



Corporate Philosophy

Company Motto	Courage, Courtesy, and Justice – An enterprising spirit, a feeling of gratitude, and a righteous attitude –
Corporate Philosophy	Providing society with important structures and services using the technologies and experience we have acquired to help establish a sustainable society and environment where people can live with peace of mind
CSR Management Policy	We aim to ensure that all of us follow CSR practices and act with an awareness of all stakeholders in our day-to-day operations. We will conduct our CSR management in accordance with the motto of “respecting all people,” in an effort to forge win-win relationships with stakeholders and create a situation in which the Company and its employees can build mutual trust in a free and broad-minded internal environment based on interactive communications.
Five Steps for CSR Management	<ol style="list-style-type: none"> 1. We will listen to everyone's opinions and create an outstanding living environment to help meet our customers' needs. 2. We will provide workplaces that allow all who are related to or work for the Company, as well as their family members, to lead healthy and fulfilling lives, and enable employees to take full advantage of their abilities so they can feel proud to work here. 3. We will recognize societal expectations and demands and take bold action in the spirit of compliance as we responsibly carry out our corporate activities without deviating from societal norms. 4. We will consider the next generation and take positive steps to create and maintain a better environment in order to facilitate a sustainable society. 5. We will actively participate in corporate social contribution activities and support individual employees' activities in Japan and overseas by maintaining close communications with local communities.

Editorial Policy

Since 2017, Nishimatsu Construction publishes an Integrated Report that combines its Annual Report and Sustainability Report (printed version), in order to communicate its corporate value through both financial and non-financial information.

Coverage

Information on the activities of Nishimatsu Construction Co., Ltd. and its consolidated subsidiaries, with some sections applicable only to Nishimatsu Construction Co., Ltd.

Applicable Period

In principle, the applicable period for this report is the financial reporting period from April 1, 2019 to March 31, 2020, although it also covers some activities conducted in fiscal 2020 due to the importance of presenting the most current information.

Topics Covered

This printed version includes high priority topics in light of the information's impact on stakeholders and its importance with regard to Nishimatsu Construction's short-, medium- and long-term value provision. Detailed corporate social responsibility (CSR) information is presented on our website.

For CSR information, we referenced the Environmental Reporting Guidelines of Japan's Ministry of the Environment and the GRI Standards of the Global Reporting Initiative (GRI). Third party assurances have been adopted for some environmental data and HR data to ensure reliability.

* An organization comprised of private companies, investors, accounting groups, government agencies, NGOs, etc., IIRC was founded in 2010 with the purpose of providing an international framework for corporate reports.

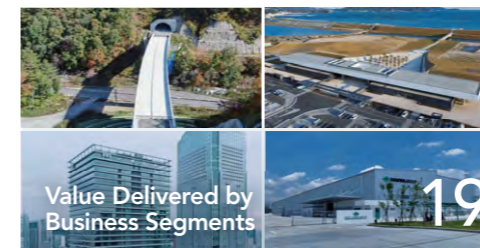
Referenced Guidelines

We refer to the International Integrated Reporting Council's (IIRC)* international framework for Integrated Reporting (IR) and report on Nishimatsu Construction's value provision. IR is based on the seven basic principles below and strives for reporting that covers a company's short-, medium- and long-term value provision, which we believe is aligned with Nishimatsu Construction's basic aspirations and aims for integrated reporting.
A) Strategic focus and future orientation, B) Connectivity of information, C) Stakeholder relationships, D) Materiality, E) Conciseness, F) Reliability and completeness, G) Consistency and comparability

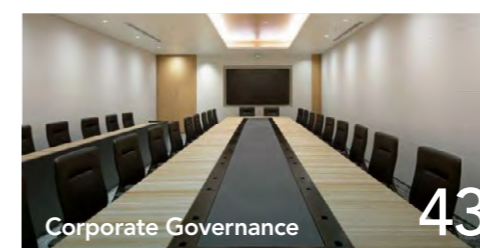
Forward-Looking Statements: This report includes forecasts of future results related to the business and prospects of Nishimatsu Construction Co., Ltd. Such statements reflect our judgment and analysis concerning existing information and various trends available at the time of writing. Actual results may vary from these forecasts due to factors that include risks that have a material impact on business and uncertainties.

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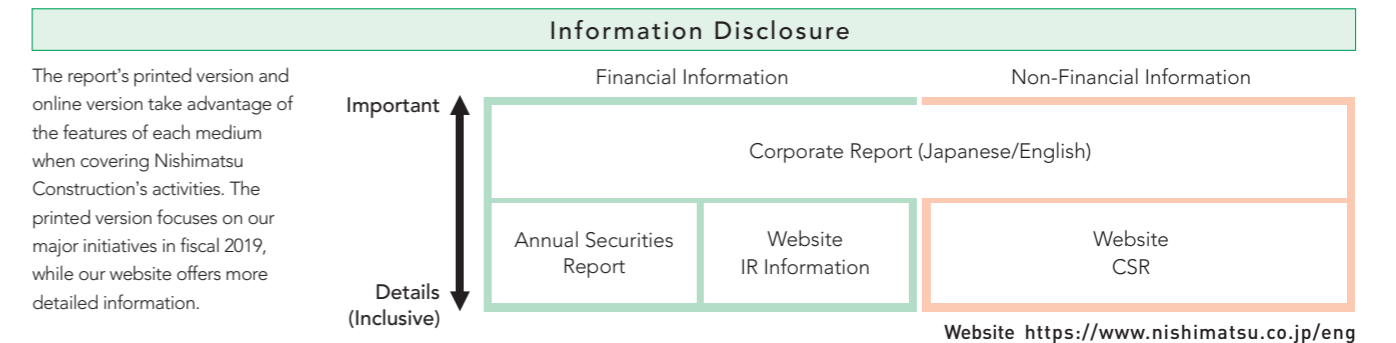
Strategies for Sustainable Growth



The Foundations of Value Creation



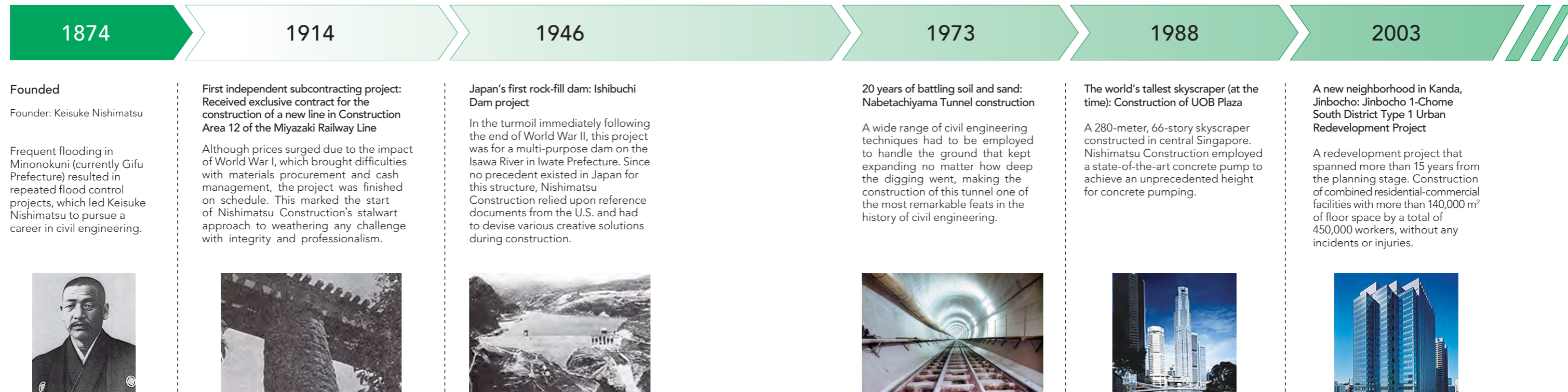
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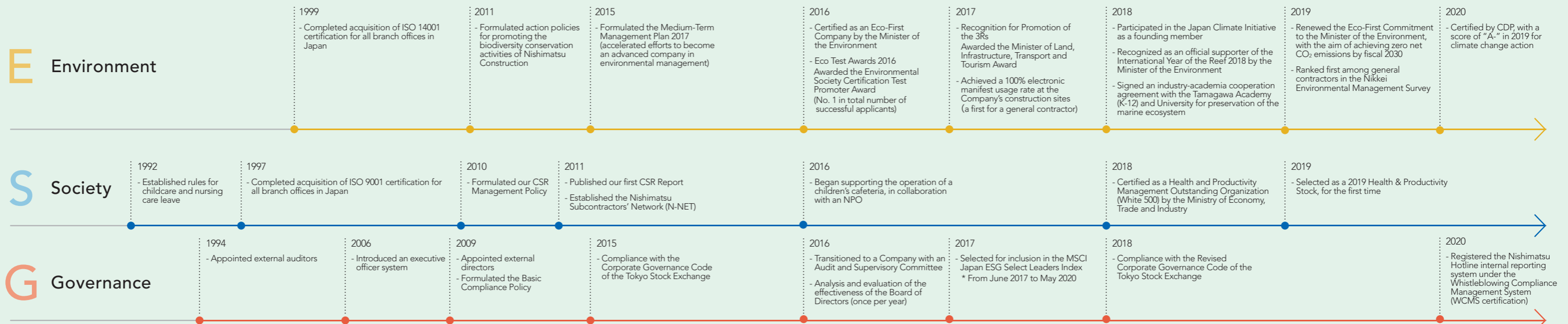
History of Value Creation

