 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Beginning balance	¥1,022	¥1,019	$ 8,504
Increase due to acquisition of tangible assets	57	—	474
Accretion expenses	4	4	33
Decrease due to settlement of obligations	23	1	191
Ending balance	¥1,061	¥1,022	$ 8,829

10. Net Assets

Under the Japanese Companies Act (the "Act"), the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one half of the price of the new shares as additional paid-in capital, which is a component of capital surplus.
Under the Act, an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon approval by the Board of Directors and/or upon resolution of the shareholders' meeting.
In addition, legal reserve and capital surplus could be used to eliminate or reduce a deficit or could be capitalized by a resolution of the shareholders' meeting.

11. Capital Stock and Dividends Paid

The Company's capital stock consists of only common stock.
The changes in the number of outstanding common stock and treasury stock during the years ended March 31, 2015 and 2014 were as follows:

	Number of shares			
	April 1, 2014	Increase	Decrease	March 31, 2015
Outstanding shares issued:				
Common stock	119,401,836	—	—	119,401,836
Treasury stock	283,688	7,033	—	290,721

	Number of shares			
	April 1, 2013	Increase	Decrease	March 31, 2014
Outstanding shares issued:				
Common stock	119,401,836	—	—	119,401,836
Treasury stock	273,449	10,239	—	283,688

Note: Increase in treasury stock during the years ended March 31, 2015 and 2014 is due to purchase of shares less than one unit.

The Company paid the following dividends during the years ended March 31, 2015 and 2014:

Year ended March 31, 2015

Cash dividends approved at the shareholders' meeting held on June 24, 2014:	Total amount (Millions of Yen) (Thousands of U.S. Dollars)	Per share amount (Yen) (U.S. Dollars)	Dividend record date	Effective date
Common stock	¥2,977 ($24,773)	¥25 ($0.20)	Mar. 31, 2014	Jun. 25, 2014

Year ended March 31, 2014

Cash dividends approved at the shareholders' meeting held on June 25, 2013:	Total amount (Millions of Yen)	Per share amount (Yen)	Dividend record date	Effective date
Common stock	¥1,786	¥15	Mar. 31, 2013	Jun. 26, 2013

12. Contingent Liabilities

The Group guarantees the following liabilities as of March 31, 2015 and 2014:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Housing loans of employees	¥64	¥93	$ 532
Guarantee on deposits made by buyers of apartment houses offered by the following customers:			
Pressance Corporation	-	202	-

13. Cost of Sales

Cost of sales for the years ended March 31, 2015 and 2014 includes the following costs:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Write-down of inventories due to a decline of profitability	¥272	¥880	$2,263
Provision of reserve for loss on construction contracts	4,131	759	34,376

14. Selling, General and Administrative Expenses

The major components of selling, general and administrative expenses for the years ended March 31, 2015 and 2014 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Salaries and wages	¥7,080	¥6,902	$58,916
Provision of reserve for bonuses	1,086	1,154	9,037
Retirement benefit expenses	383	436	3,187
Provision for doubtful accounts	(74)	341	(615)
Research and development expenses	834	791	6,940

15. Other Income (Expenses)

Net gain (loss) on disposal or sales of property, plant and equipment for the years ended March 31, 2015 and 2014 consists of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2014
Gain on sales of property, plant and equipment:			
Machinery, equipment and vehicles	¥361	¥19	$3,004
Land	365	46	3,037
Other	9	0	74
Sub-total	736	65	6,124
Loss on disposal or sales of property, plant and equipment:			
Buildings and structures	(186)	(191)	(1,547)
Machinery, equipment and vehicles	(48)	(58)	(399)
Other	(43)	(35)	(357)
Sub-total	(278)	(285)	(2,313)
Net gain (loss) on disposal or sales of property, plant and equipment	¥458	¥(220)	$3,811

16. Loss on Impairment of Fixed Assets

The Group recognized loss on impairment amounting to ¥167 million ($1,389 thousand) for the year ended March 31, 2015.
The Group did not recognize loss on impairment for the year ended March 31, 2014.
The Group considers the business units based on the business category for management accounting purposes as the minimum unit generating cash flows and all corporate assets of the headquarters are treated as common assets in grouping.
The Group reduced the carrying amounts of land as idle assets located in Sapporo city, Hokkaido to the recoverable amount and recorded the decreased amount as loss on impairment under “Other expenses” for the year ended March 31, 2015.
The recoverable amounts are determined based on real estate assessment values.

