Annual Report 2016

NIPPO

Consolidated Financial Highlights

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

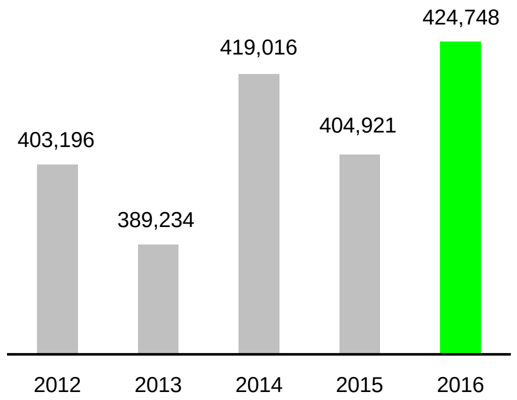
For the years ended March 31,	2012	2013	2014	2015	2016
Net sales	¥ 376,523	¥ 385,017	¥ 431,638	¥ 396,948	¥ 407,433
Net income	7,474	14,537	21,786	22,437	26,224
Comprehensive income	8,560	18,400	24,462	32,103	19,214
Net assets	184,097	201,230	223,010	250,913	267,638
Total assets	393,132	400,352	440,464	469,454	472,492
Net cash from operating activities	19,982	202	39,311	29,585	31,726
Net cash from investing activities	(5,545)	(11,094)	(9,146)	(11,143)	(11,122)
Net cash from financing activities	(1,367)	(1,749)	(3,053)	(4,520)	(4,191)
Cash and cash equivalents at end of year	70,785	54,997	82,472	96,855	114,170
Net assets per share	¥ 1,517.84	¥ 1,660.09	¥ 1,838.14	¥ 2,069.43	¥ 2,201.99
Basic net income per share	62.74	122.03	182.89	188.37	220.18
Diluted net income per share	—	—	—	—	—
Net assets as a percentage of total assets	46.0%	49.4%	49.7%	52.5%	55.5%
Return on equity	4.22%	7.68%	10.46%	9.64%	10.31%
Price earnings ratio (times)	14.65	9.37	7.79	10.54	8.60
Employees (persons) [Average number of temporary workers, etc.]	3,772 [2,761]	3,586 [2,695]	3,644 [2,669]	3,795 [2,456]	4,035 [2,320]

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

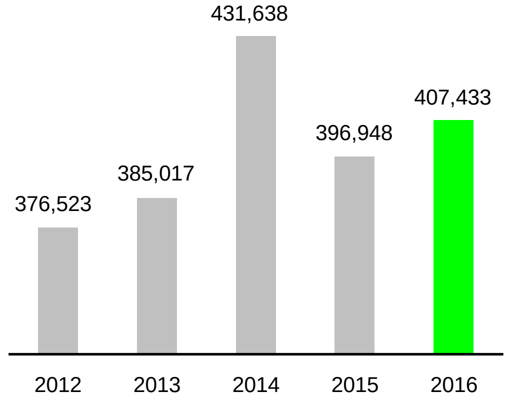
2. Diluted net income per share was not presented since the potential shares did not exist.

3. With the application of the Revised Accounting Standard for Business Combinations (Accounting Standards Board of Japan (ASBJ) Statement No. 21, September 13, 2013), “net income” was changed to “profit attributable to owners of parent,” effective of the fiscal year under review.

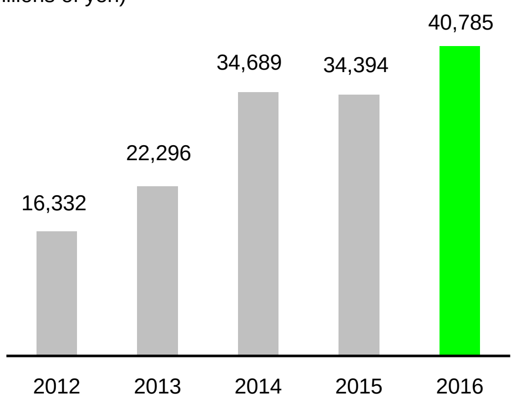
Orders
(Millions of yen)



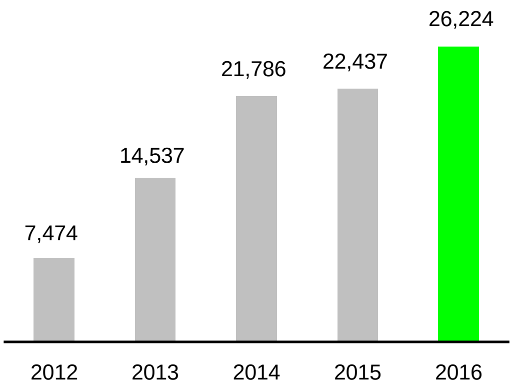
Net Sales
(Millions of yen)



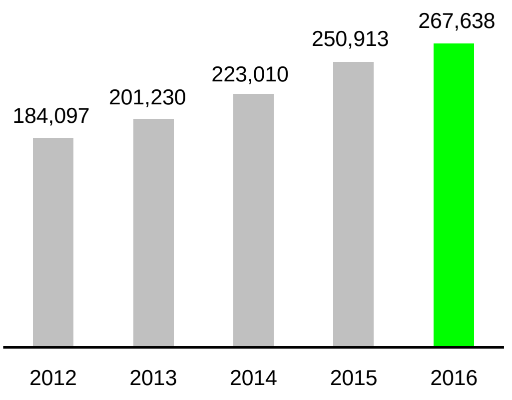
Operating Income
(Millions of yen)



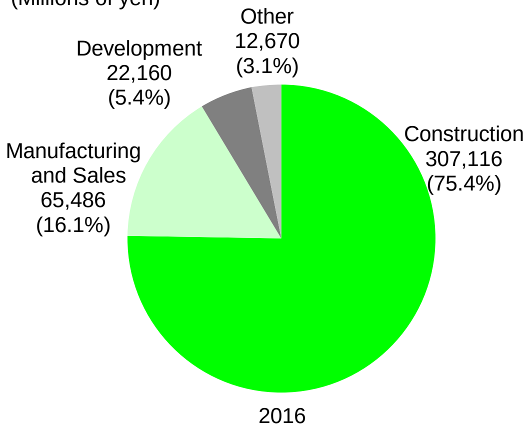
Net Income
(Millions of yen)



Net Assets
(Millions of yen)



Net Sales by Segment
(Millions of yen)



To Our Shareholders

We appreciate your continued exceptional support.

We would like to express our deepest sympathy to the victims of the 2016 Kumamoto Earthquake and sincerely pray for a quick recovery.

We hereby present this Annual Report for the 115th term (from April 1, 2015, to March 31, 2016) and report on the business overview of NIPPO CORPORATION (the "Company"), its initiatives and results, etc.

Concerning Japan's economy during the consolidated fiscal year under review, although a moderate recovery trend continued as a result of the economic measures by the Japanese government, uncertainty about the future remained as downturn of overseas economies was putting downward pressure on the domestic economy.

In the construction industry, despite signs of recovery in capital expenditures, public investments decreased moderately and 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 (hereinafter the "Group") strove to secure orders utilizing the superior proprietary technologies of each company and reinforce sales of asphalt mixture and other products.

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 expected to increase due to improvement in corporate revenues, future public investments are projected to continue to decrease moderately and the management environment is predicted to continue to be harsh because of fierce competition among corporations for orders.

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, soil remediation, etc.

On January 21, 2016, the Company was subject to a compulsory investigation by the Special Investigation Department of the Tokyo District Public Prosecutors Office and an onsite inspection by the Japan Fair Trade Commission on suspicion of violating the Antimonopoly Act in connection with bids for disaster restoration work for pavement related to the Great East Japan Earthquake that were ordered by the Tohoku Branch of East Nippon Expressway Company Limited. On February 29 of the same year, the Company was indicted by the Tokyo District Public Prosecutors Office on charges of violation of the Antimonopoly Act. Addressing this matter seriously and sincerely, the Company will make further and focused efforts for thorough legal compliance.

We ask for your continued understanding and support.

June 2016

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 153 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, 62 consolidated subsidiaries, 25 non-consolidated subsidiaries, 9 affiliated companies and 1 affiliate 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 20 other consolidated subsidiaries, and other 40 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 and renting 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.

MECX incorporated (a consolidated subsidiary) and 2 affiliated companies are engaged in leasing, sales, manufacturing and maintenance of construction machinery and vehicles.

