

Japan Overseas Infrastructure Investment Corporation
for Transport & Urban Development

Financial Statements

For the 6th fiscal year
From April 1, 2019 to March 31, 2020

Independent Auditors' Report
(Translation)

May 25, 2020

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

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

Takayuki Kawakubo
Designated Partner
Engagement Partner
Certified Public Accountant

Opinion

Pursuant to Article 436 (2) (i) of the Companies Act, we have audited the accompanying financial statements, which comprise the balance sheet as of March 31, 2020, and the statement of income, the statement of changes in net assets and the related notes, and the supplementary schedules (hereinafter the “financial statements, etc.”) of Japan Overseas Infrastructure Investment Corporation for Transport & Urban Development (hereinafter the “Company”) for the 6th fiscal year from April 1, 2019 to March 31, 2020.

In our opinion, the financial statements, etc. referred to above present fairly, in all material respects, the financial position and the results of operations of the Company for the period, for which the financial statements, etc. were prepared, in accordance with accounting principles generally accepted in Japan.

Rationale for the Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility with respect to auditing standards is described in “Auditor’s Responsibility in Auditing the Financial Statements, etc.” We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements, etc. in Japan, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management and the Company Auditor’s Responsibility for the Financial Statements, etc.

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

In preparing the financial statements, etc., management is responsible for assessing whether it is appropriate to prepare the financial statements, etc. with the assumption of a going concern, and in accordance with accounting principles generally accepted in Japan, for disclosing, as necessary, matters related to going concern.

The Company Auditor is responsible for overseeing the Directors’ performance of duties within the maintenance and operation of the financial reporting process.

Auditor’s Responsibility in Auditing the Financial Statement, etc.

Our responsibilities are to obtain reasonable assurance about whether the financial statements, etc. as a whole are free from material misstatement, whether due to fraud or error, and to express our opinion on the financial statements, etc. in an auditor’s report based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users of these financial statements, etc.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit process to perform the following:

- Identify and assess the risks of material misstatement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- In making those risk assessments, we consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the audit objective of the financial statements, etc. is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates made by management and related notes thereto.
- Conclude on the appropriateness of preparing the financial statements, etc. with the assumption of a going concern by management, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the notes to the financial statements, etc. or, if the notes to the financial statements, etc. on material uncertainty are inadequate, to express an opinion with exceptive items on the financial statements, etc. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate whether the presentation and disclosure of the financial statements, etc. are in accordance with accounting principles generally accepted in Japan, the overall presentation, structure and content of the financial statements, etc. including the disclosures, and whether the financial statements, etc. represent the underlying transactions and events in a manner that achieves fair presentation.

We report to the Company Auditor regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit process, and other matters required by auditing standards.

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 of Japan.

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

Balance Sheet

(As of March 31, 2020)

(Thousands of yen)

Assets		Liabilities and net assets	
(Assets)		(Liabilities)	
Current assets:	58,363,219	Current liabilities:	487,536
Cash and deposits	2,395,435	Lease obligations	3,573
Operational investment securities	55,672,422	Accounts payable-Other	66,703
Operating loans	134,099	Income taxes payable	384,157
Other	161,261	Other	33,101
Non-current assets:	30,262,119		
Property and equipment:	215,397	Non-current liabilities:	8,200
Buildings	135,767	Lease obligations	3,502
Tools, furniture and fixtures	225,147	Other	4,697
Leased assets	11,122		
Accumulated depreciation	△ 156,640	Total liabilities	495,736
Intangible assets:	174	(Net assets)	
Software	174	Shareholders' equity:	92,095,694
Investments and other assets:	30,046,547	Capital stock	49,722,500
Investment in subsidiaries and associates	9,964,341	Capital surplus:	49,722,500
Investments in capital of subsidiaries and associates	19,700,824	Legal capital surplus	49,722,500
Long-term accounts receivable - other	434,531	Retained earnings:	△ 7,349,305
Lease deposits	106,949	Other retained earnings:	△ 7,349,305
Other	560	Retained earnings brought forward	△ 7,349,305
Allowance for doubtful accounts	△ 160,659	Valuation and translation adjustments	△ 3,821,182
Deferred assets:	144,909	Valuation difference on available-for-sale securities	△ 3,821,182
Share issuance cost	144,909	Total net assets	88,274,511
Total assets	88,770,248	Total liabilities and net assets	88,770,248

Amounts of less than 1 thousand yen are rounded off.

Statement of Operations

(From April 1, 2019 to March 31, 2020)

(Thousands of yen)

Operating revenue		1,647,611
Operating expenses		2,475,942
Operating loss		828,330
Non-operating income		
Interest income	37	
Other	1,684	1,722
Non-operating expenses		
Interest expenses	100	
Amortization of deferred organization expenses	3,918	
Amortization of share issuance cost	75,424	
Foreign exchange losses	514	79,958
Ordinary loss		906,566
Loss before income taxes		906,566
Income taxes		3,800
Net loss		910,366

Amounts of less than 1 thousand yen are rounded off.