17. Income Taxes

Major components of the Group's deferred income tax assets and liabilities as of March 31, 2015 and 2014 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Deferred tax assets:			
Reserve for bonuses	¥1,423	¥1,600	$11,841
Reserve for loss on construction contracts	1,387	335	11,541
Allowance for doubtful accounts	427	405	3,553
Loss on valuation of real estate for sale and development projects in progress	704	837	5,858
Liability for employees' retirement benefits	2,601	2,164	21,644
Tax loss carryforwards	6	55	49
Loss on impairment	6,302	6,915	52,442
Other	3,650	3,249	30,373
Sub-total	16,504	15,563	137,338
Valuation allowance	(10,104)	(10,662)	(84,080)
Total deferred tax assets	¥6,399	¥4,901	$53,249
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	¥(11,832)	¥(9,071)	$(98,460)
Reserve for reduction entry of fixed assets	(544)	(601)	(4,526)
Other	(230)	(105)	(1,913)
Total deferred tax liabilities	¥(12,607)	¥(9,778)	$(104,909)
Net deferred tax liabilities:	¥(6,207)	¥(4,877)	$(51,651)

Note: Net deferred tax liabilities are included in the following items of the accompanying consolidated balance sheet:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Current assets - Deferred tax assets	¥4,481	¥3,522	$37,288
Investments and other assets - Deferred tax assets	390	385	3,245
Non-current liabilities - Deferred tax liabilities	(11,079)	(8,785)	(92,194)

A reconciliation between the statutory tax rate and the effective tax rates reflected in the accompanying consolidated statement of income for the years ended March 31, 2015 and 2014 was as follows:

	2015	2014
Statutory tax rate	35.6 %	38.0 %
Expenses permanently not deductible for income tax purpose	0.6	0.8
Non-taxable income	(0.9)	(0.5)
Per capita inhabitant tax	0.7	0.7
Enterprise tax equivalent on overseas income	(0.1)	(0.0)
Tax credit on research and development expenses	(0.1)	(0.1)
Investment tax credit on manufacturing facilities	(0.0)	(0.2)
Changes in valuation allowance	1.5	(1.4)
Modification of the amounts of deferred tax assets and liabilities due to income tax rate changes	1.1	0.7
Other	(0.0)	0.3
Effective tax rates	38.4 %	38.2 %

3. Adjustments of deferred tax assets and liabilities due to a change in the corporate income tax rate:

The New Tax Reform Act proclaimed on March 31, 2015 reduced the income tax rates whereby the normal effective statutory tax rates used in computing deferred tax assets and liabilities were reduced from 35.64% to 33.10% for the temporary differences expected to be recovered or paid in the fiscal year beginning April 1, 2015 through March 31, 2016 and 32.34% for those expected to be recovered or paid on or after April 1, 2016. As a result, deferred tax liabilities, net of deferred tax assets, decreased by ¥774 million ($6,440 thousand). Income taxes – deferred and valuation difference on available-for-sale securities increased by ¥433 million ($3,603 thousand) and ¥1,207 million ($10,044 thousand), respectively.

18. Other Comprehensive Income

The reclassification adjustment and tax effects allocated to each component of other comprehensive income for the years ended March 31, 2015 and 2014 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Valuation difference on available-for-sale securities:			
Amount recognized during the year	¥ 10,944	¥ 3,638	$91,070
Reclassification adjustment to net income	-	(0)	-
Amount before tax effect	10,944	3,637	91,070
Tax effect	(2,518)	(1,286)	(20,953)
Valuation difference on available-for-sale securities	8,426	2,351	70,117
Adjustments for employees' retirement benefits:			
Amount recognized during the year	765	-	6,365
Reclassification adjustment to net income	341	-	2,837
Amount before tax effect	1,107	-	9,211
Tax effect	(134)	-	(1,115)
Adjustments for employees' retirement benefits	972	-	8,088
Share of other comprehensive income in affiliates accounted for using the equity method:			
Amount recognized during the year	(0)	(0)	(0)
Other comprehensive income	¥ 9,397	¥ 2,351	$ 78,197

19. Per Share Data

	Yen		U.S. Dollars
March 31	2015	2014	2015
Net assets per common share	¥2,069.43	¥1,838.14	$17.22

