

Japan Overseas Infrastructure Investment Corporation
for Transport & Urban Development

Financial Statements

For the 2nd fiscal year
From April 1, 2015 to March 31, 2016

Independent Auditors' Report
(Translation)

May 24, 2016

To the Board of Directors of
Japan Overseas Infrastructure Investment Corporation for Transport & Urban Development

BDO Toyo & Co.
Shinichi Nakashio
Designated Partner
Engagement Partner
Certified Public Accountant

Akihisa Asakawa
Designated Partner
Engagement Partner
Certified Public Accountant

We have audited the accompanying financial statements of Japan Overseas Infrastructure Investment Corporation for Transport & Urban Development (the "Company") for the 2nd fiscal year from April 1, 2015 to March 31, 2016, which comprise the balance sheet, the statement of operations and changes in equity, the notes to financial statements and the supporting schedules, in accordance with item 1, paragraph 2 of Article 436 of the Companies Act.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements and the related supporting schedules in accordance with accounting principles generally accepted in Japan. The responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements and the related supporting schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the related supporting schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements and the related supporting schedules, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements and the related supporting schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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 financial statements and the related supporting schedules. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit opinion

In our opinion, the financial statements and the related supporting schedules referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2016, and the results of its operations for the year then ended in accordance with accounting principles generally accepted in Japan.

Conflict of Interest

Our firm or the engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Act.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

Balance Sheet

(As of March 31, 2016)

(Thousands of yen)

| Assets | | Liabilities and net assets | |
|---|-------------------|---|--------------------|
| (Assets) | | (Liabilities) | |
| Current assets: | 14,740,311 | Current liabilities: | 135,547 |
| Cash and deposits | 10,662,793 | Accounts payable-Other | 60,899 |
| Operational investment securities | 4,039,607 | Income taxes payable | 46,742 |
| Prepaid expenses | 12,194 | Lease obligations | 4,698 |
| Other | 25,716 | Other | 23,207 |
| Non-current assets: | 4,885,271 | Non-current liabilities: | 12,371 |
| Property and equipment: | 113,731 | Lease obligations | 12,371 |
| Buildings | 71,600 | Total liabilities | 147,919 |
| Tools, furniture and fixtures | 53,058 | (Net assets) | |
| Leased assets | 36,176 | Shareholders' equity: | 19,536,865 |
| Accumulated depreciation | △ 47,104 | Capital stock | 10,472,500 |
| Intangible assets: | 2,183 | Capital surplus: | 10,472,500 |
| Software | 2,183 | Legal capital surplus | 10,472,500 |
| Investments and other assets: | 4,769,357 | Retained earnings: | △ 1,408,134 |
| Investment in subsidiaries and associates | 4,682,245 | Other retained earnings: | △ 1,408,134 |
| Lease deposits | 77,262 | Retained earnings brought forward | △ 1,408,134 |
| Other | 9,849 | | |
| Deferred assets: | 59,202 | Total net assets | 19,536,865 |
| Deferred organization expenses | 27,426 | | |
| Share issuance cost | 31,775 | Total liabilities and net assets | 19,684,785 |
| Total assets | 19,684,785 | | |

Amounts of less than 1 thousand yen are rounded off.

Statement of Operations

(From April 1, 2015 to March 31, 2016)

(Thousands of yen)

| | | |
|--|-------|------------------|
| Operating expenses | | 1,118,841 |
| Operating loss | | 1,118,841 |
| Non-operating income | | |
| Interest income | 7,404 | |
| Other | 3,189 | 10,594 |
| Non-operating expenses | | |
| Interest expenses | 330 | |
| Amortization of deferred organization expenses | 7,836 | |
| Amortization of share issuance cost | 3,740 | |
| Other | 286 | 12,194 |
| Ordinary loss | | 1,120,441 |
| Loss before income taxes | | 1,120,441 |
| Income taxes | | 1,210 |
| Net loss | | 1,121,651 |

Amounts of less than 1 thousand yen are rounded off.

