

Japan Overseas Infrastructure Investment Corporation
for Transport & Urban Development

Financial Statements

For the 4th fiscal year
From April 1, 2017 to March 31, 2018

Independent Auditors' Report
(Translation)

May 23, 2018

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

Hiroaki Izawa
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 4th fiscal year from April 1, 2017 to March 31, 2018, 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, 2018, 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, 2018)

(Thousands of yen)

Assets		Liabilities and net assets	
(Assets)		(Liabilities)	
Current assets:	33,223,840	Current liabilities:	243,523
Cash and deposits	15,295,211	Lease obligations	11,220
Operational investment securities	17,827,192	Accounts payable-Other	45,756
Prepaid expenses	22,040	Income taxes payable	153,032
Other	79,396	Other	33,514
Non-current assets:	8,231,910	Non-current liabilities:	50,058
Property and equipment:	147,052	Lease obligations	9,827
Buildings	133,061	Provision for loss on guarantees	39,504
Tools, furniture and fixtures	77,229	Other	726
Leased assets	53,818	Total liabilities	293,582
Accumulated depreciation	Δ 117,057	(Net assets)	
Intangible assets:	1,103	Shareholders' equity:	41,875,018
Software	1,103	Capital stock	23,222,500
Investments and other assets:	8,083,754	Capital surplus:	23,222,500
Investment in subsidiaries and associates	7,969,966	Legal capital surplus	23,222,500
Lease deposits	108,839	Retained earnings:	Δ 4,569,981
Other	4,948	Other retained earnings:	Δ 4,569,981
Deferred assets:	91,991	Retained earnings brought forward	Δ 4,569,981
Deferred organization expenses	11,754	Valuation and translation adjustments	Δ 620,858
Share issuance cost	80,237	Valuation difference on available-for-sale securities	Δ 620,858
		Total net assets	41,254,159
Total assets	41,547,741	Total liabilities and net assets	41,547,741

Amounts of less than 1 thousand yen are rounded off.

Statement of Operations

(From April 1, 2017 to March 31, 2018)

(Thousands of yen)

Operating revenue		66,252
Operating expenses		1,854,461
Operating loss		1,788,209
Non-operating income		
Interest income	114	
Other	1,766	1,881
Non-operating expenses		
Interest expenses	253	
Amortization of deferred organization expenses	7,836	
Amortization of share issuance cost	28,560	
Other	6,955	43,606
Ordinary loss		1,829,934
Loss before income taxes		1,829,934
Income taxes		3,800
Net loss		1,833,734

Amounts of less than 1 thousand yen are rounded off.

Statement of Changes in Equity

(From April 1, 2017 to March 31, 2018)

(Thousands of yen)

	Shareholders' equity				Valuation and translation adjustments	Total net assets
	Capital stock	Capital surplus	Retained earnings	Total shareholders' equity	Valuation difference on available-for-sale securities	
		Legal capital surplus	Other retained earnings			
			Retained earnings brought forward			
Balance at April 1, 2017	12,472,500	12,472,500	Δ 2,736,247	22,208,752	Δ 18,353	22,190,399
Changes of items during period						
Issuance of common stock	10,750,000	10,750,000	-	21,500,000	-	21,500,000
Net loss	-	-	Δ 1,833,734	Δ 1,833,734	-	Δ 1,833,734
Net changes of items other than shareholders' equity	-	-	-	-	Δ 602,505	Δ 602,505
Total changes of items during period	10,750,000	10,750,000	Δ 1,833,734	19,666,265	Δ 602,505	19,063,760
Balance at March 31, 2018	23,222,500	23,222,500	Δ 4,569,981	41,875,018	Δ 620,858	41,254,159

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), building facilities and structures acquired on or after April 1, 2016, 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

① 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.

② Provision for retirement benefits

To prepare for employees' retirement benefits to employees, the Company records an amount calculated based upon the estimated retirement and severance benefit obligations at the end of the fiscal year.