Net assets per common share are calculated based on the following:

	Millions of Yen		Thousands of U.S. Dollars
March 31	2015	2014	2015
.Total net assets	¥250,913	¥223,010	$2,087,983
Amount to be deducted from total net assets:			
(Minority interests)	(4,421)	(4,055)	(36,789)
Net assets attributable to common shares	246,492	218,955	2,051,194

	Number of shares	
March 31	2015	2014
Number of common shares as of fiscal year-end	119,111,115	119,118,148

As noted in Note 2 (16), the Company applied the revised accounting standard for retirement benefits and guidance and followed the transitional treatments prescribed in Paragraph 37 of ASBJ Statement No. 26. As a result, net assets per share as of March 31, 2015 decreased by ¥10.31 ($0.08).

	Yen		U.S. Dollars
March 31	2015	2014	2015
Net income per common share	¥188.37	¥182.89	$1.56

*Diluted net income per common share was not presented since the potential shares did not exist for the years ended March 31, 2015 and 2014.

Net income per common share is calculated based on the following:

	Millions of Yen		Thousands of U.S. Dollars
Years ended March 31	2015	2014	2015
Net income	¥22,437	¥21,786	$186,710
Net income attributable to common shares	22,437	21,786	186,710

	Number of shares	
Years ended March 31	2015	2014
Average number of common shares during the year	119,114,130	119,123,581

20. Leases

1. Financial leases

As lessee:

The leased assets are some tangible fixed assets such as construction machinery (machinery, equipment and vehicles) for construction business use.

As explained in Note 2 (6), finance leases which do not transfer ownership of the leased assets to the lessee and which started prior to April 1, 2008 are accounted for as operating leases.

Pro forma information of the leased assets which started prior to April 1, 2008 was as follows:

	Millions of Yen		
March 31, 2015	Acquisition cost	Accumulated depreciation	Net leased assets
Tools, furniture and fixtures	¥20	¥20	¥ -
Total	¥20	¥20	¥ -

	Millions of Yen		
March 31, 2014	Acquisition cost	Accumulated depreciation	Net leased assets
Tools, furniture and fixtures	¥20	¥19	¥1
Total	¥20	¥19	¥1

	Thousands of U.S. Dollars		
March 31, 2015	Acquisition cost	Accumulated depreciation	Net leased assets
Tools, furniture and fixtures	$166	$166	$ -
Total	$166	$166	$ -

Obligations under finance leases were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Due within one year	¥ —	¥1	$—
Due over one year	—	—	—
Total	¥ —	¥1	$—

Lease payments, depreciation and interest expense were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Lease payments	¥1	¥2	$ 8
Depreciation	1	2	8
Interest expense	0	0	0

Depreciation of leased assets is computed by the straight-line method with no residual value over the lease term as the useful life.

Interest expense on leased assets is computed based on the difference between total lease payments and acquisition cost of leased assets and allocated over the lease term by the interest method.

As lessor:

The accounting standard requires that all finance leases that deem to transfer ownership of the leased property to the lessee shall be recognized as lease receivables, and all finance leases that deem not to transfer ownership of the leased property to the lessee shall be recognized as investments in leased assets.

Investments in leased assets classified as current assets consist of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Receivable portion of lease charges	¥2,833	¥2,527	$23,574
Estimated residual value	257	185	2,138
Interest income portion	422	431	3,511
Investments in leased assets	¥3,513	¥3,144	$29,233

Collection schedules of lease receivables and receivable portion of lease charges on investments in leased assets subsequent to March 31, 2015 were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
Year ending March 31	Lease receivables	Investments in leased assets	Lease receivables	Investments in leased assets
2016	¥35	¥991	$291	$8,246
2017	37	804	307	6,690
2018	36	563	299	4,685
2019	18	332	149	2,762
2020	10	121	83	1,006
2021 and thereafter	3	20	24	166

Finance leases which do not transfer ownership of the leased assets to the lessee and which started prior to April 1, 2008 are permitted to be accounted for as operating leases.

