

Japan Overseas Infrastructure Investment Corporation
for Transport & Urban Development

Financial Statements

For the 5th fiscal year
From April 1, 2018 to March 31, 2019

Independent Auditors' Report
(Translation)

May 23, 2019

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

Crowe Toyo & Co.
Hiroaki Izawa
Designated Partner
Engagement Partner
Certified Public Accountant

Takayuki Kawakubo
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 5th fiscal year from April 1, 2018 to March 31, 2019, 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, 2019, 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, 2019)

(Thousands of yen)

Assets		Liabilities and net assets	
(Assets)		(Liabilities)	
Current assets:	35,384,636	Current liabilities:	394,749
Cash and deposits	6,017,404	Lease obligations	8,660
Operational investment securities	29,091,726	Accounts payable-Other	149,606
Other	275,505	Income taxes payable	199,428
Non-current assets:	19,853,685	Other	37,054
Property and equipment:	116,148		
Buildings	134,517	Non-current liabilities:	2,591
Tools, furniture and fixtures	80,113	Lease obligations	1,959
Leased assets	53,818	Other	632
Accumulated depreciation	△ 152,301		
Intangible assets:	563	Total liabilities	397,341
Software	563	(Net assets)	
Investments and other assets:	19,736,974	Shareholders' equity:	55,606,060
Investment in subsidiaries and associates	8,996,318	Capital stock	31,022,500
Allowance for investment loss	△ 107,869	Capital surplus:	31,022,500
Investments in capital of subsidiaries and associates	10,377,594	Legal capital surplus	31,022,500
Long-term accounts receivable - other	434,531	Retained earnings:	△ 6,438,939
Lease deposits	96,463	Other retained earnings:	△ 6,438,939
Other	2,497	Retained earnings brought forward	△ 6,438,939
Allowance for doubtful accounts	△ 62,562	Valuation and translation adjustments	△ 671,728
Deferred assets:	93,352	Valuation difference on available-for-sale securities	△ 671,728
Deferred organization expenses	3,918		
Share issuance cost	89,434	Total net assets	54,934,332
Total assets	55,331,674	Total liabilities and net assets	55,331,674

Amounts of less than 1 thousand yen are rounded off.

Statement of Operations

(From April 1, 2018 to March 31, 2019)

(Thousands of yen)

Operating revenue		362,888
Operating expenses		2,238,194
Operating loss		1,875,306
Non-operating income		
Interest income	914	
Foreign exchange gains	61,125	
Other	1,827	63,867
Non-operating expenses		
Interest expenses	153	
Amortization of deferred organization expenses	7,836	
Amortization of share issuance cost	45,402	
Other	326	53,717
Ordinary loss		1,865,157
Loss before income taxes		1,865,157
Income taxes		3,800
Net loss		1,868,957

Amounts of less than 1 thousand yen are rounded off.

Statement of Changes in Equity

(From April 1, 2018 to March 31, 2019)

(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, 2018	23,222,500	23,222,500	Δ 4,569,981	41,875,018	Δ 620,858	41,254,159
Changes of items during period						
Issuance of common stock	7,800,000	7,800,000	-	15,600,000	-	15,600,000
Net loss	-	-	Δ 1,868,957	Δ 1,868,957	-	Δ 1,868,957
Net changes of items other than shareholders' equity	-	-	-	-	Δ 50,869	Δ 50,869
Total changes of items during period	7,800,000	7,800,000	Δ 1,868,957	13,731,042	Δ 50,869	13,680,173
Balance at March 31, 2019	31,022,500	31,022,500	Δ 6,438,939	55,606,060	Δ 671,728	54,934,332

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 and associates

Stated at cost determined by the moving-average method

③ Investments in capital of subsidiaries and associates

Stated at cost determined by the moving-average method

The amounts equivalent to interests of limited partnerships are accounted for on the net amount equivalent to interest regarding to the balance sheet based on the most recent financial statements as of the closing date which is specified in the Partnership Agreement. And the related revenue and cost equivalent to such investments are included in operating revenue and operating expenses in the statement of income, respectively.

(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 Allowance for doubtful accounts

To provide for the bad debts loss of receivables, an estimated uncollectible amount is provided by considering the individual collectability.

② 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.

③ 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.

④ Provision for loss on guarantees

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

⑤ 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, etc. of the investees.

(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 change in presentation

(1) Balance Sheet

The “Prepaid expenses” of “Current assets”, which were presented separately in the previous fiscal year, have been included in “Other” of “Current assets” from the current fiscal year, as they have become less important.

(2) Change with application of “Partial Amendments to Accounting Standard for Tax Effect Accounting”

The Company has applied the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28 dated February 16, 2018) and relevant Guidances effective from the beginning of the current fiscal year and deferred tax liabilities are presented as non-current liabilities.

3. Notes to balance sheet

(1) Balances with subsidiaries and affiliates

Short-term receivables: 43,388 thousand yen

(2) 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\$13,813,674

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

Amount of guarantee: R\$25,352,938

The investee: Thi Vai International Port Company Ltd.