The estimated retirement and severance benefit obligations is calculated based on the simplified method.

③ Provision for loss on guarantees

Estimated amount of possible losses from loan guarantee liabilities are accrued based on the financial status of the guaranteed companies.

④ Allowance for investment loss

Estimated amount of possible losses from investment in subsidiaries and associates held at the balance sheet date are accrued based on the status of the investees, etc.

(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\$13,757,794

The investee: Concessionaria Move Sao Paulo S.A.

Amount of guarantee: R\$20,887,455

The investee: Supervia Concessionaria de Transporte Ferroviario S.A.

Amount of guarantee: R\$24,346,333

The investee: Thi Vai International Port Company Ltd.

Amount of guarantee: US\$750,000

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 928,900 shares

5. Notes to taxes effect accounting

Main sources of deferred tax assets and liabilities:

Deferred tax assets:

Loss carryforwards	1,219,219 thousand yen
Accrued enterprise taxes	45,694 thousand yen
Provision for bonuses	3,458 thousand yen
Valuation difference on available-for-sale securities	190,409 thousand yen
Loss on valuation of shares of subsidiaries and associates	21,215 thousand yen
Provision for loss on guarantees	12,096 thousand yen
Lease deposits (Asset retirement obligations)	8,667 thousand yen
Other	<u>1,376 thousand yen</u>
Subtotal	1,502,136 thousand yen
Valuation Allowance	<u>△ 1,502,136 thousand yen</u>
Total	— thousand yen

Deferred tax liabilities:

Valuation difference on available-for-sale securities	<u>435 thousand yen</u>
Total	<u>435 thousand yen</u>
Net deferred tax liabilities	<u>435 thousand yen</u>

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 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 and bonds invested by the Company and are exposed to credit risk of the investees and liquidity risk due to unlisted stocks and bonds.

Operational investment securities and investment in subsidiaries and associates which are denominated in foreign currencies are exposed to the risk of exchange fluctuations.

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.

iii) Management of exchange fluctuation risk to operational investment securities and investment in subsidiaries and associates which are denominated in foreign currencies.

The Company controls exchange fluctuation risks regarding operational investment securities and investment in subsidiaries and associates which are denominated in foreign currencies by continuously monitoring exchange rate fluctuations.

(2) Fair value of financial instruments

Book value, fair value and the difference between them as of March 31, 2018 are as follows. Financial instruments of which the fair value is extremely difficult to measure are not included below.

(Thousands of yen)

	Book value	Fair value	Difference
Cash and deposits	15,295,211	15,295,211	—

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:

(Thousands of yen)

	Book value
Operational investment securities	
Unlisted stocks (*1)	16,735,010
Unlisted bonds (*1)	1,092,181
Investment in subsidiaries and associates	
Unlisted stocks (*1, 2)	7,969,966

(*1) Unlisted stocks and unlisted bonds 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.

(*2) The impairment loss on unlisted stocks was ¥55,134 thousand for the fiscal year.

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

(Thousands of yen)

	Within one year	After one year through five years
Cash and deposits	15,295,211	—
Operational investment securities		
Available-for-sale securities with maturity date	—	1,092,181

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 87.19%	Investments in capital	Investments in capital (Note 1)	21,500,000	—	—

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

(2) Subsidiaries and associates, etc.

(Thousands of yen)

Attribution	Name	Percentage of voting rights ,etc.	Relationship	Nature of transactions	Transaction amounts	Accounting classification	Year-end balance
Subsidiary	PT .JOT INDONESIA DEVELOPMENT	Directly holding 99.90%	Acquisition of new shares	Payment for investments in capital (Note 2)	3,235,901	Investment in subsidiaries and associates	3,235,901

(Note 2) IDR417,007,752 thousand was paid for investments in capital of the subsidiary.

8. Notes to per share information

Net assets per share ¥44,411.84

Net loss per share ¥2,685.00

9. Notes to significant subsequent events

There are no items to be disclosed.