Pro forma information about finance leases which do not transfer ownership of the leased assets to the lessee and which started prior to April 1, 2008 was as follows:

	Millions of Yen		
March 31, 2015	Acquisition cost	Accumulated depreciation	Net leased assets
Machinery, equipment and vehicles	¥–	¥–	¥–

	Millions of Yen		
March 31, 2014	Acquisition cost	Accumulated depreciation	Net leased assets
Machinery, equipment and vehicles	¥ -	¥ -	¥ -

	Thousands of U.S. Dollars		
March 31, 2015	Acquisition cost	Accumulated depreciation	Net leased assets
Machinery, equipment and vehicles	$—	$—	$—

Outstanding receivables under finance leases accounted for as operating leases were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Due within one year	¥—	¥—	$—
Due over one year	—	—	—
Total	¥—	¥—	$—

Lease receipts, depreciation and interest income were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Lease receipts	¥—	¥0	$—
Depreciation	—	0	—
Interest income	—	0	—

Interest income is allocated over the lease term by the interest method.

2. Operating leases

Future minimum lease payments under non-cancellable operating leases were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Due within one year	¥112	¥114	$932
Due over one year	237	185	1,972
Total	¥350	¥300	$2,912

3. Subleases

Subleases recorded in the amounts before deducting interest income in the accompanying consolidated balance sheet were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Investments in leased assets:			
Current assets	¥2,251	¥2,182	$18,731
Lease obligations:			
Current liabilities	723	715	6,016
Non-current liabilities	1,355	1,321	11,275

21. Financial Instruments

a. Policy for Financial Instruments

The Group invests its surplus funds only in short-term deposits or uses the Group financing system of the parent company and raises its working capital by bank loans. Derivatives are used, not for speculative purposes, but to avoid risks arising from future changes in foreign exchange rates.

b. Nature and Related Risks Arising from Financial Instruments and Risk Management System

Trade receivables such as notes receivable and accounts receivable on completed construction contracts are exposed to customer credit risk. With respect to such risks, the Company controls the outstanding balances at the Credit Risk Control Committee on a regular basis in accordance with the Company's Credit Control Rules and monitors the credit status of major customers. Its consolidated subsidiaries follow the same control procedures in accordance with the Company's control policy.

Short-term loans receivable were executed to invest funds pursuant to the aforementioned Group financing system.

Equity securities included in investment securities consist of mainly equity securities issued by trade customers. These investments are exposed to the risk of market price fluctuations and the responsible divisions monitor the market values and financial positions of the issuers (trade customers) on a regular basis.

Payment terms of trade payables such as notes payable, accounts payable on construction contracts and other are mostly less than six months. Long-term loans are mainly non-recourse loans financed from financial institutions by consolidated subsidiaries operating PFI business. The Group controls such liquidity risk associated with funding by preparing and updating funding plans on a timely basis.

Derivatives are used to avoid the risk of changes in foreign exchange rates exposed to foreign currency denominated receivables and payables and to secure stable profit. Derivative transactions are executed in accordance with the internal rule which defines authorization policies. In addition, the counterparties to enter into derivative contracts are limited to large financial institutions to mitigate credit risk.

c. Supplementary Information on Fair Values

Fair values of financial instruments are based on quoted prices in active markets. If market quoted prices are not available, other rational valuation techniques are used instead. The results of valuations may differ based upon assumptions used because rational valuation techniques include variable factors.

Note that contract amounts of derivative transactions disclosed in Note 22 "Derivative Transactions" do not show the volume of market risk on derivative transactions.

Fair Value of Financial Instruments

Carrying amounts of the financial instruments included in the consolidated balance sheet and their fair values as of March 31, 2015 and 2014 were as follows:

	Millions of Yen		
March 31, 2015	Carrying amount	Fair value	Unrealized gain (loss)
(1) Cash and bank deposits	¥54,696	¥54,696	¥—
(2) Notes receivable, accounts receivable on completed construction contracts and other	135,692		
Allowance for doubtful accounts*1	(173)		
	135,518	135,510	(8)
(3) Short-term loans receivable	42,421		
Allowance for doubtful accounts*1	(54)		
	42,366	42,366	—
(4) Investment securities	42,210	42,210	—
Total assets	274,792	274,784	(8)
(1) Notes payable, accounts payable on construction contracts and other	127,535	127,526	(9)
(2) Long-term debt	3,262	3,232	(30)
Total liabilities	130,798	130,759	(39)
Derivatives*2	(207)	(207)	—