In the more than 145 years since its founding, Nishimatsu Construction has leveraged the advanced technologies and experience it has accumulated over its long history and tradition, to contribute extensively to the construction of public facilities such as roads and dams and urban redevelopment, and to the creation of safe and secure social infrastructure and a comfortable environment. The spirit of craftsmanship that we have cultivated during our long history is still alive and well.

Technologies and experience acquired over the years



Major initiatives to promote CSR management in accordance with the motto of "respecting all people"



CASE
1

The Nishimatsu Group Student Dormitory Business

Providing a One-Stop Service from Planning and Development to Facility Operation and Maintenance

In Nishimatsu-Vision 2027, we have announced our long-term vision to become a company with overall capabilities that provides better value and are transforming into a company with overall capabilities. Here we introduce the Keio University Hiyoshi International Dormitory, for which we leverage cooperation between businesses to provide a one-stop service from planning and development, to design, construction, and operation management.

One-Stop Solutions as a Company with Overall Capabilities

Nishimatsu Construction aims to provide better value through business activities that solve the issues faced by customers and society. Examples of one-stop solution services provided by the Nishimatsu Group for the entire real estate life cycle domain are the student dormitory business, employee dormitory business, CRE business utilizing our dormitory (refurbished as a rental elderly care facility), and the hotel business, which leverages tourist attractions. We give

full consideration to the environment, safety, security, energy saving and other aspects from the perspective of the Sustainable Development Guidelines by utilizing the strengths of Nishimatsu Construction as a general contractor to provide a comfortable living space for everyone to use.

Functions Required of a Student Dormitory and the Superiority of the Nishimatsu Group: Keio University Hiyoshi International Dormitory

• Comfortable living environment

As a modular-design international student dormitory, each unit contains highly sound-insulated private rooms for each occupant in order to ensure personal space. Rooms are furnished and equipped with a refrigerator, air conditioner and Wi-Fi, to provide comfort and convenience right from the start of occupancy.

• A space that promotes community

The global standard for student dormitories is a modular design with units containing private rooms for each occupant and a common-use space in order to facilitate international exchange. Such a design was rare in Japan at the time of planning. Given this, to create an international student dormitory unique to Keio University, which fosters top global leaders, we adopted a style of four occupants per unit—two domestic students and two international students—to promote communication.

• A safe and secure living environment

Since the dormitory is mixed-gender, we have implemented thorough security measures. In addition to using a card key system to restrict access to elevators and stairs and prevent access to floors housing the opposite gender, resistance against earthquakes is 1.25 times that of regular student accommodation, providing a living environment where occupants can feel safe and secure.

• Consideration for the environment and energy savings

The building has obtained S rank in CASBEE, which comprehensively evaluates environmental performance and is also designed with consideration for indoor comfort and landscaping. In addition, the project has obtained AA+ rank in JHEP, which evaluates projects from the perspectives of green space comfortable habitats.

Future Development

After the completion of the Hiyoshi International Dormitory, more than 60 other universities have come to observe. Six or seven have said that they would like to have the exact same type of dormitory.

In addition to the start of new design and construction projects for Keio University Takanawa International Dormitory and Shonan Fujisawa International Dormitory in 2019, in 2020 we were selected to build the MiRAi Sozoku West Block



MESSAGE

The Safe, Secure and Comfortable Living Environment That Only a Construction Company Can Provide

Nishimatsu Construction's company housing was originally built at the location of the Hiyoshi International Dormitory. When we were dismantling the company housing and considering using the site for a new project, I arrived at the idea of using it as a student dormitory based on the characteristics of the Hiyoshi area. At that time, Keio University had just been selected for the Ministry of Education, Culture, Sports, Science and Technology's Top Global University Project*, and therefore had to accept thousands of international students over the next 10 years and facilitate their interaction with domestic students. In light of this challenge, we proposed a design that encourages natural interaction between students, such as a dormitory unit with private rooms for four people and a lounge that can be used in conjunction with a central courtyard, and our design was adopted.

Working on this project allowed me to reaffirm the strength of Nishimatsu Construction that dormitory management companies and developers do not have. That is, we can design and construct a custom-made building that precisely reflects the customer's requests. If any issues become apparent during the design phase, we can respond flexibly and promptly. Combining this strength with our worksite capabilities further strengthens our superiority. In addition, we are developing our dormitory business as a package-type one-stop solution service for not only design and construction, but also the operation and management phases. And all services are handled by the Nishimatsu Construction Group. This gives customers the peace of mind that most of their problems can be solved by consulting with Nishimatsu Construction.

The student dormitory we are working on will be used for about

half a century. The students who leave here will soon be ready to take on the world, and as the project developer, I would be delighted if many of them emerge as global top leaders.

* A funding project of the Ministry of Education, Culture, Sports, Science and Technology aimed at increasing the international competitiveness of higher education in Japan through collaboration with outstanding universities overseas and university reforms by providing priority support to universities that conduct world-class education and research



Hiroshi Inaba | Department Manager
Business Development Section No. 3
Development Business Department No. 3
Urban Development & Real Estate Business Division

CASE
2

Head Office Relocation and the Practice of Health and Productivity Management

Initiatives That Emphasize Health, and Work-Style Innovation

Nishimatsu Construction practices health and productivity management with the aim of promoting the health of employees. In February 2019, we were selected for the 2019 Health & Productivity Stock Selection Program — a first for a general contractor. The new head office, which was relocated at the end of March 2020, is an office space that embodies health and productivity management.



Initiatives Related to Employee Health

Nishimatsu Construction believes that the health of its employees is connected to its sustainable growth. We therefore promote greater mental and physical health, and strive to create a work environment conducive to health for each and every individual.

As physical health initiatives, we work to eliminate long working hours, hold company-wide walking events, and provide subsidies for complete physical examinations for employees. As mental health initiatives, we have improved benefits for employees dispatched to jobs away from their families, encouraged stress checkups and implemented

mental health care for employees with high levels of stress. In recognition of these efforts, we were selected for the 2019 Health & Productivity Stock Selection Program jointly run by the Ministry of Economy, Trade and Industry and Tokyo Stock Exchange. Nishimatsu Construction is the first general contractor to receive this distinction. As a leader in promoting health and productivity management, we will continue to proactively implement initiatives related to employee health.

▶ See "Focus: Health and Productivity Management" on page 39 for details.

Overview of Head Office Relocation Project

We relocated our head office at the end of March 2020. In addition to giving the office new functions to facilitate diversified work styles, openness, and cooperation between departments, we worked to embody work-style innovation through physical measures such as the layout design and the establishment of a cafeteria. We are aiming to realize the creation of better value that is the goal of Nishimatsu Construction by creating an office environment that combines three functions: maximizing individual productivity, activating communication across organizations, and

corporate initiatives that draw the attention of society.

For the head office relocation project, members of the Head Office Relocation Review Committee led by young employees selected a design company through a competition. Establishing the concept of "N's CREATORS – Change to a New Me" they held repeated discussions with the design company, to realize an environment in which individual employees can act independently and actively exchange opinions.