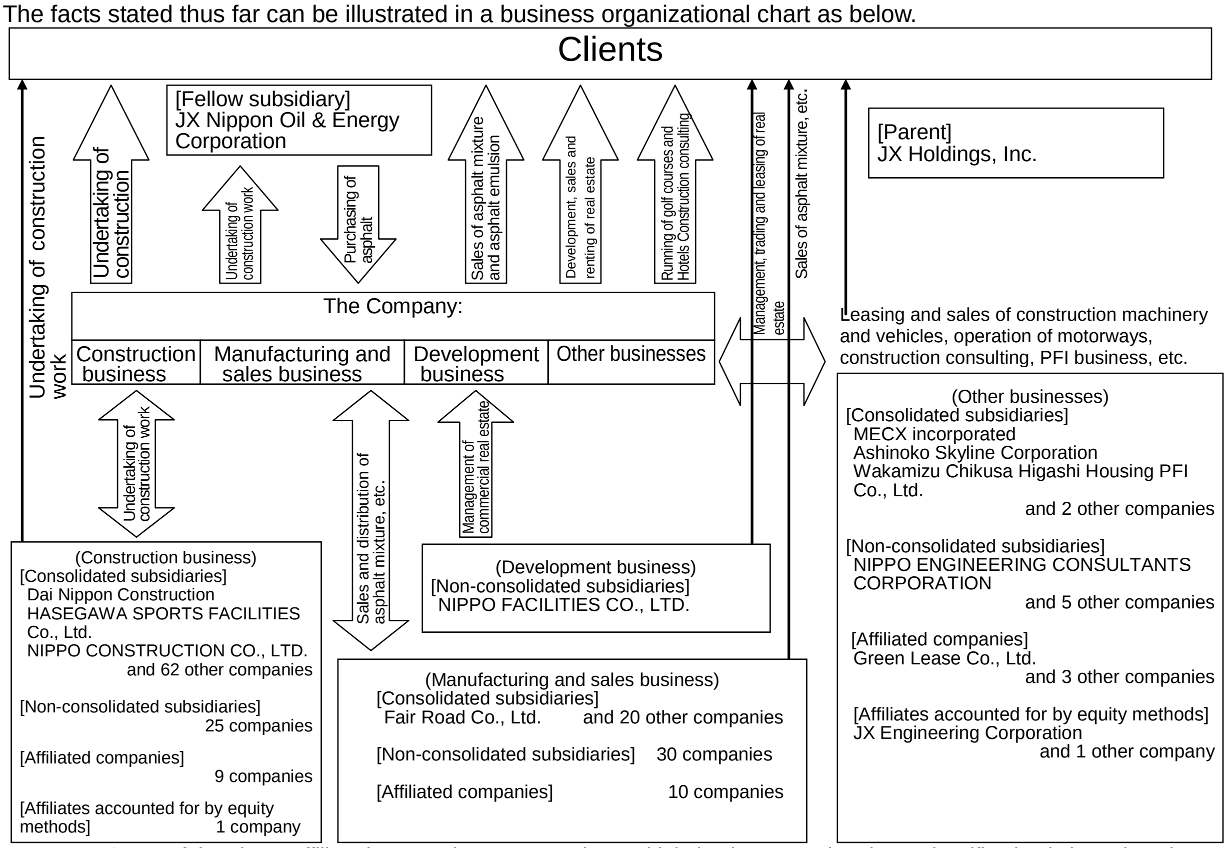
Ashinoko Skyline Corporation (a consolidated subsidiary) operates motorways; and 3 consolidated subsidiaries including Wakamizu Chikusa Higashi Housing PFI and 1 affiliated company (an affiliate accounted for by equity methods) are engaged in the PFI business.

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

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

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	Nishi-ku, Saitama-shi	30	(Other businesses) Lease, etc. of construction machinery and vehicles	Ratio of voting rights holding: 100.0	None	The subsidiary is leasing construction machinery and vehicles to, and repairing manufacturing equipment for the Company, etc. The subsidiary is renting buildings, etc. owned by the Company.
Fair Road Co., Ltd. and 86 other companies	-	-	-	-	-	-
(Affiliates accounted for using equity method) JX Engineering Corporation and 2 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	¥73,055 million
(2)	Ordinary income	¥1,477 million
(3)	Net income	¥3,172 million
(4)	Net assets	¥20,224 million
(5)	Total assets	¥57,627 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, 2016)

Name	Address	Number of shares held (Thousands of shares)	Percentage of shares held to the total number of issued shares (%)
JX Holdings, Inc.	1-2 Otemachi 1-chome, Chiyoda-ku, Tokyo	67,890	56.86
Japan Trustee Services Bank, Ltd. (Trust account)	8-11 Harumi 1-chome, Chuo-ku, Tokyo	7,362	6.17
The Master Trust Bank of Japan, Ltd. (Trust account)	11-3 Hamamatsucho 2-chome, Minato-ku, Tokyo	2,942	2.46
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited)	50 BANK STREET, CANARY WHARF, LONDON E14 5NT, UK (11-1 Nihonbashi 3-chome, Chuo-ku, Tokyo)	2,745	2.30
NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited)	50 BANK STREET, CANARY WHARF, LONDON E14 5NT, UK (11-1 Nihonbashi 3-chome, Chuo-ku, Tokyo)	1,625	1.36
Japan Trustee Services Bank, Ltd. (Trust account 9)	8-11 Harumi 1-chome, Chuo-ku, Tokyo	1,589	1.33
STATE STREET BANK AND TRUST COMPANY 505001 (Standing proxy: Mizuho Bank, Ltd.)	P.O. BOX 351 BOSTON MASSACHUSETTS 02101 U.S.A. (15-1 Konan 2-chome, Minato-ku, Tokyo)	1,435	1.20
Trust & Custody Services Bank, Ltd. (Securities investment trust account)	8-12 Harumi 1-chome, Chuo-ku, Tokyo	982	0.82
NORTHERN TRUST CO. (AVFC) ACCOUNT NON TREATY (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited)	50 BANK STREET, CANARY WHARF, LONDON E14 5NT, UK (11-1 Nihonbashi 3-chome, Chuo-ku, Tokyo)	966	0.81
CBNY-GOVERNMENT OF NORWAY (Standing proxy: Citibank Japan Ltd.)	388 GREENWICH STREET, NEW YORK, NY 10013 U.S.A. (27-30 Shinjuku 6-chome, Shinjuku-ku, Tokyo)	961	0.80
Total	—	88,497	74.11

Notes: 1.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.

2. It is stated in the Report of Possession of Large Volume, which was made available for public inspection as of December 18, 2015, that Silchester International Investors LLP held the following shares as of December 15, 2015. However, the shareholder is not included in Major Shareholders, mentioned above, since the Company could not confirm the actual number of shares held by the shareholder as of the end of the current fiscal year.

The details of the Report of Possession of Large Volume are as follows:

Name	Address	Number of securities certificates, etc. held (1,000 shares)	Holding ratio of securities certificates, etc. (%)
Silchester International Investors LLP	Time & Life Building 5F, 1 Bruton Street, London, W1J 6TL, UK	5,984	5.01

3. It is stated in the Report of Possession of Large Volume, which was made available for public inspection as of April 5, 2016, that Daiwa SB Investments Ltd. held the following shares as of March 31, 2016. However, Daiwa SB Investments is not included in Major Shareholders, mentioned above, since the Company could not confirm the actual number of shares held by the company at the end of the current business year.

The details of the Report of Possession of Large Volume are as follows:

Name	Address	Number of securities certificates, etc. held (1,000 shares)	Holding ratio of securities certificates, etc. (%)
Daiwa SB Investments Ltd.	2-1 Kasumigaseki 3-chome, Chiyoda-ku, Tokyo	6,239	5.23

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, although a moderate recovery trend continued as a result of the economic measures by the Japanese government, uncertainty about the future remained as downturn of overseas economies was putting downward pressure on the domestic economy.
In the construction industry, despite signs of recovery in capital expenditures, public investments decreased moderately and 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 and reinforce sales of asphalt mixture and other products.
The Consolidated business results of the Group for the consolidated fiscal year under review are as follows.
Net sales were ¥407,433 million, up 2.6% from the previous consolidated fiscal year. Operating income was ¥40,785 million, up 18.6% year over year, and ordinary income was ¥42,113 million, up 15.0% from the previous fiscal year. Profit attributable to owners of parent was ¥26,224 million, up 16.9% year over 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 increased by 8.9% from the previous fiscal year to ¥326,645 million; net sales increased by 6.2% to ¥307,116 million; and operating income increased by 39.5% to ¥29,572 million.