	Millions of Yen		
March 31, 2014	Carrying amount	Fair value	Unrealized gain (loss)
(1) Cash and bank deposits	¥47,865	¥47,865	¥—
(2) Notes receivable, accounts receivable on completed construction contracts and other	149,816		
Allowance for doubtful accounts*1	(266)		
	149,550	149,530	(20)
(3) Short-term loans receivable	35,139		
Allowance for doubtful accounts*1	(62)		
	35,077	35,077	—
(4) Investment securities	30,635	30,635	—
Total assets	263,128	263,108	(20)
(1) Notes payable, accounts payable on construction contracts and other	142,133	142,122	(10)
(2) Long-term debt	4,668	4,620	(47)
Total liabilities	146,801	146,743	(57)
Derivatives*2	(20)	(20)	—

March 31, 2015	Thousands of U.S. Dollars Carrying amount	Fair value	Unrealized gain (loss)
(1) Cash and bank deposits	$455,155	$455,155	$—
(2) Notes receivable, accounts receivable on completed construction contracts and other	1,129,167		
Allowance for doubtful accounts*1	(1,439)		
	1,127,719	1,127,652	(66)
(3) Short-term loans receivable	353,008		
Allowance for doubtful accounts*1	(449)		
	352,550	352,550	—
(4) Investment securities	351,252	351,252	—
Total assets	2,286,693	2,286,627	(66)
(1) Notes payable, accounts payable on construction contracts and other	1,061,288	1,061,213	(74)
(2) Long-term debt	27,144	26,895	(249)
Total liabilities	1,088,441	1,088,116	(324)
Derivatives*2	(1,722)	(1,722)	—

*1 General allowance for doubtful accounts corresponding to “Notes receivable, accounts receivable on completed construction contracts and other” is deducted.

*2 Receivables or payables arising from derivative transactions are shown in net and net payables are presented in parentheses.

Note 1: Method used for determining fair values of financial instruments and matters concerning securities and derivative transactions

Assets:

(1) Cash and bank deposits

The carrying amount is presented as the fair value, since the fair value approximates such carrying amount because of their short maturities.

(2) Notes receivable, accounts receivable on completed construction contracts and other

The fair value is based on the present value determined by discounting receivables categorized by fixed periods using interest rates considering the maturities and the credit risk.

(3) Short-term loans receivable

The carrying amount is presented as the fair value, since the fair value approximates such carrying amount because of their short maturities.

(4) Investment securities

The fair value of equity securities is determined by the quoted prices at the exchanges and that of debt securities is determined by the quoted prices at the exchanges or prices presented by the financial institutions.

With respect to notes on securities by holding purposes, please see Note 4 “Investment Securities”.

Liabilities:

(1) Notes payable, accounts payable on construction contracts and other

The carrying amount is presented as the fair value, since the fair value approximates the carrying amount because of their short maturities.

(2) Long-term debt

The fair value is based on the present value determined by discounting the aggregated amount of principal and interest using interest rates that would be applied to new similar borrowings.

Derivative transactions:

Please see Note 22 “Derivative Transactions”.

Note 2: Financial instruments whose fair values are extremely difficult to estimate were as follows:

	Millions of Yen 2015	2014	Thousands of U.S. Dollars 2015
Unlisted equity securities	¥10,706	¥10,612	$89,090

The above items are not included in “(4) Investment securities” since market prices are not available and it is extremely difficult to determine their fair values.

Note 3: Annual maturities of monetary receivables and securities with maturity subsequent to March 31, 2015 were as follows:

	Millions of Yen			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and bank deposits	¥54,696	¥—	¥—	¥—
Notes receivable, accounts receivable on completed construction contracts and other	131,074	4,538	79	—
Short-term loans receivable	42,421	—	—	—
Investment securities	—	—	—	—
Total	¥228,193	¥4,538	¥79	¥—

	Thousands of U.S. Dollars			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and bank deposits	$455,155	$—	$—	$—
Notes receivable, accounts receivable on completed construction contracts and other	1,090,738	37,763	657	—
Short-term loans receivable	353,008	—	—	—
Investment securities	—	—	—	—
Total	$1,898,918	$37,763	$657	$—

Note 4: Annual maturities of long-term debt and lease obligations subsequent to March 31, 2015:
Please see Note 7.