An Office Design That Promotes Health and Productivity Management

As a means of practicing the health and productivity management that we have committed to, we set up a corner to promote health through moderate walking, and a relaxation corner. The cafeteria, where people from inside and outside the Company gather, has a playful design that

stimulates the senses in ways such as using materials that evoke the qualities of Nishimatsu Construction. The cafeteria offers a healthy and nutritionally-balanced vegetable-based menu.

MESSAGE

An Office That Serves as a Base for Creating Greater Value by Fostering a Spirit of Challenge

I am usually in charge of architectural design for the buildings that customers use. However, in this project I participated as a team member in creating our own work environment, so I was certain that it would be an interesting and valuable opportunity. The new office concept of "Change to a New Me" incorporates the desire to make the office a base for Nishimatsu Construction to create even greater value by naturally fostering a spirit of challenge among employees while maintaining the corporate culture that the Company has cultivated over many years.

In the layout and design, we focused on maximizing productivity and communication across organizations. For example, in addition to one's own desk, there are various spaces so that one can choose a place to work according to the task at hand, such as intensive work, joint work or processing of confidential information. In addition, the stack room that served as a partition between departments has been eliminated to facilitate a flow of exchange between departments. There is about 50% more floorspace compared with the former head office (7.6 m² → 11.9 m²/person).

Employees commented that the completed office looked nothing like the company they knew. Of course, they meant that in a positive way. Together with the

freedom of dress that was introduced in fiscal 2019, the creation of an office that incorporates a little style and playfulness, we hoped to convey Nishimatsu Construction's image as being more than simple reliability.



Akito Urakawa
Design Section No. 2, Architectural Design Department
Building Division

Value Creation Model

Based on its corporate philosophy, "Providing society with important structures and services using the technologies and experience we have acquired to help establish a sustainable society and environment where people can live with peace of mind," Nishimatsu Construction is accurately responding to social changes and transforming into a company with overall capabilities under its long-term vision of expanding its business areas and construction business.

Corporate Philosophy

External environment

Social changes

- Decrease in working population due to low birthrate and aging population
- Concentration of population in urban areas
- Greater awareness of disaster prevention due to an increase in natural disasters
- Aging social infrastructure
- Work style reform
- Advances in automation technology and information communication technology
- Population growth, infrastructure development and improvement of living standards in developing countries
- Progress of global warming

Changes in the construction industry

- Lack of workers due to low birthrate and aging population
- Aging of worksite representatives and managing engineers
- Improving productivity

About 150 years of technology and experience

Superior environmental technologies

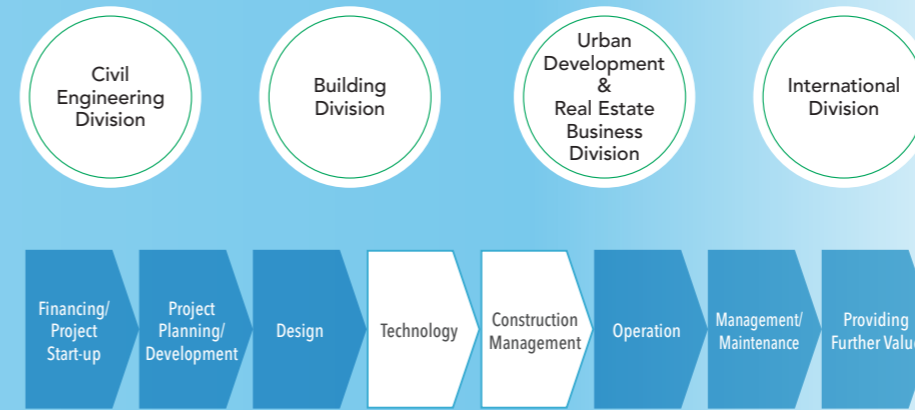
Source of value creation at Nishimatsu

Strong partnerships

A stable financial base

Promotion of health and productivity management

The Nishimatsu Value Chain



Nishimatsu-Vision 2027

The Value Provided to Stakeholders

Environment and Society

- Energy saving, effective use of resources
- Waste reduction
- A society where people can live with peace of mind