(Pavement and Civil Engineering)

Orders received for construction surpassed the year-earlier level, recording an increase of 16.1% from the previous fiscal year to ¥256,183 million. Net sales increased by 2.5% to ¥228,210 million, as the progress of construction works for which the Company has already received orders surpassed the previous fiscal year. Operating income increased by 8.6% to ¥25,456 million thanks to improved profitability resulting from cost reductions and improvement of business efficiency.

(Building Construction)

Orders received for construction were below the year-earlier level, down 11.1 % from the previous fiscal year to ¥70,462 million. Meanwhile, net sales increased by 18.5% to ¥78,906 million, as the progress of construction works for which the Company has already received orders surpassed the previous fiscal year. Operating income was ¥4,115 million (compared with an operating loss of ¥2,254 million for the previous consolidated fiscal year) due to a decrease in unprofitable work from a year earlier.

(2) Manufacturing and sales business

Net sales decreased by 10.4% from the previous fiscal year to ¥65,486 million, reflecting a moderate decline in construction investments. On the other hand, operating income increased by 16.1% to ¥17,471 million due to improved profitability resulting from cost reductions and improvement of business efficiency.

(3) Development business

Net sales increased by 3.6% from the previous fiscal year to ¥22,160 million, since sales of the condominium sales business surpassed the year-earlier level. Meanwhile, operating loss was ¥304 million (compared with an operating income of ¥2,474 million for the previous consolidated fiscal year) due to the posting of valuation loss on inventories under cost of sales.

(4) Other businesses

Net sales decreased by 5.2% from the previous fiscal year to ¥12,670 million, and operating income decreased by 32.7% to ¥1,338 million.

2. Cash flows

Cash and cash equivalents (hereinafter "cash") as at the end of the current fiscal year increased by ¥17,314 million from the end of the previous fiscal year to ¥114,170 million.

(Net cash provided by operating activities)

Net cash provided by operating activities amounted to ¥31,726 million. (A net inflow of ¥29,585 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 ¥11,122 million. (A net outflow of ¥11,143 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 ¥4,191 million. (A net outflow of ¥4,520 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, 2016

ASSETS	Millions of Yen 2016	Millions of Yen 2015	Thousands of U.S. Dollars (Note 1) 2016
Current assets:			
Cash and bank deposits (Notes 3 & 21)	¥ 69,855	¥ 54,696	$ 619,941
Notes receivable, accounts receivable on completed construction contracts and other (Note 21)	133,618	133,763	1,185,818
Electronically recorded receivables (Note 21)	3,608	1,929	32,019
Lease receivables and investments in leased assets (Note 20)	3,372	3,615	29,925
Inventories (Note 5)	43,310	55,392	384,362
Short-term loans receivable (Notes 3 & 21)	44,600	42,421	395,811
Deferred tax assets (Note 17)	4,299	4,481	38,152
Other	16,172	16,067	143,521
Allowance for doubtful accounts (Note 21)	(496)	(243)	(4,401)
Total current assets	318,342	312,125	2,825,186
Property, plant and equipment: (Notes 7 & 16)			
Land (Notes 5 & 6)	61,360	58,785	544,550
Buildings and structures (Notes 5 & 6)	63,330	63,280	562,034
Machinery, equipment and vehicles	93,650	90,904	831,114
Tools, furniture and fixtures	5,396	5,120	47,887
Leased assets (Note 20)	973	966	8,635
Construction in progress (Note 5)	4,688	2,920	41,604
Total	229,399	221,977	2,035,844
Accumulated depreciation	(124,890)	(124,060)	(1,108,359)
Net property, plant and equipment	104,509	97,917	927,484
Intangible assets	2,022	2,116	17,944
Investments and other assets:			
Investment securities (Notes 4, 7 & 21)	43,463	52,922	385,720
Long-term loans receivable (Note 7)	378	315	3,354
Deferred tax assets (Note 17)	1,573	390	13,959
Other	3,078	4,674	27,316
Allowance for doubtful accounts	(876)	(1,009)	(7,774)
Total investments and other assets	47,617	57,293	422,586
Total assets	¥ 472,492	¥ 469,454	$ 4,193,219

LIABILITIES AND NET ASSETS	Millions of yen 2016	Millions of yen 2015	Thousands of U.S. dollars (Note 1) 2016
Current liabilities:			
Short-term bank loans payable (Note 7)	¥ 1,317	¥ 1,985	$ 11,687
Notes payable, accounts payable on construction contracts and other (Note 21)	93,583	109,454	830,520
Electronically recorded payables (Note 21)	34,533	18,915	306,469
Income taxes payable	9,594	10,270	85,143
Advances received on uncompleted construction contracts	13,503	18,366	119,834
Reserve for bonuses	3,616	3,606	32,090
Reserve for warranty on completed construction contracts	447	331	3,966
Reserve for loss on construction contracts (Note 5)	370	4,268	3,283
Reserve for loss on anti-monopoly act	1,054	-	9,353
Other	18,701	19,269	165,965
Total current liabilities	176,723	186,467	1,568,361
Non-current liabilities:			
Long-term debt (Notes 7 & 21)	2,892	3,262	25,665
Deferred tax liabilities (Note 17)	6,406	11,079	56,851
Reserve for directors' retirement benefits	97	110	860
Liability for employees' retirement benefits (Note 8)	9,948	8,309	88,285
Asset retirement obligations (Note 9)	1,086	1,061	9,637
Other	7,698	8,248	68,317
Total non-current liabilities	28,130	32,072	249,645
Commitments and contingent liabilities (Notes 12 & 20)			
Net assets (Notes 10 & 19):			
Shareholders' equity:			
Common stock (Note 11):			
Authorized-240,000,000 shares in 2016 and 2015			
Issued-119,401,836 shares in 2016 and 2015	15,324	15,324	135,995
Capital surplus	15,916	15,916	141,249
Retained earnings	214,782	191,170	1,906,123
Treasury stock (Note 11):			
300,202 shares in 2016 and 290,721 shares in 2015	(221)	(202)	(1,961)
Total shareholders' equity	245,802	222,209	2,181,416
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities (Note 4)	18,025	24,553	159,966
Deferred gains (losses) on hedging instruments	(2)	(0)	(17)
Accumulated adjustments for retirement benefits	(1,565)	(269)	(13,888)
Total accumulated other comprehensive income	16,457	24,282	146,050
Non-controlling interests	5,378	4,421	47,728
Total net assets	267,638	250,913	2,375,204
Total liabilities and net assets	¥ 472,492	¥ 469,454	$ 4,193,219

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENT OF INCOME

NIPPO CORPORATION
Year ended March 31, 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
Net sales (Note 23)	¥ 407,433	¥ 396,948	$ 3,615,841
Cost of sales (Note 13)	343,330	341,301	3,046,947
Gross profit	64,103	55,647	568,894
Selling, general and administrative expenses (Note 14)	23,318	21,252	206,940
Operating income	40,785	34,394	361,954
Other income (expenses):			
Interest and dividend income	1,112	992	9,868
Interest expenses	(15)	(87)	(133)
Loss on sales of notes receivable	(1)	(1)	(8)
Guarantee expenses	(82)	(87)	(727)
Rental profit (loss), net	48	(3)	425
Gain (loss) on valuation of derivatives	(529)	186	(4,694)
Gain (loss) on disposal or sales of property, plant and equipment (Note 15)	45	458	399
Equity in earnings of unconsolidated subsidiaries and affiliates	473	565	4,197
Foreign exchange gain (loss)	(56)	330	(496)
Gain on sales of investment securities	12	−	106
Loss on devaluation of investment securities	(78)	(10)	(692)
Loss on impairment (Note 16)	(201)	(167)	(1,783)
Settlement of development business	(1,519)	−	(13,480)
Provision for loss on anti-monopoly act	(1,054)	−	(9,353)
Other-net	391	326	3,470
Other income (expenses)-net	(1,457)	2,501	(12,930)
Income before income taxes	39,327	36,896	349,014
Income taxes (Note 17):			
Current	13,296	14,661	117,997
Deferred	(1,009)	(470)	(8,954)
Total income taxes	12,287	14,191	109,043
Net income	27,040	22,705	239,971
Net income attributable to non-controlling interests	815	267	7,232
Net income attributable to shareholders of NIPPO CORPORATION	¥ 26,224	¥ 22,437	$ 232,729