22. Derivative Transactions

The Company uses derivatives (foreign exchange forward contracts) to hedge the foreign exchange risk arising from changes in foreign exchange rates.
Derivative transactions to which hedge accounting was not applied were as follows:

March 31, 2015		Millions of Yen			
Category	Transaction type	Contract amount	Contract amount due after one year	Fair value	Unrealized gain (loss)
Over-the-counter transactions	Foreign exchange forward contracts:				
	Bought:				
	USD	¥3,416	¥8	¥3,628	¥212
	EUR	165	—	160	(4)
	Total	¥3,581	¥8	¥3,788	¥207

March 31, 2014		Millions of Yen			
Category	Transaction type	Contract amount	Contract amount due after one year	Fair value	Unrealized gain (loss)
Over-the-counter transactions	Foreign exchange forward contracts:				
	Bought:				
	USD	¥1,464	¥20	¥1,485	¥20
	Total	¥1,464	¥20	¥1,485	¥20

March 31, 2015		Thousands of U.S. Dollars			
Category	Transaction type	Contract amount	Contract amount due after one year	Fair value	Unrealized gain (loss)
Over-the-counter transactions	Foreign exchange forward contracts:				
	Bought:				
	USD	$28,426	$66	$30,190	$1,764
	EUR	1,373	—	1,331	(33)
	Total	$29,799	$66	$31,522	$1,722

Note: The fair value is determined based on the prices presented by the financial institutions.

There is no derivative transaction to which hedge accounting is applied as of March 31, 2015 and 2014.

23. Segment Information

1. Description of reportable segments

The Company's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. The Company has established business divisions by product and service and deploys operating activities. The Company's reportable segments consist of four main business lines including "Pavement and Civil Engineering", "Building Construction", "Manufacturing and Sales" and "Development".
The "Pavement and Civil Engineering" business line consists of pavement construction and civil engineering works.
The "Building Construction" business line consists of building construction works among construction businesses.
The "Manufacturing and Sales" business line consists of manufacturing of pavement materials such as asphalt composite and the "Development" business line consists of development and sales of real estate and rental business.

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

The accounting policies of each reportable segment are consistent to those disclosed in Note 2, "Summary of Significant Accounting Policies".
Intersegment sales or transfers are determined based on market prices.

As noted in Note 2 (16) Accounting Changes, as the Company changed the calculation method of retirement benefit obligations and service costs effective from the year ended March 31, 2015, the calculation method for retirement benefit obligations and service costs of the reportable segments has been changed.
The effect of the accounting changes on each segment profit (loss) was immaterial.

3. Information about sales, profit (loss), assets and other items by reportable segment was as follows.

	Millions of Yen								
	2015								
	Reportable Segments					Other (Note 1)	Total	Reconciliation (Notes 2 and 3)	Consolidated (Note 4)
	Construction		Manufacturing and Sales	Development	Total				
	Pavement and Civil Engineering	Building Construction							
Sales:									
Sales to external customers	¥222,553	¥66,568	¥73,064	¥21,393	¥383,580	¥13,367	¥396,948	¥—	¥396,948
Intersegment sales or transfers	500	2	28,739	73	29,315	7,256	36,572	(36,572)	—
Total	223,054	66,570	101,804	21,467	412,896	20,624	433,521	(36,572)	396,948
Segment profit (loss)	23,446	(2,254)	15,043	2,474	38,709	1,987	40,697	(6,302)	34,394
Segment assets	140,494	46,868	101,611	52,857	341,831	33,568	375,399	94,054	469,454
Other items:									
Depreciation	1,404	25	2,714	540	4,684	666	5,350	81	5,432
Amortization of goodwill	5	—	16	—	22	—	22	—	22
Investment in affiliates accounted for by the equity method	419	—	—	—	419	5,254	5,673	—	5,673
Increase in tangible and intangible fixed assets	2,006	264	6,390	4,152	12,813	1,803	14,617	19	14,637