Customers

- Solutions that meet customer needs

A Company with Overall Capabilities That Provides Better Value

Employees

- Safe and comfortable workplaces
- Motivating workplaces

Partner Companies

- Long-term, sustainable growth by building win-win relationships

Shareholders

- Greater corporate value

The Management Foundation Supporting the Value Chain

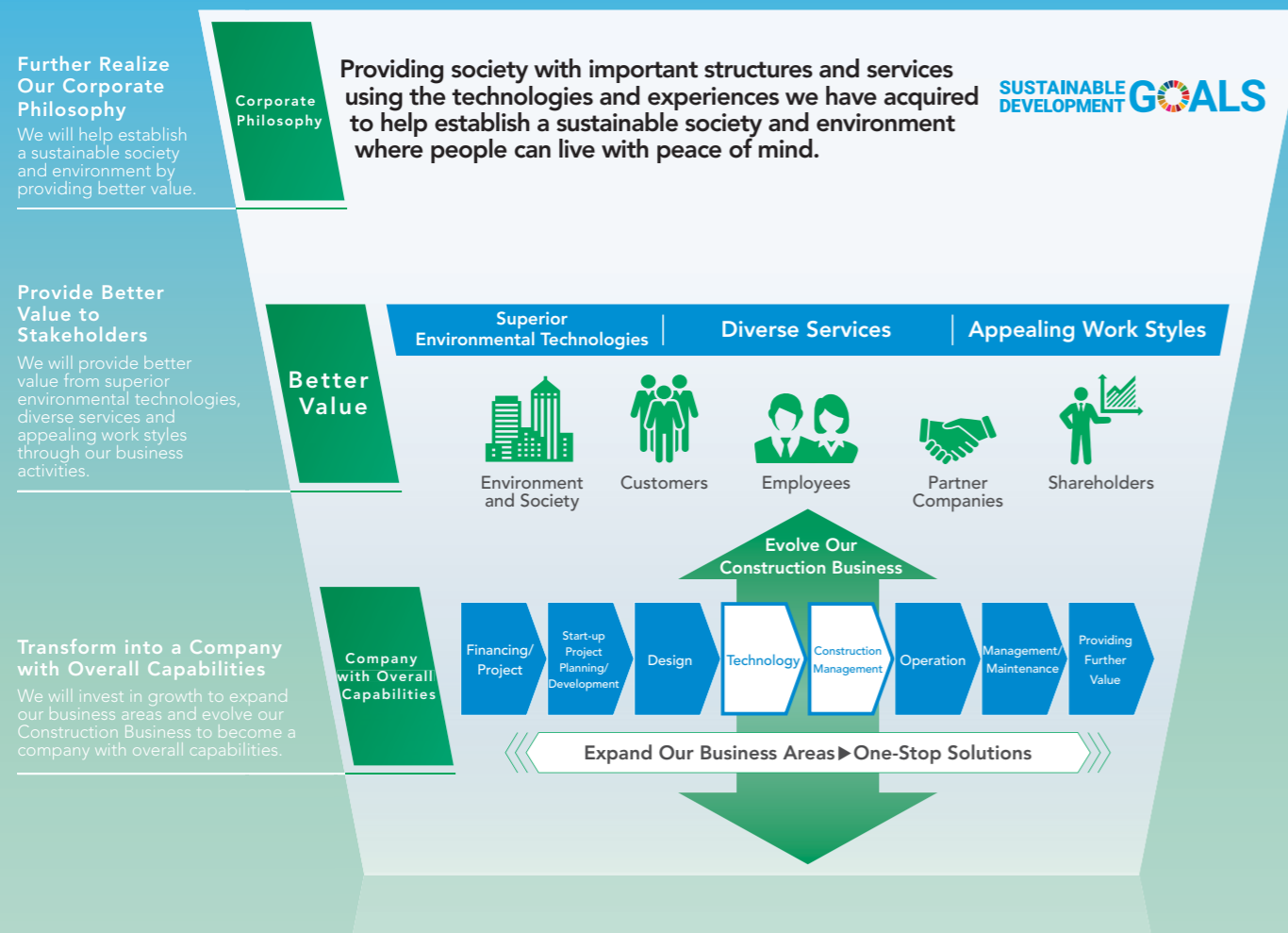


Nishimatsu Construction's Target Vision

Becoming a Company with Overall Capabilities That Provides Better Value

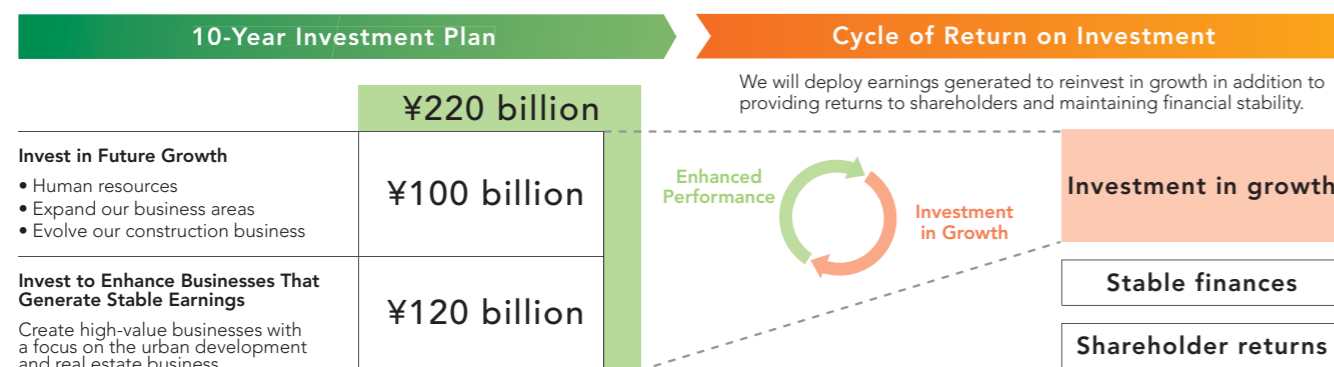
By expanding our business areas and evolving the construction business, we will transform into a company with overall capabilities that provides better value to stakeholders through its business activities.

Nishimatsu-Vision 2027



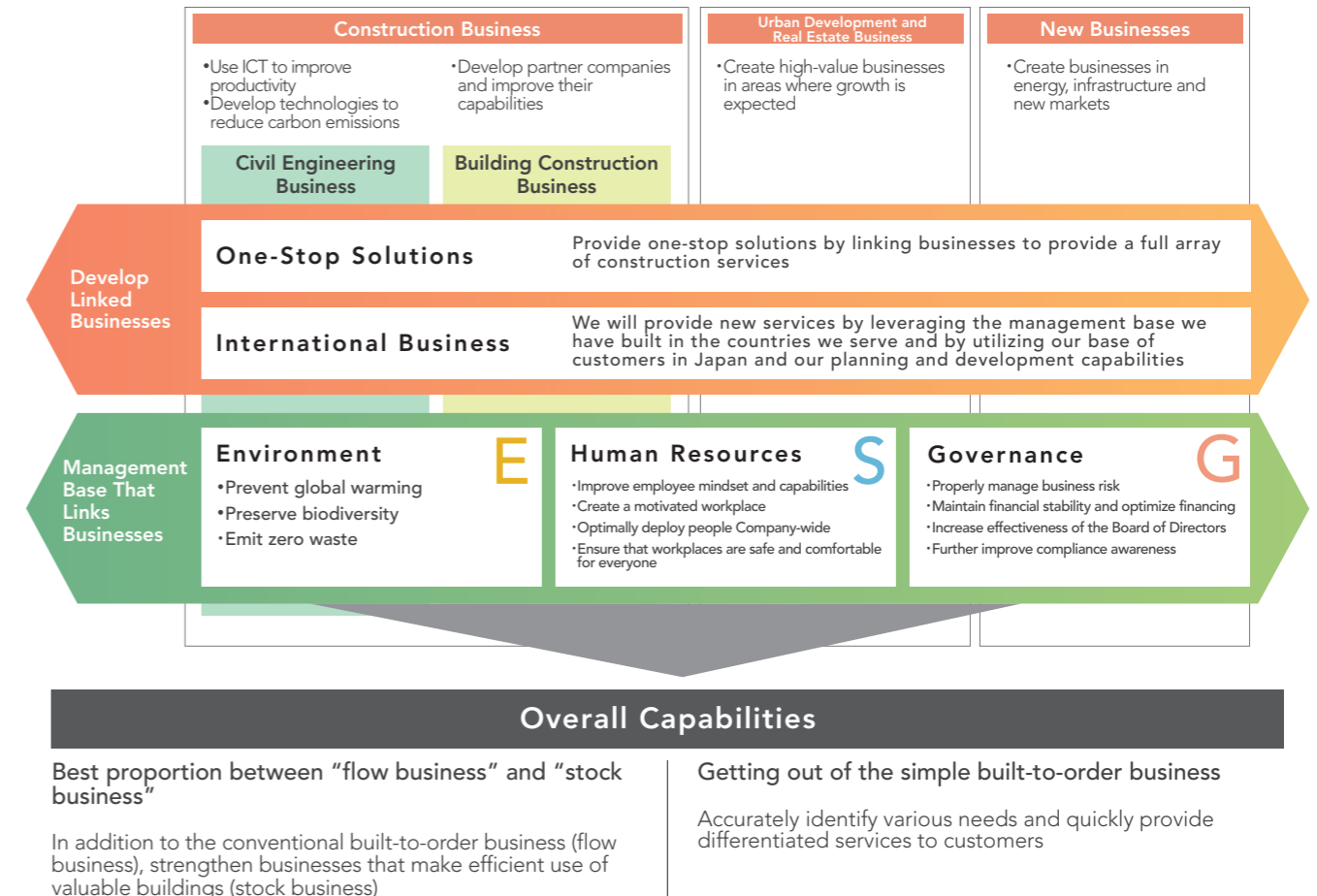
Business Development to Become a Company with Overall Capabilities

We will enhance our business performance by investing in future growth, and deploying earnings to reinvest in growth.



Investment in Growth to Become a Company with Overall Capabilities

We will become a company with overall capabilities by strengthening individual businesses and linking our businesses.



Long-Term Targets (Consolidated)

	Medium-Term Management Plan 2020 Build the foundation for becoming a company with overall capabilities	Realize our vision
Basic policies	Build the Foundation for Becoming a Company with Overall Capabilities <ul style="list-style-type: none"> Expand our business areas: <u>Start providing one-stop solutions</u> Evolve our Construction Business: <u>Improve productivity</u> Goal: Provide Better Value	Overall Capabilities <ul style="list-style-type: none"> Best proportion between "flow business" and "stock business" Getting out of the simple built-to-order business Better Value <ul style="list-style-type: none"> Superior environmental technologies Diverse services Appealing work styles
	FY2020	FY2027
Net sales	¥380.0 billion	¥400.0 billion
Income from operations	¥25.0 billion	¥30.0 billion or higher
ROE	8.0% or higher	Sustained at 8.0% or higher
Capital to assets ratio	Approx. 50.0%	50% or higher
Debt-to-equity ratio	Approx. 0.3 times	0.3 times or lower
Dividend payout ratio	30% or higher, and ¥100 or more per share	—



Approach to Addressing COVID-19 and Reconsidering How We Work

The novel coronavirus (COVID-19) has transformed public life. In a society predicated upon coexisting with this virus, Nishimatsu Construction continues to conduct its business while thinking about and making day-to-day decisions based upon what it can do as a member of society.

During the initial spread of COVID-19, we decided to prioritize preventing the spread of infection and the safety and well-being of our employees and partner companies, implementing emergency steps such as strict infection prevention measures at our worksites and recommending work-from-home policies. Subsequently, at the beginning of April the government issued its emergency declaration, and the next day, after discussions with our clients, we announced the suspension of work on active construction projects. Within about a month following that announcement, and with infection prevention measures firmly in place, we began gradually re-opening construction on projects for which the understanding of those involved could be obtained, both to ensure employment for our partner companies and to maintain economic activity.

At our head office, regional headquarters and branch offices, we instituted a telework policy. This marks the first time for the Company to implement telecommuting on a large scale, and we have found that work is proceeding more smoothly than we imagined. This was particularly evident with the announcement of our financial results for the fiscal year ended March 31, 2020. Thanks to the efforts of our employees at construction sites and elsewhere, we were able to announce our financial results as scheduled in mid-May, regardless of our anxieties about trying to prepare remotely. Behind our ability to conduct work from home without any major problems—as seen in this example—was the central role played by the ICT Strategy Department in promoting DX,¹ and its efforts to put an ICT environment in place. At the same time, an improvement in employee ICT literacy and efforts to advance its use in streamlining operations also contributed.