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

NIPPO CORPORATION
Year ended March 31, 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
Net income	¥ 27,040	¥ 22,705	$ 239,971
Other comprehensive income (Note 18):			
Valuation difference on available-for-sale securities	(6,552)	8,426	(58,146)
Adjustments for employees' retirement benefits	(1,271)	972	(11,279)
Share of other comprehensive income of affiliates accounted for using equity method	(1)	(0)	(8)
Total other comprehensive income	(7,825)	9,397	(69,444)
Comprehensive income	¥ 19,214	¥ 32,103	$ 170,518
Total comprehensive income attributable to:			
Shareholders of NIPPO CORPORATION	¥ 18,398	¥ 31,715	$ 163,276
Non-controlling interests	816	387	7,241

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

NIPPO CORPORATION
Year ended March 31, 2016

Millions of Yen

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total 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 attributable to shareholders of NIPPO CORPORATION			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 April 1, 2015	¥ 15,324	¥ 15,916	¥ 191,170	¥ (202)	¥ 222,209
Changes during the year:					
Cash dividends paid			(2,977)		(2,977)
Net income attributable to shareholders of NIPPO CORPORATION			26,224		26,224
Purchases of treasury stock				(19)	(19)
Changes in the scope of consolidation			291		291
Other			73		73
Net changes in items other than those in shareholders' equity					–
Balance as of March 31, 2016	¥ 15,324	¥ 15,916	¥ 214,782	¥ (221)	¥ 245,802

Millions of Yen

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedging instruments	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income		
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 attributable to shareholders of NIPPO CORPORATION						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 April 1, 2015	¥ 24,553	¥ (0)	¥ (269)	¥ 24,282	¥ 4,421	¥ 250,913

Changes during the year:						
Cash dividends paid						(2,977)
Net income attributable to shareholders of NIPPO CORPORATION						26,224
Purchases of treasury stock						(19)
Changes in the scope of consolidation						291
Other						73
Net changes in items other than those in shareholders' equity	(6,527)	(1)	(1,295)	(7,825)	956	(6,868)
Balance as of March 31, 2016	¥ 18,025	¥ (2)	¥ (1,565)	¥ 16,457	¥ 5,378	¥ 267,638

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, 2015	$ 135,995	$ 141,249	$ 1,696,574	$ (1,792)	$ 1,972,035
Changes during the year:					
Cash dividends paid			(26,419)		(26,419)
Net income attributable to shareholders of NIPPO CORPORATION			232,729		232,729
Purchases of treasury stock				(168)	(168)
Changes in the scope of consolidation			2,582		2,582
Other			647		647
Net changes in items other than those in shareholders' equity					–
Balance as of March 31, 2016	$ 135,995	$ 141,249	$ 1,906,123	$ (1,961)	$ 2,181,416

Thousands of U.S. Dollars (Note 1)

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedging instruments	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income		
Balance as of April 1, 2015	$ 217,900	$ (0)	$ (2,387)	$ 215,495	$ 39,235	$ 2,226,774
Changes during the year:						
Cash dividends paid						(26,419)
Net income attributable to shareholders of NIPPO CORPORATION						232,729
Purchases of treasury stock						(168)
Changes in the scope of consolidation						2,582
Other						647
Net changes in items other than those in shareholders' equity	(57,925)	(8)	(11,492)	(69,444)	8,484	(60,951)
Balance as of March 31, 2016	$ 159,966	$ (17)	$ (13,888)	$ 146,050	$ 47,728	$ 2,375,204

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

NIPPO CORPORATION
Year ended March 31, 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
Operating activities:			
Income before income taxes	¥ 39,327	¥ 36,896	$ 349,014
Depreciation and amortization	6,831	5,499	60,623
Loss on impairment	201	167	1,783
Provision for loss on anti-monopoly act	1,054	—	9,353
Settlement of development business	1,519	—	13,480
Net (gain) loss on disposal or sales of property, plant and equipment	(45)	(458)	(399)
Loss on write-down of inventories	2,862	272	25,399
Increase (decrease) in allowance for doubtful accounts	105	(265)	931
Increase (decrease) in reserve for bonuses	7	(223)	62
Increase (decrease) in liability for employees' retirement benefits	(543)	342	(4,818)
Increase (decrease) in reserve for loss on construction contracts	(3,897)	3,320	(34,584)
Interest and dividend income	(1,113)	(992)	(9,877)
Interest expenses	15	87	133
Equity in (earnings) losses of unconsolidated subsidiaries and affiliates	(473)	(565)	(4,197)
Foreign exchange (gain) loss	235	(243)	2,085
(Increase) decrease in trade receivables	(402)	14,342	(3,567)
(Increase) decrease in costs on uncompleted construction contracts	7,386	(6,115)	65,548
(Increase) decrease in other inventories	2,276	(445)	20,198
Increase (decrease) in trade payables	(4,932)	(14,712)	(43,769)
Increase (decrease) in advances received on uncompleted construction contracts	(4,908)	7,283	(43,556)
Increase (decrease) in consumption taxes payable	947	234	8,404
Other, net	(377)	(416)	(3,345)
Sub total	46,079	43,967	408,936
Interest and dividend income received	1,112	991	9,868
Interest expenses paid	(24)	(96)	(212)
Income taxes paid	(13,962)	(15,277)	(123,908)
Settlement paid of development business	(1,479)	—	(13,125)
Net cash provided by operating activities	31,726	29,585	281,558
Investing activities:			
Purchases of property, plant and equipment	(11,790)	(12,010)	(104,632)
Proceeds from sales of property, plant and equipment	1,821	767	16,160
Purchases of investment securities	(1,554)	(917)	(13,791)
Proceeds from sales of investment securities	48	140	425
Proceeds from repayment of investment securities	269	800	2,387
Payments of loans receivable	(1,451)	(1,387)	(12,877)
Collections of loans receivable	1,387	1,289	12,309
Other, net	145	174	1,286
Net cash used in investing activities	(11,122)	(11,143)	(98,704)
Financing activities:			
Proceeds from short-term bank loans payable	70	480	621
Repayments of short-term bank loans payable	(560)	(487)	(4,969)
Proceeds from long-term debt	861	100	7,641
Repayments of long-term debt	(1,437)	(1,494)	(12,752)
Cash dividends paid	(2,977)	(2,977)	(26,419)
Cash dividends paid to non-controlling shareholders	(25)	(25)	(221)
Other, net	(123)	(114)	(1,091)
Net cash used in financing activities	(4,191)	(4,520)	(37,193)
Foreign currency translation adjustments on cash and cash equivalents	(238)	244	(2,112)
Net increase (decrease) in cash and cash equivalents	16,173	14,166	143,530
Cash and cash equivalents at beginning of the year	96,855	82,472	859,558
Increase in cash and cash equivalents due to inclusion in consolidation	1,140	217	10,117
Cash and cash equivalents at end of the year (Note 3)	¥ 114,170	¥ 96,855	$ 1,013,223

The accompanying notes are an integral part of these statements

Notes to Consolidated Financial Statements

NIPPO CORPORATION and Consolidated Subsidiaries
Year ended March 31, 2016

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, 2015 to conform to the classifications used in the financial statements for the year ended March 31, 2016.

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, 2016, which was ¥112.68 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, 2016, the accounts of 91 (77 in 2015) 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 3 (12 in 2015) unconsolidated subsidiaries or affiliates are accounted for using the equity method as of March 31, 2016. 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 non-controlling 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, 2016
15 subsidiaries were newly included in the scope of consolidation effective from the year ended March 31, 2016 due to the increased materiality, while one subsidiary was deconsolidated due to merger.

Major unconsolidated subsidiary as of March 31, 2016 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 “Other” under “Current assets” and “Investment securities” and “Other” under “Investments and other assets” in the total amounts of ¥13,112 million ($116,364 thousand) and ¥10,738 million as of March 31, 2016 and 2015, 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.
Major useful lives are as follows:

Buildings and structures:	2-64 years
Machinery, equipment and vehicles:	2-14 years

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 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 Loss on Anti-monopoly Act
Reserve for loss on anti-monopoly act is provided for future payments of penalties related to anti-monopoly act and breach of contract considering the probability of any related loss.