	Millions of Yen								
	2014								
	Reportable Segments					Other (Note 1)	Total	Reconciliation (Notes 2 and 3)	Consolidated (Note 4)
	Construction		Manufacturing and Sales	Development	Total				
	Pavement and Civil Engineering	Building Construction							
Sales:									
Sales to external customers	¥242,077	¥77,348	¥80,241	¥19,180	¥418,847	¥12,791	¥431,638	¥—	¥431,638
Intersegment sales or transfers	347	62	30,527	87	31,024	6,427	37,452	(37,452)	—
Total	242,424	77,411	110,768	19,267	449,872	19,218	469,090	(37,452)	431,638
Segment profit (loss)	19,971	1,572	15,375	2,956	39,876	1,570	41,447	(6,757)	34,689
Segment assets	140,323	47,194	92,174	49,776	329,468	29,403	358,871	81,593	440,464
Other items:									
Depreciation	1,305	21	2,227	439	3,994	677	4,671	82	4,754
Amortization of goodwill	0	—	14	—	15	—	15	—	15
Investment in affiliates accounted for by the equity method	595	—	—	—	595	5,590	6,185	—	6,185
Increase in tangible and intangible fixed assets	1,743	2	5,673	1,246	8,666	1,594	10,260	782	11,043

	Thousands of U.S. Dollars								
	2015								
	Reportable Segments					Other (Note 1)	Total	Reconciliation (Notes 2 and 3)	Consolidated (Note 4)
	Construction		Manufacturing and Sales	Development	Total				
	Pavement and Civil Engineering	Building Construction							
Sales:									
Sales to external customers	$1,851,984	$553,948	$608,005	$178,022	$3,191,978	$111,234	$3,303,220	$—	$3,303,220
Intersegment sales or transfers	4,160	16	239,152	607	243,946	60,381	304,335	(304,335)	—
Total	1,856,153	553,965	847,166	178,638	3,435,932	171,623	3,607,564,	(304,335)	3,303,220
Segment profit (loss)	195,106	(18,756)	125,180	20,587	322,118	16,534	338,661	(52,442)	286,211
Segment assets	1,169,127	390,014	845,560	439,851	2,844,561	279,337	3,123,899	782,674	3,906,582
Other items:									
Depreciation	11,683	208	22,584	4,493	38,978	5,542	44,520	674	45,202
Amortization of goodwill	41	—	133	—	183	—	183	—	183
Investment in affiliates accounted for by the equity method	3,486	—	—	—	3,486	43,721	47,208	—	47,208
Increase in tangible and intangible fixed assets	16,693	2,196	53,174	34,551	106,623	15,003	121,636	158	121,802

Notes:

1. "Other" represents a business segment which is not included in any reportable segment and includes leasing, manufacturing and repairs of construction machines, leasing of vehicles, management of hotels and golf courses, construction consulting, PFI business and other.
2. A reconciliation of segment profit (loss) is corporate expenses not allocated to each reportable segment. Corporate expenses mainly consist of headquarter control division expenses which are not attributable to any reportable segment.
3. A reconciliation of segment assets includes elimination of receivables due from the headquarter control division and corporate assets not allocated to each reportable segment.
4. Segment profit (loss) is reconciled with operating income of the accompanying consolidated statement of income.

Related information:

1. Information by product and service
   This information is omitted because the same information is disclosed in segment information.
2. Information by geographic segment
   (Sales)
   This information is omitted because sales to external customers in Japan exceed 90% of consolidated sales.
   (Tangible fixed assets)
   This information is omitted because tangible fixed assets in Japan exceed 90% of tangible fixed assets of the consolidated balance sheet.
3. Information by major customer
   This information is omitted because there is no specific external customer to whom sales exceed 10% of consolidated sales.

Loss on impairment of fixed assets by reportable segment

For the year ended March 31, 2015

	Millions of Yen							
	2015							
	Reportable Segments					Other	Corporate/ Elimination	Total
	Construction							
	Pavement and Civil Engineering	Building Construction	Manufacturing and Sales	Development	Total			
Loss on impairment	¥—	¥—	¥167	¥—	¥167	¥—	¥—	¥167

	Thousands of U.S. Dollars							
	2015							
	Reportable Segments					Other	Corporate/ Elimination	Total
	Construction							
	Pavement and Civil Engineering	Building Construction	Manufacturing and Sales	Development	Total			
Loss on impairment	$—	$—	$1,389	$—	$1,389	$—	$—	$1,389

The Group did not recognize loss on impairment of fixed assets for the year ended March 31, 2014.