Statement of Changes in Equity

(From April 1, 2015 to March 31, 2016)

(Thousands of yen)

| | Shareholders' equity | | | | Total net assets | |
|--------------------------------------|----------------------|-----------------------|-------------------------|-----------------------------------|------------------|----------------------------|
| | Capital stock | Capital surplus | Retained earnings | | | Total shareholders' equity |
| | | Legal capital surplus | Other retained earnings | Retained earnings brought forward | | |
| | | | | | | |
| Balance at April 1, 2015 | 5,398,750 | 5,398,750 | Δ 286,482 | 10,511,017 | 10,511,017 | |
| Changes of items during period | | | | | | |
| Issuance of common stock | 5,073,750 | 5,073,750 | - | 10,147,500 | 10,147,500 | |
| Net loss | - | - | Δ 1,121,651 | Δ 1,121,651 | Δ 1,121,651 | |
| Total changes of items during period | 5,073,750 | 5,073,750 | Δ 1,121,651 | 9,025,848 | 9,025,848 | |
| Balance at March 31, 2016 | 10,472,500 | 10,472,500 | Δ 1,408,134 | 19,536,865 | 19,536,865 | |

Amounts of less than 1 thousand yen are rounded off.

Notes to Financial Statements

Amounts of less than 1 thousand yen are rounded off.

1. Significant Accounting Policies

(1) Basis and method of valuation of securities

- ① Operational investment securities
Securities without market quotations:
Stated at cost determined by the moving-average method

- ② Investment in subsidiaries
Stated at cost determined by the moving-average method

(2) Depreciation method of non-current assets

- ① Property and equipment (excluding leased assets)
Depreciation is provided by the declining-balance method, except for the buildings (excluding building facilities), which are depreciated using the straight-line method.
The useful lives adopted for major assets are as follows:
 - Buildings: 10 -15 years
 - Tools, furniture and fixtures: 3-10 years

- ② Leased assets
Leased assets under finance lease arrangements which do not transfer the ownership of the leased property to the lessee are depreciated to a residual value of zero by the straight-line method using lease period as the useful life.

- ③ Intangible assets
Intangible assets are amortized using the straight-line method. Computer software for internal use is amortized by the straight-line method over the estimated useful lives (5 years).

(3) Amortization method of deferred assets

- ① Deferred organization expenses
Deferred organization expenses are amortized by the straight-line method over 5 years.

- ② Share issuance cost
Share issuance cost is amortized by the straight-line method over 3 years.

(4) Accounting for provisions

Provision for bonuses

For payment of employees' bonuses, provision is provided for the portion of the total anticipated bonuses that is attributable to the fiscal year.

(5) Other significant matters which constitute the basis for preparation of the financial statements

Accounting for consumption taxes

Consumption taxes are excluded in transaction amounts.

2. Notes to balance sheet

Loan guarantee liabilities

The Company guarantees loans of the investee from financial institutions.

The investee: Concessionária do VLT Carioca S.A.

Amount of guarantee: R\$10,770,851

3. Notes to statement of operations

There are no items to be disclosed.

4. Notes to statement of changes in equity

Class and number of shares at the end of the fiscal year:

Common stock 418,900 shares

5. Notes to taxes effect accounting

Main sources of deferred tax assets:

Deferred tax assets:

| | |
|---|-------------------------------|
| Loss carryforwards | 327,616 thousand yen |
| Accrued enterprise taxes | 14,051 thousand yen |
| Provision for bonuses | 3,138 thousand yen |
| Accrued social insurances | 440 thousand yen |
| Lease deposits (Asset retirement obligations) | <u>2,375 thousand yen</u> |
| Subtotal | 347,621 thousand yen |
| Valuation Allowance | <u>△ 347,621 thousand yen</u> |
| Total | <u>— thousand yen</u> |

(Note1) Revision of deferred income tax assets by reduction of taxation rate

Following the enactment on March 29, 2016 of the “Act for Partial Amendment of the Income Tax Act, etc.” and the “Act on Partial Revision, etc. of the Local Tax Act, etc.”, the corporate income tax rate will be changed from the fiscal year beginning April 1, 2016. As a result of these amendments, the effective statutory tax rate used to measure deferred tax assets for the fiscal year has been reduced from 33.06% for the previous fiscal year to 30.86 % for temporary differences that are expected to be recovered or paid during the period of April 1, 2016 through March 31, 2018, and from 32.36% for the previous fiscal year to 30.62% for temporary differences that are expected to be recovered or paid during the period on and after April 1, 2018, respectively.