Employees have gained many new insights in their respective positions through their experience working from home, which has also offered them an opportunity to reconsider the meaning of diverse work styles and optimal ways of doing their work. We will leverage the insights we have gained by coexisting with COVID-19 as we move forward with substantial work-style innovation.

1. Digital transformation

Progress with the Medium-Term Management Plan 2020

In establishing Nishimatsu-Vision 2027, our long-term vision, our goal is to become a company with overall capabilities that provides better value. Medium-Term Management Plan 2020 is a plan for the first three years of that vision, and is positioned as a period for building the foundation for achieving that goal.

Let me begin by explaining our results. The Company successfully reached its performance targets under the medium-term management plan, as net sales in fiscal 2020 rose 12.1% year-on-year to ¥391.6 billion, and operating income rose 1.5% to ¥25.3 billion.

For Nishimatsu Construction to become a company with overall capabilities and generate added value, we are working to evolve our construction business and expand our business areas.

Building a construction production system utilizing ICT will be key to evolving our construction business. The use of ICT and development of technology will generate advantages in terms of improved quality, safety and productivity, while at the same time allowing the expertise and skills of our employees and skilled workers to be passed on to the next generation. At Nishimatsu Construction, the Technical Research Institute, which is responsible for R&D, collaborates with the ICT Strategy Department, which promotes DX, and the Future Strategy Department, which works to anticipate changes in future construction methods, to conceptualize, create and disseminate throughout the Company technologies and systems that can contribute to the evolution of our construction business.

Challenge for Growth

Becoming a Company with Overall Capabilities That Provides Better Value

Representative Director and President

Nobutoshi Takase

One specific example can be found in civil engineering, where the focus is on developing technology to automate construction of mountain and shield tunnels. By collaborating with other industries, we aim to complete this project at world-class speed. In building construction, we are advancing front-end loading² utilizing BIM in order to offer cheaper, better buildings faster. Our goal is to streamline and automate the construction process by transferring the working drawings that form a common repository of information for everyone involved in a construction project to the BIM platform.

2. The practice of investing resources in the initial steps of the design process, planning and implementing ahead of schedule work processes that would normally be conducted later.

In the sense of enhancing productivity, work style reforms are also essential to evolving our construction business. Of particular importance is how well we can boost the efficiency of work done at construction sites, where about half of our employees work. In October 2019, we established a Work-Style Innovation Promotion Department in our Civil Engineering and Building divisions, and that department is now central to serious efforts being made to formulate measures aimed at resolving issues common to many of our worksites and to roll those solutions out to each site. We are also advancing efforts to transfer on-site work to the Site Administration Innovation Center established in fiscal 2018, efforts that are gradually beginning to show results. While the percentage of construction projects completed rose by more than 10% in fiscal 2019, average overtime hours for worksite employees fell by 5%. I think this is due to steady efforts by employees to implement and spread these measures, and the change in individual awareness that has resulted. The entire Company will continue working together to resolve the problem of long working hours among worksite staff.

In expanding our business areas, one project that has reached the strategy execution stage is a business that provides customers with one-stop services through a collaboration between the Urban Development and Real Estate Business, Building Construction Business, Civil Engineering Business and New Businesses and our subsidiary Nishimatsu Jisho. Our goal is to assure customers that they can rely on Nishimatsu Construction for everything involving a building, from planning to maintenance and operation, and to work with our customers as partners in generating added value.

One such example is the Dormitory Business, where we presented the customer with a plan for a student dormitory, completed construction, and currently provide services including facility operation and maintenance. We sense a strong response to this service, as other customers have expressed an interest and have asked us to take on multiple deals for student and employee dormitories and other projects. As we prepare for the strategy execution phase in fiscal 2021, we hope to establish the Nishimatsu Construction brand centered around a wide variety of one-stop services.

In New Businesses, we are also preparing to provide primarily environmental and energy-related services that leverage our construction capabilities.

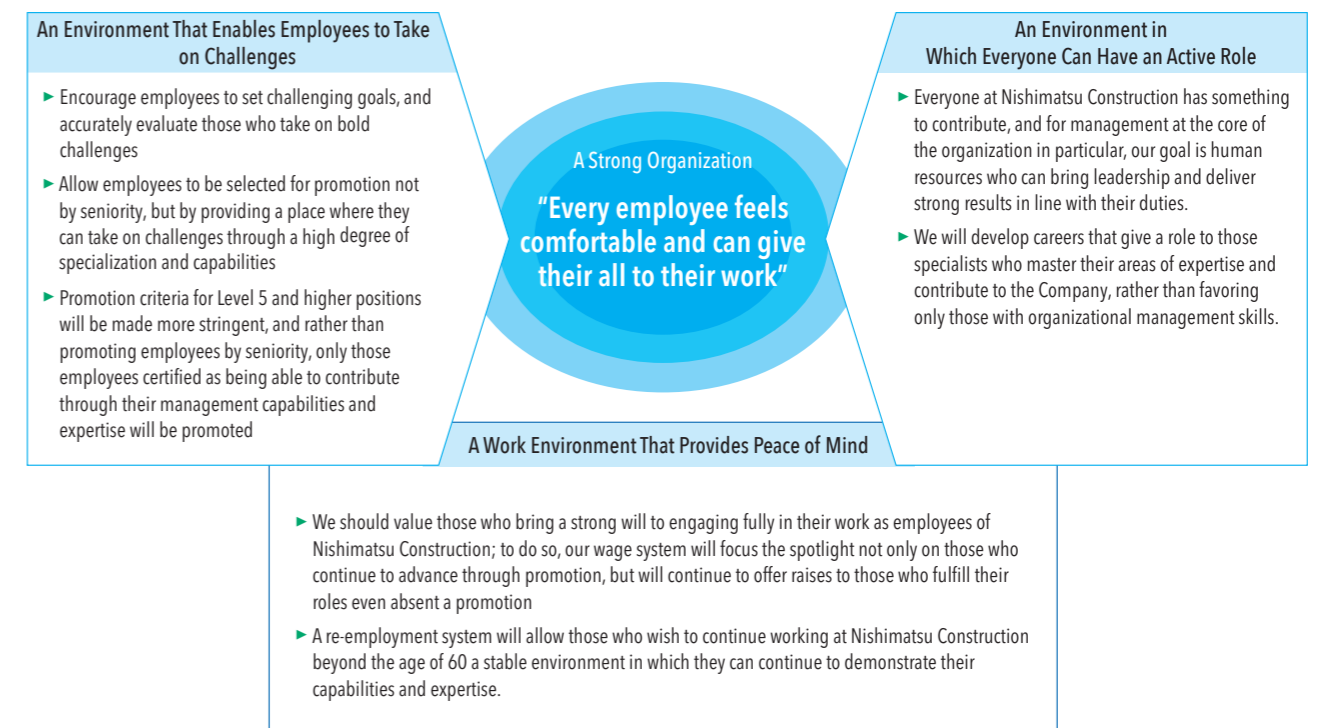
Nishimatsu Employees' University and a New Human Resources System

In fiscal 2018, Nishimatsu Construction began preparing to introduce a new human resource development system in the form of the Nishimatsu Employees' University, with the goal of developing human resources better able to adapt to changes in society. In fiscal 2019, we began flexible mindset training for all employees and executives, with the goal of giving each individual the ability to think from their respective positions about what is optimal for the whole. Unlike training designed to acquire construction technology, this training is focused on changing mindsets to "challenge for growth." In some cases, proposals developed through exchange of ideas by employees in different occupations have been approved and adopted at meetings, and I get the sense that the experience of being involved in Company decision-making is gradually changing employees' mindsets.

In fiscal 2021, we will begin running the new human resources system to serve as a basis for creating workplaces that are rewarding for every employee. Through this new system we aim to put in place an environment in which employees can

work with peace of mind and can take on new challenges, and in which each individual can play a role, creating a strong organization where every employee feels comfortable and can give their all to their work. In fiscal 2020 we will start by introducing an evaluation system, using this period of preparation to ensure employees have a full understanding of how goals will be set and how evaluations will be carried out. One major feature of the system is that it establishes a new evaluation axis that recognizes employees who take on bold challenges, offering them numerous chances to try again even if they should fail. In addition, I hope that linking the development curriculum of the Nishimatsu Employees' University with the new human resources system will improve motivation, encourage employees to refine their individual capabilities, and make them aware of the need to create their own careers.