(12) 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.

(13) 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.

(14) 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 ¥182,153 million ($1,616,551 thousand) and ¥169,197 million for the years ended March 31, 2016 and 2015, respectively.

(15) Consumption Taxes
National and local consumption taxes are deducted from transaction amounts and recorded on the consolidated balance sheet.

(16) 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.

(17) Accounting Changes
Accounting standards for business combinations
Effective from the year ended March 31, 2016, the Company and its domestic consolidated subsidiaries adopted “Accounting Standard for Business Combinations” (ASBJ Statement No. 21 of September 13, 2013), “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22 of September 13, 2013), “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7 of September 13, 2013) and others. As a result, the presentation method of net income was amended and the reference to “Minority interests” was changed to “Non-controlling interests.” In order to reflect these changes in presentation, the related items of the prior year’s consolidated financial statements have been reclassified to conform to such changes in the current year presentation.
There was no applicable matter regarding accounting treatments related to the transitional treatments.
There was no measurable effect of these changes on the accompanying consolidated financial statements and per share information.

(18) Accounting Pronouncements Not Yet Adopted
Implementation Guidance on Recoverability of Deferred Tax Assets
On March 28, 2016, the ASBJ issued ASBJ Guidance No. 26, “Implementation Guidance on Recoverability of Deferred Tax Assets.”
Following the framework in the Audit Committee Report No. 66, “Auditing Treatment of Determining the Recoverability of Deferred Tax Assets,” which prescribes estimation of deferred tax assets according to the classification of the entity by one of five types, the following treatments were changed as necessary:

1. Treatment for an entity that does not meet any of the criteria in types 1 to 5;
2. Criteria for types 2 and 3
3. Treatment for deductible temporary differences which an entity classified as type 2 is unable to schedule;
4. Treatment for the period which an entity classified as type 3 is able to reasonably estimate with respect to future taxable income before consideration of taxable or deductible temporary differences, and
5. Treatment when an entity classified as type 4 also meets the criteria for types 2 or 3.

The Company plans to apply this implementation guidance from April 1, 2016 and the impact is under assessment at the time of preparation of the current consolidated financial statements.

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, 2016 and 2015 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Cash and bank deposits	¥69,855	¥54,696	$619,941
Time deposits maturing over 3 months	(284)	(176)	(2,520)
Short-term loans which will be collected within 3 months	44,599	42,335	395,802
Cash and cash equivalents at the end of year	¥114,170	¥96,855	$1,013,223

4. Investment Securities

There were no held-to-maturity securities as of March 31, 2016 and 2015.
The following table summarizes carrying amounts, acquisition costs and unrealized gain (loss) of available-for sale securities as of March 31, 2016 and 2015:

Available-for-sale securities

	Millions of Yen		
	2016		
March 31	Carrying amount	Acquisition cost	Unrealized gain (loss)
Carrying amount exceeds acquisition cost:			
Equity securities	¥32,110	¥5,690	¥26,419
Carrying amount does not exceed acquisition cost:			
Equity securities	¥1	¥1	¥(0)
Total	¥32,111	¥5,692	¥26,418

	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	¥ —
Total	¥42,210	¥5,475	¥36,735

	Thousands of U.S. Dollars		
	2016		
March 31	Carrying amount	Acquisition cost	Unrealized gain (loss)
Carrying amount exceeds acquisition cost:			
Equity securities	$284,966	$50,496	$234,460
Carrying amount does not exceed acquisition cost:			
Equity securities	$8	$8	$(0)
Total	$284,975	$50,514	$234,451

Proceeds from sales of available-for-sale securities and realized gain (loss) for the years ended March 31, 2016 and 2015 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Sales proceeds	¥ —	¥70	$—
Realized gain	—	69	—
Realized loss	—	—	—

The Company recognized loss on impairment in an amount of ¥78 million ($692 thousand) on investments in affiliates and ¥0 million on equity securities classified as available-for-sale securities for the year ended March 31, 2016.

The Company recognized loss on impairment in an amount of ¥10 million on equity securities classified as available-for-sale securities for the year ended March 31, 2015.

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, 2016 and 2015 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Costs on uncompleted construction contracts	¥17,014	¥24,359	$150,993
Real estate for sale	23,867	28,111	211,812
Manufactured goods	447	455	3,966
Raw material and supplies	1,981	2,467	17,580
Total	¥43,310	¥55,392	$384,362

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 ¥207 million ($1,837 thousand) and ¥3,014 million as of March 31, 2016 and 2015, respectively.

During the year ended March 31, 2016, land in an amount of ¥5 million ($44 thousand) was reclassified from real estate for sale to property, plant and equipment and on the other hand, land in an amount of ¥107 million ($949 thousand) and buildings and structures in an amount of ¥295 million ($2,618 thousand) were reclassified from property, plant and equipment to real estate for sale due to changes in holding purpose.

During the year ended March 31, 2015, land in an amount of ¥533 million and buildings and structures in an amount of ¥55 million were reclassified from real estate for sale to property, plant and equipment due to change in 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, 2016 and 2015 were as follows.

	Millions of Yen			
	Carrying amounts			Fair value
Year ended March 31, 2016	April 1, 2015	Changes	March 31, 2016	March 31, 2016
Investment and rental properties	¥17,994	¥226	¥18,221	¥20,321
Real estate including portions to be used for investment and rental properties	3,187	(118)	3,069	3,599

	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

	Thousands of U.S. Dollars			
	Carrying amounts			Fair value
Year ended March 31, 2016	April 1, 2015	Changes	March 31, 2016	March 31, 2016
Investment and rental properties	$159,691	$2,005	$161,705	$180,342
Real estate including portions to be used for investment and rental properties	28,283	(1,047)	27,236	31,940

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, 2016 consist of an increase primarily due to purchase of land in the amount of ¥1,905 million ($16,906 thousand) at Kawasaki city.
   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 at Machida city, Tokyo.
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, 2016 and 2015 was as follows:

	Millions of Yen		
Year ended March 31, 2016	Rental income	Rental costs	Profit
Investment and rental properties	¥2,054	¥1,032	¥1,021
Real estate including portions to be used for investment and rental properties	400	220	179

	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

	Thousands of U.S. Dollars		
Year ended March 31, 2016	Rental income	Rental costs	Profit
Investment and rental properties	$18,228	$9,158	$9,061
Real estate including portions to be used for investment and rental properties	3,549	1,952	1,588

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

There was no short-term bank loan as of March 31, 2016.
The annual weighted-average interest rates applicable to long-term debt were 2.75% and 1.56% for the years ended March 31, 2016 and 2015, respectively and the repayment due dates are from 2017 through 2022.
The annual weighted-average interest rate applicable to non-recourse long-term debt for the year ended March 31, 2016 was 1.16 % and the repayment due dates are from 2017 through 2035.
The due dates of long-term lease obligations are from 2017 through 2023.

Annual maturities of long-term debt, non-recourse long-term debt and long-term lease obligations, excluding current portions, as of March 31, 2016 were as follows:

	Millions of Yen		
Years ending March 31	Long-term debt	Non-recourse long-term debt	Long-term lease obligations
2018	¥32	¥1,284	¥556
2019	29	79	365
2020	29	80	209
2021	29	80	66
Total	¥164	¥2,727	¥1,222

	Thousands of U.S. Dollars		
Years ending March 31	Long-term debt	Non-recourse long-term debt	Long-term lease obligations
2018	$283	$11,395	$4,934
2019	257	701	3,239
2020	257	709	1,854
2021	257	709	585
Total	$1,455	$24,201	$10,844

Assets pledged as collateral for long-term debt as of March 31, 2016 and 2015 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Land	¥78	¥78	$692
Buildings and structures	34	35	301
Investment securities	52	52	461
Long-term loans receivable	3	3	26
Total	¥167	¥169	$1,482

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, 2016 and 2015 and a part of investment securities is pledged as collateral for long-term debt of affiliates in an amount of ¥1,193 million ($10,587 thousand) and ¥1,193 million as of March 31, 2016 and 2015, 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 ($2,591 thousand) and ¥366 million ($3,248 thousand), respectively, as of March 31, 2016 and ¥292 million and ¥365 million, respectively, as of March 31, 2015.