Statement of Changes in Equity

(From April 1, 2019 to March 31, 2020)

(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, 2019	31,022,500	31,022,500	△ 6,438,939	55,606,060	△ 671,728	54,934,332
Changes of items during period						
Issuance of common stock	18,700,000	18,700,000	-	37,400,000	-	37,400,000
Net loss	-	-	△ 910,366	△ 910,366	-	△ 910,366
Net changes of items other than shareholders' equity	-	-	-	-	△ 3,149,454	△ 3,149,454
Total changes of items during period	18,700,000	18,700,000	△ 910,366	36,489,633	△ 3,149,454	33,340,178
Balance at March 31, 2020	49,722,500	49,722,500	△ 7,349,305	92,095,694	△ 3,821,182	88,274,511

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 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 balance sheet

(1) Assets pledged as collateral

The Company provide collateral for the loans of the investee.

The investee: Japan Airport Management Partners Co., Ltd.

Collateral: Operational investment securities US\$2,200,000

(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\$13,427,563

The investee: Thi Vai International Port Company Ltd.

Amount of guarantee: US\$750,000

The investee: Yangon Museum Development Pte. Ltd.

Amount of guarantee: US\$18,374,400

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 1,988,900 shares

5. Notes to taxes effect accounting

Main sources of deferred tax assets and liabilities:

Deferred tax assets:

Loss carryforwards	1,848,982 thousand yen
Accrued enterprise taxes	116,465 thousand yen
Provision for bonuses	4,844 thousand yen
Valuation difference on available-for-sale securities	1,173,149 thousand yen
Loss on valuation of shares of subsidiaries and associates	120,927 thousand yen
Allowance for doubtful accounts	49,194 thousand yen
Lease deposits (Asset retirement obligations)	14,535 thousand yen
Other	<u>1,761 thousand yen</u>
Subtotal	3,329,859 thousand yen
Valuation Allowance	<u>△ 3,329,859 thousand yen</u>
Total	— thousand yen

Deferred tax liabilities:

Valuation difference on available-for-sale securities	<u>4,472 thousand yen</u>
Total	<u>4,472 thousand yen</u>
Net deferred tax liabilities	<u><u>4,472 thousand yen</u></u>

6. Notes to financial instruments

(1) States of financial instruments

① Management policy on financial instruments

The Company conducts investment and loan activities based on the standards stipulated in the Act on Japan Overseas Infrastructure Investment Corporation for Transport & Urban Development. To conduct investment and loan 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.

Operating loans are loans to supported entities, 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 loaned and invested by the Company and are exposed to credit risk of the investees and liquidity risk due to unlisted stocks, etc.

Operating loans, 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 and borrowers

The Company timely and regularly monitors the business conditions of the investees and borrowers 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 operating loans, 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 operating loans, 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, 2020 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	2,395,435	2,395,435	—
Operating loans	134,099	134,099	—

① Fair value measurement of financial instruments

Cash and deposits:

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

Operating loans:

Calculated by discounting the sum of its principal and interest at an interest rate at which a similar new loan transaction is assumed to be made.

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)	55,672,422
Investment in subsidiaries and associates Unlisted stocks (*1)	9,964,341
Investments in capital of subsidiaries and associates The amounts equivalent to interests of limited partnerships (*2)	19,700,824

(*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	Due after one year
Cash and deposits	2,395,435	—
Operating loans	9,382	124,717

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 94.02%	Investments in capital	Investments in capital (Note 1)	37,400,000	—	—

(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 53.33%	Payment for investments in capital	Payment for investments in capital (Note 2)	7,735,150	Investments in capital of subsidiaries and associates	19,700,824
Subsidiary	PT. JOT INDONESIA DEVELOPMENT	Directly holding 99.90%	Acquisition of new shares	Payment for investments in capital (Note 3)	1,291,498	Investment in subsidiaries and associates	5,028,243

(Note 2) Japan Texas High-Speed Railway Cayman LP is a limited partnership that paid US\$ 70,000 thousand under a partnership agreement.

(Note 3) IDR 176,398,247 thousand was paid for investments in capital of the subsidiary.

8. Notes to per share information

Net assets per share	¥44,383.58
Net loss per share	¥536.59

9. Notes to significant subsequent events

Third-party allotment

(1) At the Board of Directors meeting held on March 30, 2020, the Company resolved issuance of new shares by third-party allotment and the payment was completed on April 17, 2020, as below.

① Type and number of shares issued	Common stock 280,000 shares
② Issue price	¥50,000 per share
③ Amount to be incorporated into capital	¥25,000 per share
④ Total amount of issue	¥14,000,000,000
⑤ Total amount to be incorporated into capital	¥7,000,000,000
⑥ Payment date	April 17, 2020
⑦ Allottee	Minister of Finance 280,000 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.