Nishimatsu Construction's Vision for the New Human Resources System



Aiming for sustainable growth through foundation building

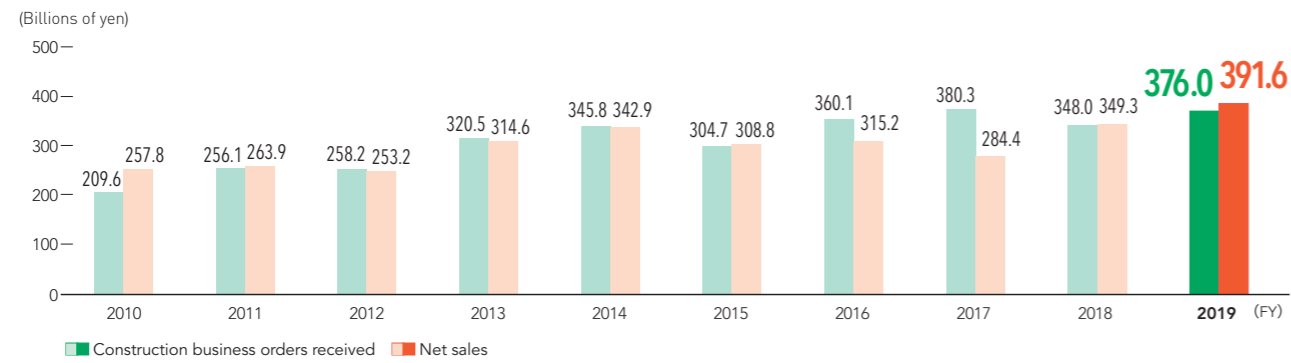
Our corporate philosophy includes the phrase "help establish a sustainable society and environment where people can live with peace of mind." This is the very idea of sustainability represented by the SDGs, and as members of society, we abide by this philosophy in providing the services society needs. With one year left in Medium-Term Management Plan 2020, we are preparing to shift from foundation building to the strategy execution phase toward our goal of becoming a company with overall capabilities. Efforts are proceeding smoothly in construction technology development and human resource strategy as we work toward achieving Nishimatsu-Vision 2027. Going forward, we will work with our customers and other stakeholders to provide better value aimed at establishing a sustainable society and environment.

In this final year of Medium-Term Management Plan 2020, we are committed to building a solid foundation. Even in an unpredictable world—symbolized by the COVID-19 pandemic—we will remain grounded, taking on the challenges of change and continuing on our path to becoming a company with overall capabilities.

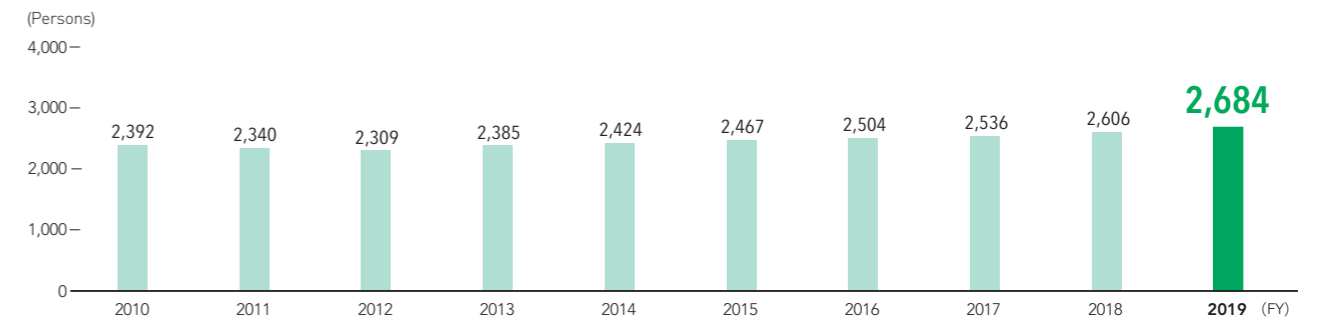


Financial and Non-Financial Highlights

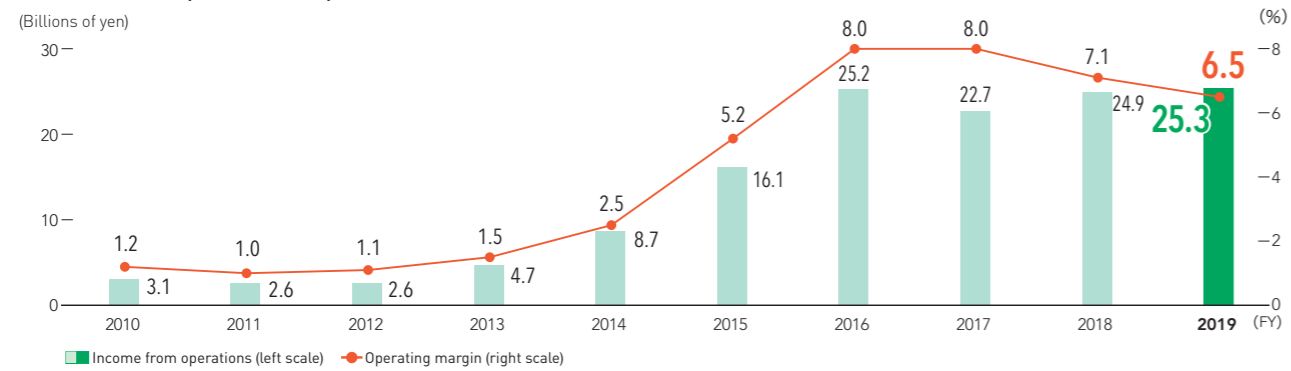
Construction Business Orders Received, Net Sales (Consolidated basis)



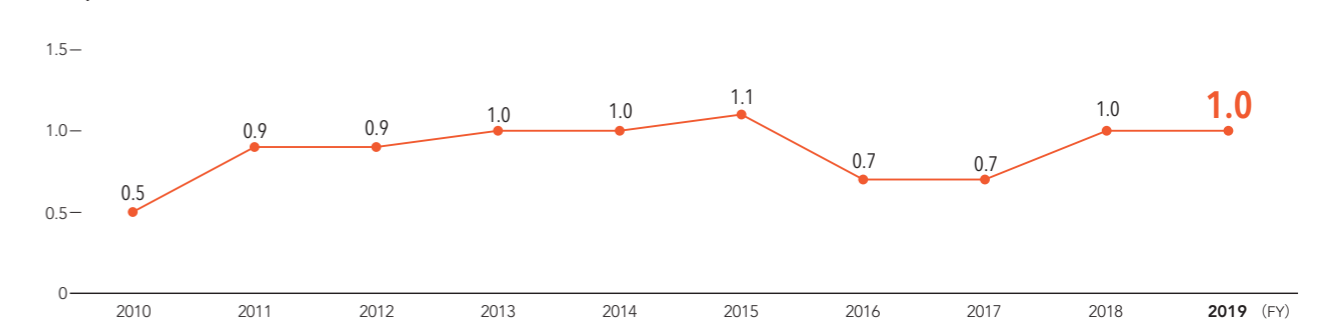
Number of Employees



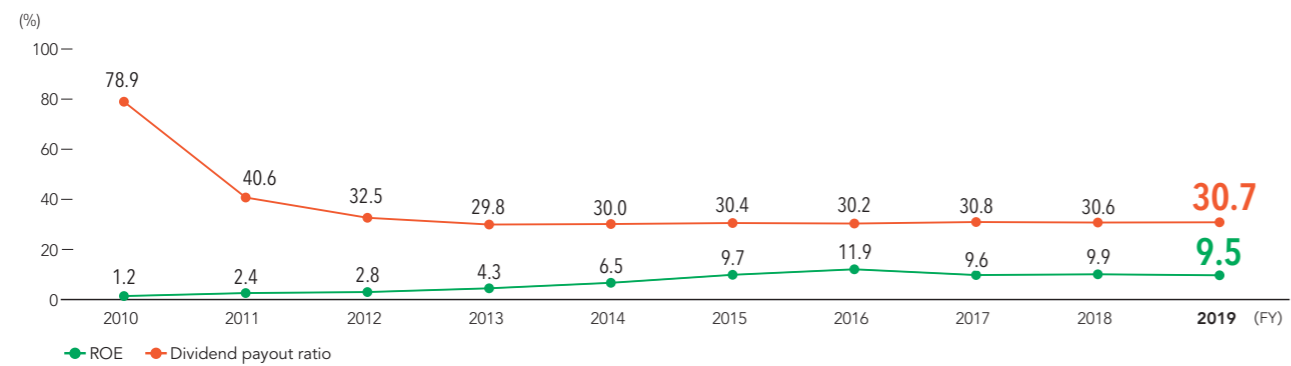
Income from Operations, Operating Margin (Consolidated basis)