Amortization and balance of goodwill by reportable segment

As of March 31, 2015 and for the year then ended

	Millions of Yen							
	2015							
	Reportable Segments					Other	Corporate/ Elimination	Total
	Construction							
	Pavement and Civil Engineering	Building Construction	Manufacturing and Sales	Development	Total			
Amortization for the year	¥5	¥—	¥16	¥—	¥22	¥—	¥—	¥22
Unamortized balance	1	—	49	—	51	—	—	51

	Millions of Yen							
	2014							
	Reportable Segments					Other	Corporate/ Elimination	Total
	Construction							
	Pavement and Civil Engineering	Building Construction	Manufacturing and Sales	Development	Total			
Amortization for the year	¥0	¥—	¥14	¥—	¥15	¥—	¥—	¥15
Unamortized balance	0	—	65	—	66	—	—	66

	Thousands of U.S. Dollars							
	2015							
	Reportable Segments					Other	Corporate/ Elimination	Total
	Construction							
	Pavement and Civil Engineering	Building Construction	Manufacturing and Sales	Development	Total			
Amortization for the year	$41	$—	$133	$—	$183	$—	$—	$183
Unamortized balance	8	—	407	—	424	—	—	424

24. Related Party Transactions

Transactions between the Company and related parties were as follows:

For the year ended March 31, 2015

	Related parties who are owned by the common parent company		
Name of the parties:	JX Nippon Oil & Energy Corporation	JX Nippon Finance Corporation	
Location:	Chiyoda-ku, Tokyo	Chiyoda-ku, Tokyo	
Capital:	¥139,437 million ($1,160,331 thousand)	¥400 million ($3,328 thousand)	
Business:	Manufacturing of oil and petrochemical products	Financing services for JX Group companies	
Ownership of voting rights:	–	–	
Business relations:	Construction works, purchase of asphalt and other materials	Loans	Interest income
Nature of business:	Order acknowledgement of works	Loans	Interest income
Transaction amount:	¥13,650 million ($113,589 thousand)	¥33,362 million ($277,623 thousand)	¥54 million ($449 thousand)
Account title:	Accounts receivable on completed construction contracts	Short-term loans	
Balance at fiscal year-end:	¥6,135 million ($51,052 thousand)	¥40,580 million ($337,688 thousand)	

Notes:

1. The above transaction amounts do not include consumption taxes, but the balances at fiscal year-end include consumption taxes.
2. Trading conditions and policies for deciding such conditions:
   Transaction amounts are determined in the same manner as those with the third parties. The interest rates on loans are reasonably determined considering market interest rates.
3. Transaction amounts of loans represent the average outstanding balance after the inception of the transaction.

For the year ended March 31, 2014

	Related parties who are owned by the common parent company		
Name of the parties:	JX Nippon Oil & Energy Corporation	JX Nippon Finance Corporation	
Location:	Chiyoda-ku, Tokyo	Chiyoda-ku, Tokyo	
Capital:	¥139,437 million	¥400 million	
Business:	Manufacturing of oil and petrochemical products	Financing services for JX Group companies	
Ownership of voting rights:	–	–	
Business relations:	Construction works, purchase of asphalt and other materials	Loans	Interest income
Nature of business:	Order acknowledgement of works	Loans	Interest income
Transaction amount:	¥13,606 million	¥22,564 million	¥36 million
Account title:	Accounts receivable on completed construction contracts	Short-term loans	
Balance at fiscal year-end:	¥5,411 million	¥32,525 million	

Notes:

1 The above transaction amounts do not include consumption taxes, but the balances at fiscal year-end include consumption taxes.

2. Trading conditions and policies for deciding such conditions:
   Transaction amounts are determined in the same manner as those with the third parties. The interest rates on loans are reasonably determined considering market interest rates.
3. Transaction amounts of loans represent the average outstanding balance after the inception of the transaction.

Information about the parent company:
JX Holdings, Inc. (listed on the exchanges of Tokyo and Nagoya)

25. Subsequent Event

Appropriations of Retained Earnings:

The following appropriation of retained earnings as of March 31, 2015 was approved at the shareholders' meeting held on June 23, 2015:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends:		
Common stock, ¥25 ($0.20) per share	¥2,977	$24,773

EY
Building a better working world

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Independent Auditor's Report

The Board of Directors
NIPPO CORPORATION

We have audited the accompanying consolidated financial statements of NIPPO CORPORATION and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2015, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of NIPPO CORPORATION and its consolidated subsidiaries as at March 31, 2015, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1.

Ernst & Young ShinNihon LLC

June 23, 2015
Tokyo, Japan