Furthermore, PFI business assets in an amount of ¥7,018 million ($62,282 thousand) and ¥6,676 million corresponding to non-recourse loans (short-term bank loans) in the amounts of ¥1,284 million ($11,395 thousand) and ¥1,955 million and non-recourse loans (long-term debt) in the amounts of ¥2,727 million ($24,201 thousand) and ¥3,071 million, financed from financial institutions by consolidated subsidiaries operating PFI business, are pledged as collateral as of March 31, 2016 and 2015, respectively.

The liability secured by the above pledged assets was long-term debt (including current portion) in an amount of ¥191 million ($1,695 thousand) and ¥235 million as of March 31, 2016 and 2015, 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, 2016, 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), 85 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, 2016 and 2015, were as follows (excluding the plans to which a short-cut method is applied):

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Beginning balance of retirement benefit obligations	¥ 33,063	¥ 31,374	$293,423
Cumulative effect of accounting changes	—	(2,316)	—
Restated balance	33,063	29,057	293,423
Service cost	1,096	1,067	9,726
Interest cost	215	318	1,908
Actuarial differences	1,142	786	10,134
Retirement benefits paid	(2,893)	(2,800)	(25,674)
Ending balance of retirement benefit obligations	¥ 32,623	¥ 33,063	$289,518

2) The changes in plan assets for the years ended March 31, 2016 and 2015, were as follows (excluding the plans to which a short-cut method is applied):

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Beginning balance of plan assets	¥ 25,037	¥ 24,890	$222,195
Expected return on plan assets	625	622	5,546
Actuarial differences	(872)	1,551	(7,738)
Contribution from the employer	653	333	5,795
Retirement benefits paid	(2,476)	(2,361)	(21,973)
Ending balance of plan assets	¥ 22,968	¥ 25,037	$203,833

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, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Beginning balance of liability for retirement benefits	¥ 284	¥ 274	$2,520
Retirement benefit expenses	52	36	461
Retirement benefits paid	(42)	(27)	(372)
Ending balance of liability for retirement benefits	¥ 293	¥ 284	$2,600

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
	2016	2015	2016
Funded defined benefit obligations	¥ 26,819	¥ 27,344	$238,010
Plan assets	22,968	25,037	203,833
	3,850	2,307	34,167
Unfunded defined benefit obligations	6,097	6,002	54,108
Net liability recorded in the consolidated balance sheet	9,948	8,309	88,285
Liability for employees' retirement benefits	9,948	8,309	88,285
Net liability recorded in the consolidated balance sheet	¥ 9,948	¥ 8,309	$88,285

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, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Service cost	¥ 1,096	¥ 1,067	$9,726
Interest cost	215	318	1,908
Expected return on plan assets	(625)	(622)	(5,546)
Amortization of actuarial differences	(161)	463	(1,428)
Amortization of past service cost	4	(121)	35
Retirement benefit expenses computed by a short-cut method	52	36	461
Retirement benefit expenses on defined benefit plans	¥ 580	¥ 1,143	$5,147

6) The components of adjustments for retirement benefits (before adjusting for tax effects) for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Past service costs	¥ 4	¥ (121)	$35
Actuarial differences	(2,176)	1,288	(19,311)
Total	¥ (2,172)	¥ 1,107	$(19,275)

7) The components of accumulated adjustments for retirement benefits (before adjusting for tax effects) for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Unrecognized past service costs	¥ 27	¥ 31	$239
Unrecognized actuarial differences	2,296	119	20,376
Total	¥ 2,323	¥ 151	$20,615

8) Plan assets

a. Components of plan assets

Plan assets consisted of the following:

	2016	2015
Debt securities	45.8%	44.8%
Equity securities	24.3%	27.3%
Cash and deposits	6.5%	4.9%
Alternative investments	11.8%	11.5%
General account of life insurance	10.6%	10.2%
Other	1.0%	1.3%
Total	100.0%	100.0%

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, 2016 and 2015, were set forth as follows:

	2016	2015
Discount rate	0.2%-0.7%	0.4%-1.0%
Long-term expected rate of return	2.5%	2.5%
Expected rate of salary increase	2.7%-3.3%	2.7%-3.4%

(3) Defined contribution plan

The amount of the required contribution to the defined contribution plan of a consolidated subsidiary was ¥19 million ($168 thousand) and ¥23 million for the years ended March 31, 2016 and 2015, 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 ¥727 million ($6,451 thousand) and ¥793 million for the years ended March 31, 2016 and 2015, respectively.

Japan Welfare Pension Fund of the Construction Industry which some of the Group companies maintains membership resolved at its conference of representatives on September 11, 2014 with regard to its policy for dissolution. The effects of this dissolution on the consolidated financial statements for the following fiscal year onwards is currently undetermined.

1) Latest funding status of multi-employer plans

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Plan assets	¥ 286,441	¥ 259,886	$2,542,074
Total of actuarial obligations and minimum policy reserve for pension accounting purpose	276,045	256,893	2,449,813
Net	¥ 10,395	¥ 2,993	$92,252

2) The Company's share of contribution to the multi-employer plans was 10.3% and 11.1% for the years ended March 31, 2016 and 2015, respectively.

3) Supplementary explanation
The outstanding balance of unamortized past service liabilities of the plans, which amounts to ¥11,779 million ($104,534 thousand) and ¥12,679 million as of March 31, 2016 and 2015, respectively, will be amortized over the periods until March 2023 for ¥10,364 million ($91,977 thousand) and until March 2030 for ¥1,415 million ($12,557 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, 2016 and 2015 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Beginning balance	¥1,061	¥1,022	$ 9,416
Increase due to acquisition of tangible assets	29	57	257
Accretion expenses	4	4	35
Decrease due to settlement of obligations	8	23	70
Ending balance	¥1,086	¥1,061	$ 9,637

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, 2016 and 2015 were as follows:

	Number of shares			
	April 1, 2015	Increase	Decrease	March 31, 2016
Outstanding shares issued:				
Common stock	119,401,836	—	—	119,401,836
Treasury stock	290,721	9,481	—	300,202

	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

Note: Increase in treasury stock during the years ended March 31, 2016 and 2015 is due to purchase of shares less than one unit.

The Company paid the following dividends during the years ended March 31, 2016 and 2015:

Year ended March 31, 2016

Cash dividends approved at the shareholders' meeting held on June 23, 2015:	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 ($26,419)	¥25 ($0.22)	Mar. 31, 2015	Jun. 24, 2015

Year ended March 31, 2015

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

12. Contingent Liabilities

The Group guarantees the following liabilities as of March 31, 2016 and 2015:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Housing loans of employees	¥48	¥64	$ 425

13. Cost of Sales

Cost of sales for the years ended March 31, 2016 and 2015 includes the following costs:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Write-down of inventories due to a decline of profitability	¥2,862	¥272	$25,399
Provision of reserve for loss on construction contracts	132	4,131	1,171

14. Selling, General and Administrative Expenses

The major components of selling, general and administrative expenses for the years ended March 31, 2016 and 2015 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Salaries and wages	¥7,256	¥7,080	$64,394
Provision of reserve for bonuses	1,056	1,086	9,371
Retirement benefit expenses	209	383	1,854
Provision for doubtful accounts	205	(74)	1,819
Research and development expenses	876	834	7,774

15. Other Income (Expenses)

Net gain (loss) on disposal or sales of property, plant and equipment for the years ended March 31, 2016 and 2015 consists of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Gain on sales of property, plant and equipment:			
Machinery, equipment and vehicles	¥49	¥361	$434
Land	397	365	3,523
Other	87	9	772
Sub-total	534	736	4,739
Loss on disposal or sales of property, plant and equipment:			
Buildings and structures	(419)	(186)	(3,718)
Machinery, equipment and vehicles	(51)	(48)	(452)
Other	(18)	(43)	(159)
Sub-total	(489)	(278)	(4,339)
Net gain (loss) on disposal or sales of property, plant and equipment	¥45	¥458	$399

16. Loss on Impairment of Fixed Assets

The Group recognized loss on impairment amounting to ¥201 million ($1,783 thousand) and ¥167 million for the years ended March 31, 2016 and 2015, respectively.
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 determined to be disposed and business assets (land, buildings and structures) whose profitability declined to the recoverable amounts and recorded the decreased amounts as loss on impairment under “Other expenses” for the year ended March 31, 2016.
The recoverable amount of the idle assets is determined based on the fixed asset tax assessment value and transactions results of the neighborhood and that of above business assets is determined based on real estate assessment value by an external independent real estate appraiser.