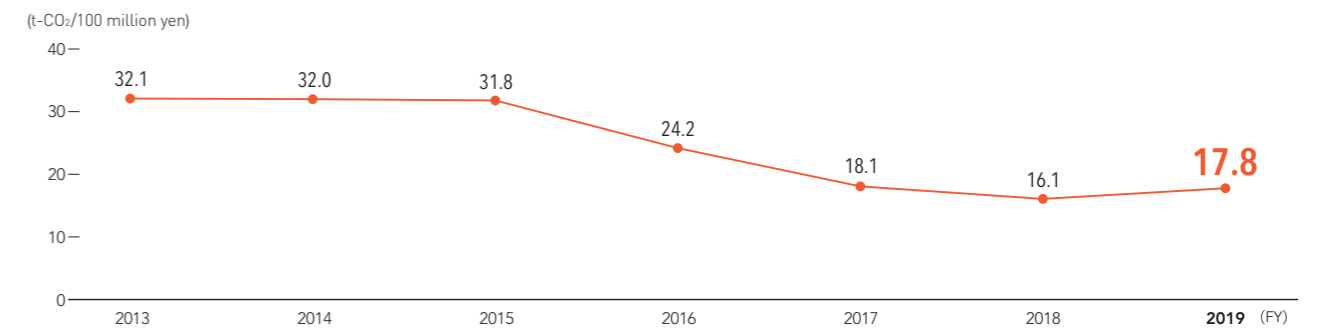
Occupational Injury Frequency Rate



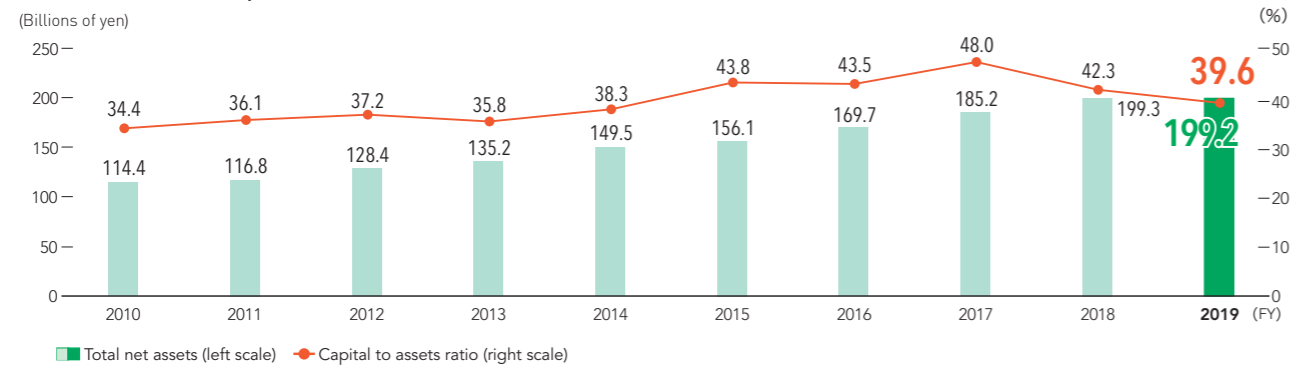
ROE, Dividend Payout Ratio (Consolidated basis)



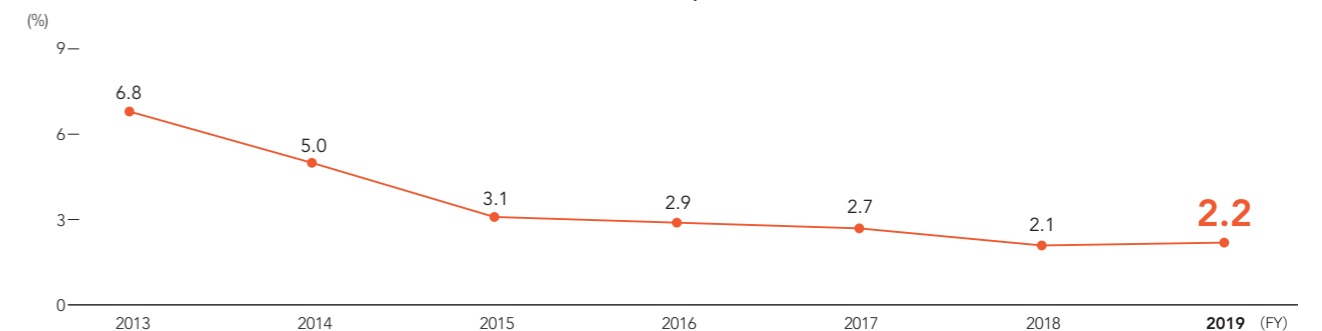
CO₂ Emission Intensity from Construction Projects



Total Net Assets, Capital to Assets Ratio (Consolidated basis)



Percentage of Construction Waste Sent for Final Landfill Disposal*



* Before fiscal 2018, excludes construction sludge and special substances such as specified substances pursuant to Article 17(1) of the Air Pollution Control Act.
From fiscal 2018, includes construction sludge and excludes special substances such as specified substances pursuant to Article 17(1) of the Air Pollution Control Act.

Value Delivered by Business Segments

Civil Engineering Division

STRATEGY

Depart from operations centered on built-to-order business, and aim to expand design and construction projects through proposal-based sales

Makoto Isshiki General Manager of Civil Engineering Division



Under Medium-Term Management Plan 2020 we set goals in three major areas: performance targets, evolution of the construction business and expansion of business areas. With regard to performance targets, we have surpassed the targets for orders received, net sales and gross profit. For the evolution of the construction business, we will focus on improving productivity based on a two-pronged approach of technological development and active utilization of CIM. In principle, CIM has been applied on construction sites since fiscal 2019. To expand our business areas, we will strengthen our efforts in design and construction, maintenance and renewal works and stock business, in addition to land readjustment projects that are part of a one-stop solution business.

We are working to expand our business areas with a view to the future, but we do not believe that we have established a system enabling adequate profits to be gained at present. For this reason, we believe we must continue to secure profit through central government projects and NEXCO projects, while expanding business

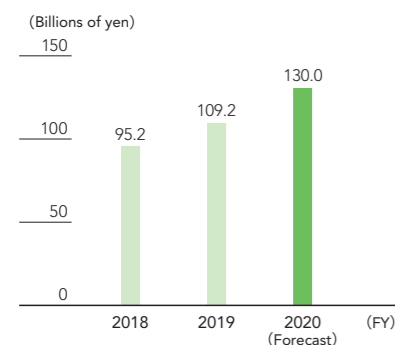
into new areas. Furthermore, we believe there is a pressing need to create a cross-industrial network capable of good communication by strengthening ties with design companies in design and construction and ties with other industries such as precast concrete companies in renewal works. In order to depart from conventional built-to-order business, we aim to expand design and construction projects by transforming the awareness of employees and ensuring each employee steadily executes active proposal-based sales.

We are also focusing on environmental management, and were recognized by the Ministry of the Environment as an Eco-First Company in March 2016. In June 2019, we launched the new initiative of "Moving toward Net Zero CO₂ Emissions in Fiscal 2030" aimed at realization of a carbon-free society, and we are engaged in energy creation as part of our initiatives to reach net zero. Companywide coordination is essential for this, and the Civil Engineering Division intends to be actively involved.

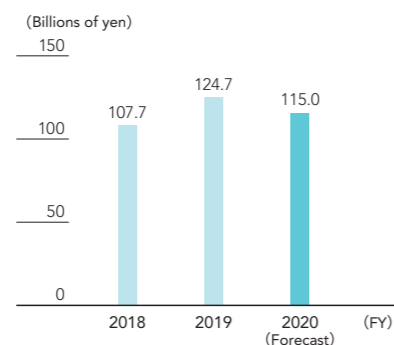
Strengths

Industry's leading worksite capabilities in mountain tunneling and shield tunneling (in addition to highly capable worksite employees, worksite operational capabilities including a Companywide support system for assisting worksites).