6. Notes to financial instruments

(1) States of financial instruments

① Management policy on financial instruments

The Company conducts investment activities based on the standards stipulated in the Act on Japan Overseas Infrastructure Investment Corporation for Transport & Urban Development. To conduct investment activities, the Company raises the necessary funds by equity capital and issuance of Government-Guaranteed Bonds.

Regarding fund management, the Company invests only in short-term deposits and investment securities (certificates of deposit) to secure liquidity and safety of funds.

② Features and risks of financial instruments

Financial instruments held by the Company are short-term deposits. There is no risk of fluctuations in market prices.

Operational investment securities and investment in subsidiaries and associates held by the Company are stocks invested by the Company and are exposed to credit risk of the investees and liquidity risk due to unlisted stocks.

③ Risk management of financial instruments

i) Management of liquidity risk to financing

The Company controls liquidity risks by monitoring deposits and payments and preparing the statement of cash positions regularly.

ii) Management of credit risk of the investees

The Company timely and regularly monitors the business conditions of the investees and makes efforts to promptly obtain information of deterioration of their financial conditions and deviation from their business plan, etc.

(2) Fair value of financial instruments

Book value, fair value and the difference between them as of March 31, 2016 are as follows. Financial instruments of which the fair value is extremely difficult to measure are not included below.

(Thousand of yen)

| | Book value | Fair value | Difference |
|-------------------|------------|------------|------------|
| Cash and deposits | 10,662,793 | 10,662,793 | — |

① Fair value measurement of financial instruments

Cash and deposits:

The book value approximates fair value due to the short term settlements.

② Financial instruments of which the fair value is extremely difficult to measure are as follows:

(Thousand of yen)

| | Book value |
|---|------------|
| Operational investment securities Unlisted stocks (*1) | 4,039,607 |
| Investment in subsidiaries and associates Unlisted stocks (*1) | 4,682,245 |

(*1) Unlisted stocks are not included in the above disclosure of “book value, fair value and the difference between them”, because they have no quoted market price and their fair value is extremely difficult to measure.

③ Future redemption of financial assets with maturities are as follows:

(Thousand of yen)

| | Within one year |
|-------------------|-----------------|
| Cash and deposits | 10,662,793 |

7. Notes to related party transactions

(1) The Company directors and principal shareholders, etc.

(Thousands of yen)

| Attribution | Name | Percentage of voting rights ,etc. | Relationship | Nature of transactions | Transaction amounts | Accounting classification | Year-end balance |
|-----------------------|---------------------|-----------------------------------|------------------------|------------------------------------|---------------------|---------------------------|------------------|
| Principal shareholder | Minister of Finance | Owned directly 71.61% | Investments in capital | Investments in capital (Note 1) | 9,600,000 | — | — |

(Note 1) Minister of Finance acquired shares issued by the Company in the amount of ¥50 thousand per share.

(2) Subsidiaries and associates

(Thousands of yen)

| Attribution | Name | Percentage of voting rights ,etc. | Relationship | Nature of transactions | Transaction amounts | Accounting classification | Year-end balance |
|-------------|-------------------------------------|-----------------------------------|------------------------------|--|---------------------|---|------------------|
| Subsidiary | JAPAN HIGH-SPEED RAILWAY, INC | Directly holding 100.00% | Acquisition of new shares | Payment for investments in capital (Note 2) | 4,682,245 | Investment in subsidiaries and associates | 4,682,245 |

(Note 2) US\$40,048 thousand was paid for investments in capital of the subsidiary.

8. Notes to per share information

Net assets per share ¥46,638.49

Net loss per share ¥4,113.24

9. Notes to significant subsequent events

There are no items to be disclosed.