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 by an external independent real estate appraiser.

17. Income Taxes

Major components of the Group's deferred income tax assets and liabilities as of March 31, 2016 and 2015 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Deferred tax assets:			
Reserve for bonuses	¥1,357	¥1,423	$12,042
Reserve for loss on construction contracts	115	1,387	1,020
Allowance for doubtful accounts	537	427	4,765
Loss on valuation of real estate for sale and development projects in progress	1,463	704	12,983
Liability for employees' retirement benefits	2,328	2,601	20,660
Loss on impairment	5,984	6,302	53,106
Other	4,091	3,656	36,306
Sub-total	15,880	16,504	140,930
Valuation allowance	(8,324)	(10,104)	(73,872)
Total deferred tax assets	¥7,556	¥6,399	$67,057
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	¥(8,046)	¥(11,832)	$(71,405)
Reserve for reduction entry of fixed assets	(514)	(544)	(4,561)
Other	470	(230)	4,171
Total deferred tax liabilities	¥(8,089)	¥(12,607)	$(71,787)
Net deferred tax liabilities:	¥(533)	¥(6,207)	$(4,730)

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
	2016	2015	2016
Current assets - Deferred tax assets	¥4,299	¥4,481	$38,152
Investments and other assets - Deferred tax assets	1,573	390	13,959
Non-current liabilities - Deferred tax liabilities	(6,406)	(11,079)	(56,851)

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, 2016 and 2015 was as follows:

	2016	2015
Statutory tax rate	33.0 %	35.6 %
Expenses permanently not deductible for income tax purpose	1.1	0.6
Non-taxable income	(0.2)	(0.9)
Per capita inhabitant tax	0.7	0.7
Enterprise tax equivalent on overseas income	(0.1)	(0.1)
Tax credit on research and development expenses	(0.1)	(0.1)
Investment tax credit on manufacturing facilities	(0.0)	(0.0)
Changes in valuation allowance	(4.5)	1.5
Modification of the amounts of deferred tax assets and liabilities due to income tax rate changes	0.2	1.1
Other	1.2	(0.0)
Effective tax rates	31.2 %	38.4 %

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

The New Tax Reform Act enacted on March 29, 2016 reduced the income tax rates whereby the normal effective statutory tax rates used in computing deferred tax assets and liabilities were reduced from 32.34% to 30.86% for the temporary differences expected to be recovered or paid in the fiscal years beginning on April 1, 2016 through

March 31, 2018 and 30.62% for those expected to be recovered or paid on or after April 1, 2018. As a result, deferred tax liabilities, net of deferred tax assets, decreased by ¥110 million ($976 thousand). Income taxes – deferred and valuation difference on available-for-sale securities increased by ¥341 million ($3,026 thousand) and ¥451 million ($4,002 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, 2016 and 2015 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Valuation difference on available-for-sale securities:			
Amount recognized during the year	¥ (10,315)	¥ 10,944	$(91,542)
Amount before tax effect	(10,315)	10,944	(91,542)
Tax effect	3,762	(2,518)	33,386
Valuation difference on available-for-sale securities	(6,552)	8,426	(58,146)
Adjustments for employees' retirement benefits:			
Amount recognized during the year	(2,014)	765	(17,873)
Reclassification adjustment to net income	(157)	341	(1,393)
Amount before tax effect	(2,172)	1,107	(19,275)
Tax effect	901	(134)	7,996
Adjustments for employees' retirement benefits	(1,271)	972	(11,279)
Share of other comprehensive income in affiliates accounted for using the equity method:			
Amount recognized during the year	(1)	(0)	(8)
Other comprehensive income	¥ (7,825)	¥ 9,397	$ (69,444)

19. Per Share Data

	Yen		U.S. Dollars
March 31	2016	2015	2016
Net assets per common share	¥2,201.99	¥2,069.43	$19.54

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

	Millions of Yen		Thousands of U.S. Dollars
March 31	2016	2015	2016
Total net assets	¥267,638	¥250,913	$2,375,204
Amount to be deducted from total net assets:			
(Non-controlling interests)	(5,378)	(4,421)	(47,728)
Net assets attributable to common shares	262,260	246,492	2,327,476

	Number of shares	
March 31	2016	2015
Number of common shares as of fiscal year-end	119,101,634	119,111,115

	Yen		U.S. Dollars
March 31	2016	2015	2016
Net income per common share	¥220.18	¥188.37	$1.95

*Diluted net income per common share was not presented since the potential shares did not exist for the years ended March 31, 2016 and 2015.

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

	Millions of Yen		Thousands of U.S. Dollars
Years ended March 31	2016	2015	2016
Net income attributable to shareholders of NIPPO CORPORATION	¥26,224	¥22,437	$232,729
Net income attributable to common shareholders of NIPPO CORPORATION	26,224	22,437	232,729

	Number of shares	
Years ended March 31	2016	2015
Average number of common shares during the year	119,105,222	119,114,130

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, 2016	Acquisition cost	Accumulated depreciation	Net leased assets
Tools, furniture and fixtures	¥ -	¥ -	¥ -
Total	¥ -	¥ -	¥ -

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

	Thousands of U.S. Dollars		
March 31, 2016	Acquisition cost	Accumulated depreciation	Net leased assets
Tools, furniture and fixtures	$ -	$ -	$ -
Total	$ -	$ -	$ -

Obligations under finance leases were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Due within one year	¥ —	¥ —	$—
Due over one year	—	—	—
Total	¥ —	¥ —	$—

Lease payments, depreciation and interest expense were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Lease payments	¥ -	¥1	$ -
Depreciation	-	1	-
Interest expense	-	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
	2016	2015	2016
Receivable portion of lease charges	¥2,634	¥2,833	$23,375
Estimated residual value	220	257	1,952
Interest income portion	393	422	3,487
Investments in leased assets	¥3,249	¥3,513	$28,833

Collection schedules of lease receivables and receivable portion of lease charges on investments in leased assets subsequent to March 31, 2016 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
2017	¥34	¥966	$301	$8,572
2018	33	752	292	6,673
2019	21	521	186	4,623
2020	15	292	133	2,591
2021	10	93	88	825
2022 and thereafter	2	8	17	70

2. Operating leases

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

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Due within one year	¥117	¥112	$1,038
Due over one year	204	237	1,810
Total	¥322	¥350	$2,857

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
	2016	2015	2016
Investments in leased assets:			
Current assets	¥1,450	¥2,251	$12,868
Lease obligations:			
Current liabilities	583	723	5,173
Non-current liabilities	866	1,355	7,685

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 and electronically recorded receivables 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 electronically recorded payables 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, 2016 and 2015 were as follows:

	Millions of Yen		
March 31, 2016	Carrying amount	Fair value	Unrealized gain (loss)
(1) Cash and bank deposits	¥69,855	¥69,855	¥—
(2) Notes receivable, accounts receivable on completed construction contracts and other	133,618		
Allowance for doubtful accounts*1	(342)		
	133,276	133,276	—
(3) Electronically recorded receivables	3,608		
Allowance for doubtful accounts*1	(9)		
	3,599	3,599	—
(4) Short-term loans receivable	44,600		
Allowance for doubtful accounts*1	(114)		
	44,486	44,486	—
(5) Investment securities	32,111	32,111	—
Total assets	283,329	283,329	—
(1) Notes payable, accounts payable on construction contracts and other	93,583	93,576	(6)
(2) Electronically recorded payables	34,533	34,533	—
(3) Long-term debt	2,892	2,872	(19)
Total liabilities	131,009	130,983	(26)
Derivatives*2	(322)	(322)	—

	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	133,763		
Allowance for doubtful accounts*1	(171)		
	133,592	135,583	(8)
(3) Electronically recorded receivables	1,929		
Allowance for doubtful accounts*1	(2)		
	1,926	1,926	—
(4) Short-term loans receivable	42,421		
Allowance for doubtful accounts*1	(54)		
	42,366	42,366	—
(5) Investment securities	42,210	42,210	—
Total assets	274,792	274,784	(8)
(1) Notes payable, accounts payable on construction contracts and other	109,454	109,445	(9)
(2) Electronically recorded payables	18,915	18,915	—
(3) Long-term debt	3,262	3,232	(30)
Total liabilities	131,632	131,593	(39)
Derivatives*2	(207)	(207)	—

March 31, 2016	Thousands of U.S. Dollars Carrying amount	Fair value	Unrealized gain (loss)
(1) Cash and bank deposits	$619,941	$619,941	$—
(2) Notes receivable, accounts receivable on completed construction contracts and other	1,185,818		
Allowance for doubtful accounts*1	(3,035)		
	1,182,783	1,182,783	—
(3) Electronically recorded receivables	32,019		
Allowance for doubtful accounts*1	(79)		
	31,940	31,940	—
(4) Short-term loans receivable	395,811		
Allowance for doubtful accounts*1	(1,011)		
	394,799	394,799	—
(5) Investment securities	284,975	284,975	—
Total assets	2,514,456	2,514,456	—
(1) Notes payable, accounts payable on construction contracts and other	830,520	830,457	(53)
(2) Electronically recorded payables	306,469	306,469	—
(3) Long-term debt	25,665	25,488	(168)
Total liabilities	1,162,664	1,162,433	(230)
Derivatives*2	(2,857)	(2,857)	—

*1 General allowance for doubtful accounts corresponding to “Notes receivable, accounts receivable on completed construction contracts, electronically recorded receivables and short-term loans receivable” is deducted.