Amount of guarantee: US\$750,000

4. Notes to statement of operations

There are no items to be disclosed.

5. Notes to statement of changes in equity

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

Common stock 1,240,900 shares

6. Notes to taxes effect accounting

Main sources of deferred tax assets and liabilities:

Deferred tax assets:

Loss carryforwards	1,730,163 thousand yen
Accrued enterprise taxes	59,901 thousand yen
Provision for bonuses	3,367 thousand yen
Valuation difference on available-for-sale securities	205,985 thousand yen
Loss on valuation of shares of subsidiaries and associates	21,215 thousand yen
Allowance for doubtful accounts	19,156 thousand yen
Allowance for investment loss	33,029 thousand yen
Lease deposits (Asset retirement obligations)	12,456 thousand yen
Other	<u>1,186 thousand yen</u>
Subtotal	2,086,462 thousand yen
Valuation Allowance	<u>△ 2,086,462 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><u>435 thousand yen</u></u>

7. 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, investment in subsidiaries and associates and investments in capital of subsidiaries and associates held by the Company are stocks and other financial instruments invested by the Company and are exposed to credit risk of the investees and liquidity risk due to unlisted stocks, etc.

Operational investment securities, investment in subsidiaries and associates and investments in capital of 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, investment in subsidiaries and associates and investments in capital of subsidiaries and associates which are denominated in foreign currencies.

The Company controls exchange fluctuation risks regarding operational investment securities, investment in subsidiaries and associates and investments in capital of 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, 2019 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	6,017,404	6,017,404	—

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)	29,091,726
Investment in subsidiaries and associates	
Unlisted stocks (*1)	8,996,318
Investments in capital of subsidiaries and associates	
The amounts equivalent to interests of limited partnerships (*2)	10,377,594

(*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.

(*2) Because interests of limited partnerships are composed of items that are considered extremely difficult to determine the market value, the amounts are not included in “carrying amount, fair value and the difference between them” table above.

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

(Thousands of yen)

	Within one year
Cash and deposits	6,017,404

8. 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 90.41%	Investments in capital	Investments in capital (Note 1)	15,600,000	—	—

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

(2) Subsidiaries and associates, etc.

(Thousands of yen)

Attribution	Name	Percentage of voting rights ,etc.	Relationship	Nature of transactions	Transaction amounts	Accounting classification	Year-end balance
Subsidiary	Japan Texas High-Speed Railway Cayman LP	Directly holding 100%	Payment for investments in capital	Payment for investments in capital (Note 2)	10,089,900	Investments in capital of subsidiaries and associates	10,377,594

(Note 2) Japan Texas High-Speed Railway Cayman LP is a limited partnership that paid US\$ 90,000 thousand under a partnership agreement.

9. Notes to per share information

Net assets per share	¥44,269.75
Net loss per share	¥1,783.88

10. Notes to significant subsequent events

Third-party allotment

(1) At the Board of Directors meeting held on March 26, 2019, the Company resolved issuance of new shares by third-party allotment and the payment was completed on April 8, 2019, as below.

① Type and number of shares issued	Common stock 114,000 shares
② Issue price	¥50,000 per share
③ Amount to be incorporated into capital	¥25,000 per share
④ Total amount of issue	¥5,700,000,000
⑤ Total amount to be incorporated into capital	¥2,850,000,000
⑥ Payment date	April 8, 2019
⑦ Allottee	Minister of Finance 114,000 shares
⑧ Use of fund	In order to allocate the funds required for the business prescribed in Article 23 of the standards stipulated in the Act on Japan Overseas Infrastructure Investment Corporation for Transport & Urban Development.

(2) At the Board of Directors meeting held on April 18, 2019, the Company resolved issuance of new shares by third-party allotment and the payment was completed on May 13, 2019, as below.

① Type and number of shares issued	Common stock 74,000 shares
② Issue price	¥50,000 per share
③ Amount to be incorporated into capital	¥25,000 per share
④ Total amount of issue	¥3,700,000,000
⑤ Total amount to be incorporated into capital	¥1,850,000,000
⑥ Payment date	May 13, 2019
⑦ Allottee	Minister of Finance 74,000 shares
⑧ Use of fund	In order to allocate the funds required for the business prescribed in Article 23 of the standards stipulated in the Act on Japan Overseas Infrastructure Investment Corporation for Transport & Urban Development.

(3) At the Board of Directors meeting held on May 15, 2019, the Company resolved issuance of new shares by third-party allotment, as below.

① Type and number of shares issued	Common stock 292,000 shares
② Issue price	¥50,000 per share
③ Amount to be incorporated into capital	¥25,000 per share
④ Total amount of issue	¥14,600,000,000
⑤ Total amount to be incorporated into capital	¥7,300,000,000
⑥ Payment date	June 4, 2019
⑦ Allottee	Minister of Finance 292,000 shares
⑧ Use of fund	In order to allocate the funds required for the business prescribed in Article 23 of the standards stipulated in the Act on Japan Overseas Infrastructure Investment Corporation for Transport & Urban Development.