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

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) Electronically recorded receivables

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

(4) 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.

(5) 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 fair value is based on the present value determined by discounting payables categorized by fixed periods using interest rates considering the maturities.

(2) Electronically recorded payables

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

(3) 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		Thousands of U.S. Dollars
	2016	2015	2016
Unlisted equity securities	¥11,346	¥10,706	$100,692

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, 2016 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	¥69,855	¥—	¥—	¥—
Notes receivable, accounts receivable on completed construction contracts and other	127,272	6,326	19	—
Electronically recorded receivables	3,608	—	—	—
Short-term loans receivable	44,600	—	—	—
Investment securities	—	—	—	—
Total	¥245,337	¥6,326	¥19	¥—

	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	$619,941	$—	$—	$—
Notes receivable, accounts receivable on completed construction contracts and other	1,129,499	56,141	168	—
Electronically recorded receivables	32,019	—	—	—
Short-term loans receivable	395,811	—	—	—
Investment securities	—	—	—	—
Total	$2,177,289	$56,141	$168	$—

Note 4: Annual maturities of long-term debt and lease obligations subsequent to March 31, 2016:
Please see Note 7.

Note 5: Electronically recorded receivables and electronically recorded payables are stated separately from the year ended March 31, 2016 due to their increased monetary importance. In order to reflect this change in presentation, the corresponding amounts are stated in the notes for the year ended March 31, 2015.

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, 2016 — 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	¥6,556	¥2,061	¥(362)	¥(362)
	AUD	712	560	39	39
	Total	¥7,269	¥2,622	¥(322)	¥(322)

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, 2016 — 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	$58,182	$18,290	$(3,212)	$(3,212)
	AUD	6,318	4,969	346	346
	Total	$64,510	$23,269	$(2,857)	$(2,857)

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, 2016 and 2015.

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.

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

	Millions of Yen								
	2016								
	Reportable Segments								
	Construction								
	Pavement and Civil Engineering	Building Construction	Manufacturing and Sales	Development	Total	Other (Note 1)	Total	Reconciliation (Notes 2 and 3)	Consolidated (Note 4)
Sales:									
Sales to external customers	¥228,210	¥78,906	¥65,486	¥22,160	¥394,763	¥12,670	¥407,433	¥—	¥407,433
Intersegment sales or transfers	932	1,931	28,847	62	31,774	7,430	39,204	(39,204)	—
Total	229,142	80,838	94,333	22,222	426,537	20,101	446,638	(39,204)	407,433
Segment profit (loss)	25,456	4,115	17,471	(304)	46,739	1,338	48,078	(7,292)	40,785
Segment assets	138,153	51,842	104,660	51,886	346,542	29,952	376,494	95,998	472,492
Other items:									
Depreciation	1,548	60	3,120	601	5,330	896	6,226	564	6,791
Amortization of goodwill	13	—	16	—	29	—	29	—	29
Investment in affiliates accounted for by the equity method	15	—	—	—	15	5,522	5,538	—	5,538
Increase in tangible and intangible fixed assets	2,084	28	8,779	2,767	13,659	3,015	16,675	205	16,880

	Millions of Yen								
	2015								
	Reportable Segments								
	Construction								
	Pavement and Civil Engineering	Building Construction	Manufacturing and Sales	Development	Total	Other (Note 1)	Total	Reconciliation (Notes 2 and 3)	Consolidated (Note 4)
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

	Thousands of U.S. Dollars								
	2016								
	Reportable Segments								
	Construction								
	Pavement and Civil Engineering	Building Construction	Manufacturing and Sales	Development	Total	Other (Note 1)	Total	Reconciliation (Notes 2 and 3)	Consolidated (Note 4)
Sales:									
Sales to external customers	$2,025,292	$700,266	$581,167	$196,663	$3,503,399	$112,442	$3,615,841	$—	$3,615,841
Intersegment sales or transfers	8,271	17,137	256,008	550	281,984	65,938	347,923	(347,923)	—
Total	2,033,564	717,412	837,176	197,213	3,785,383	178,390	3,963,773	(347,923)	3,615,841
Segment profit (loss)	225,914	36,519	155,049	(2,697)	414,794	11,874	426,677	(64,714)	361,954
Segment assets	1,226,064	460,081	928,824	460,472	3,075,452	265,814	3,341,267	851,952	4,193,219
Other items:									
Depreciation	13,738	532	27,689	5,333	47,302	7,951	55,253	5,005	60,268
Amortization of goodwill	115	—	141	—	257	—	257	—	257
Investment in affiliates accounted for by the equity method	133	—	—	—	133	49,006	49,148	—	49,148
Increase in tangible and intangible fixed assets	18,494	248	77,910	24,556	121,219	26,757	147,985	1,819	149,804

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, 2016

	Millions of Yen							
	2016							
	Reportable Segments					Other	Corporate/ Elimination	Total
	Construction							
	Pavement and Civil Engineering	Building Construction	Manufacturing and Sales	Development	Total			
Loss on impairment	¥—	¥—	¥30	¥—	¥30	¥171	¥—	¥201

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							
	2016							
	Reportable Segments					Other	Corporate/ Elimination	Total
	Construction							
	Pavement and Civil Engineering	Building Construction	Manufacturing and Sales	Development	Total			
Loss on impairment	$—	$—	$266	$—	$266	$1,517	$—	$1,783

Amortization and balance of goodwill by reportable segment

As of March 31, 2016 and 2015 and for the years then ended

	Millions of Yen							
	2016							
	Reportable Segments					Other	Corporate/ Elimination	Total
	Construction							
	Pavement and Civil Engineering	Building Construction	Manufacturing and Sales	Development	Total			
Amortization for the year	¥13	¥—	¥16	¥—	¥29	¥—	¥—	¥29
Unamortized balance	3	—	33	—	37	—	—	37

	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

	Thousands of U.S. Dollars							
	2016							
	Reportable Segments					Other	Corporate/ Elimination	Total
	Construction		Manufacturing and Sales	Development	Total			
	Pavement and Civil Engineering	Building Construction						
Amortization for the year	$115	$—	$141	$—	$257	$—	$—	$257
Unamortized balance	26	—	292	—	328	—	—	328

24. Related Party Transactions

Transactions between the Company and related parties were as follows:

For the year ended March 31, 2016

	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 ($1,237,460 thousand)	¥400 million ($3,549 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:	¥9,005 million ($79,916 thousand)	¥41,674 million ($369,843 thousand)	¥59 million ($523 thousand)
Account title:	Accounts receivable on completed construction contracts	Short-term loans	
Balance at fiscal year-end:	¥3,444 million ($30,564 thousand)	¥42,639 million ($378,407 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, 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	¥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:	¥13,650 million	¥33,362 million	¥54 million
Account title:	Accounts receivable on completed construction contracts	Short-term loans	
Balance at fiscal year-end:	¥6,135 million	¥40,580 million	

Notes:

4. The above transaction amounts do not include consumption taxes, but the balances at fiscal year-end include consumption taxes.
5. 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.
6. 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, 2016 was approved at the shareholders' meeting held on June 24, 2016:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends:		
Common stock, ¥35 ($0.31) per share	¥4,168	$36,989

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, 2016, 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, 2016, 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 24, 2016
Tokyo, Japan