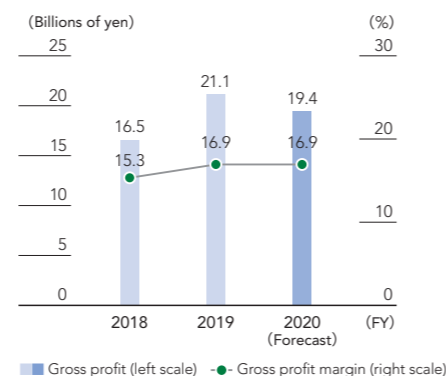
Orders Received (Unconsolidated basis)



Net Sales (Unconsolidated basis)



Gross Profit, Gross Profit Margin (Unconsolidated basis)



Project Profile

Improving Productivity through the Adoption of ICT and Precasting

Shin-Tomei Expressway Yubunehara Tunnel Works

The construction work newly establishes the Shin-Tomei Expressway from Yubune in Oyama-cho located in Suntogun, Shizuoka Prefecture to Jinba in Gotemba City. The main details of the construction are tunnel works in Yubune in Oyama-cho (length: approx. 1,600 m in (both directions)) and the cutting/banking works in Jinba in Gotemba City (length: approx. 1,500 m; banking: approx. 770,000 m²). The opening of the Shin-Tomei Expressway will create a double network comprising the Tomei and Shin-Tomei Expressways, reducing traffic stoppages in east-west traffic, alleviating congestion on the Tomei Expressway, and increasing the reliability of the east-west network. As a major artery, it is

expected to have the effect of strengthening the connections between Japan's three major metropolitan areas.



Utilization of machine-control (automation and remote control) bulldozers and rollers equipped with a banking/landfill 3D management system

Key Initiatives

On worksites, ICT and precast boxes have been adopted as initiatives to improve efficiency and reduce labor in large-scale civil engineering projects. Surveying and data organization work on worksites have been greatly reduced by using laser scanners to prepare 3D data from surveying at the start of construction, UAV-based work process measurement and ICT construction equipment. Furthermore, in box culverts (with an inner diameter of

H6.2 m x W15.0 m) crossing embankments, the use of the half-precast method for precasting the side walls and the simplification of the molding and rebar installation in the on-site poured concrete portion have reduced the process by approximately 30%, making a significant contribution to the resolution of issues such as the recent lack of skilled labor and work-style innovation.



Installation of half-precast box parts

Installation using reversing equipment for half-precast box parts

Pouring of pile caps on-site in half-precast boxes

Major Accomplishments



National Route 45 Hagyu-kita District Road Works

Client: Tohoku Regional Bureau, Ministry of Land, Infrastructure, Transport and Tourism



Fiscal 2016-2019 Yokozegawa Dam Body Works

Client: Shikoku Regional Bureau, Ministry of Land, Infrastructure, Transport and Tourism



Okunohira Togitsusen Prefectural Road Improvement Works (tentative name: Kururi Tunnel)

Client: Nagasaki Prefectural Government (Nagasaki Promotion Bureau)

Building Division

STRATEGY

Strive to develop and sustain the building construction business by creating value from the customer's perspective

Kazutoyo Hamada General Manager of Building Division



In response to Nishimatsu-Vision 2027, which sets the goal of becoming a company with overall capabilities that provides better value, the Building Division has established the basic policy of "craftsmanship from the customer's perspective" and has acted based on the business strategy in Medium-Term Management Plan 2020 to further strengthen both sales and worksite operations, and develop and sustain the building construction business by delivering maximum satisfaction to customers. Specifically, repeat business from customers has been increased by strengthening sales through the provision of value (meets needs) from the customer's perspective (strengthening efforts in omnidirectional sales to resolve customers' concerns) and by strengthening worksites through stronger worksite capabilities that solidify the customer base (worksite capabilities including not only employees but also the supply chain).

Looking ahead, we will place priority on thoroughly implementing measures to prevent the spread of COVID-19

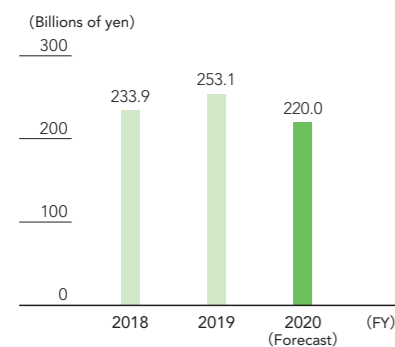
on worksites to prepare for the prolonged impact of the virus. Based on this, in activities to receive orders, we would like to develop and sustain the building construction business by advancing the basic strategy of the Building Division from built-to-order business to partnering with customers and further strengthening the integration of sales and worksite operations with the aim of delivering maximum satisfaction to customers. Furthermore, we will accelerate efforts to increase efficiency and improve productivity in design drawings, general drawings and working drawings including improvements to productivity on worksites, by using BIM, which is effective for building consensus with the customer from the design stage.

With regard to environmental contributions, we will promote the reduction of CO₂ emissions in worksite operations to achieve zero net emissions of CO₂ in fiscal 2030 on a Companywide basis, and also actively make proposals to customers concerning CO₂ reductions including the implementation of ZEB from the design phase of buildings.

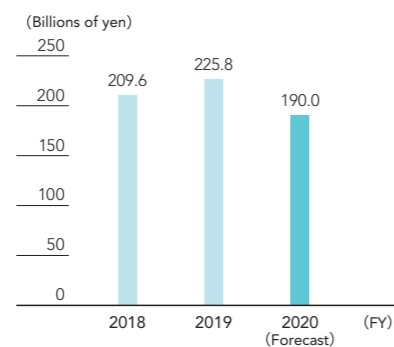
Strengths

Worksite capabilities backed by a track record and trust, including construction management capabilities for detailed management of worksites and the ability to independently identify and resolve potential issues on-site.

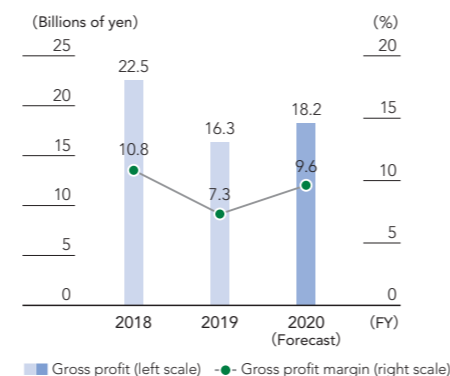
Orders Received (Unconsolidated basis)



Net Sales (Unconsolidated basis)



Gross Profit, Gross Profit Margin (Unconsolidated basis)



Project Profile

Completion of One of Japan's Largest Airport Hotels and Large-Scale Complexes

New Construction of Tokyo International Airport Zone 2 Plan (tentative name)

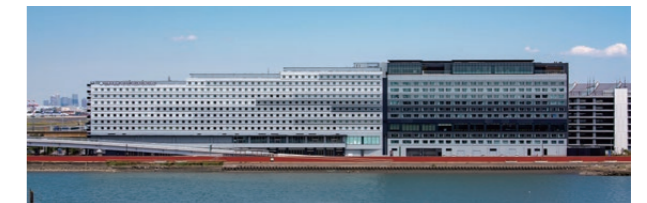
A large-scale mixed-use development of a national strategic special zone, this project is for the new construction of one of Japan's largest airport hotels featuring 1,717 rooms and a large-scale complex directly connected to Terminal 3 of Haneda Airport.

Initially, the project was to be produced at Haneda Airport, which is the main entry point to Japan and a global hub airport, with the aim of commencing operation in April 2020, ahead of the Olympic and Paralympic Games. However, the opening date remains to be determined due to the impact of the COVID-19 pandemic.



View from the southeast

1F Grand Foyer



South elevation (Tamagawa side)

Key Initiatives

The project was to build one of Japan's largest hotels in the short period of just two years ahead of the Olympic and Paralympic Games, at a time when other major projects were peaking. The client, architect and builder worked as one to fully consider the details of the design to ensure those two years would be spent efficiently.

Furthermore, because it was a project that required securing an enormous number of workers, we determined approximately 90% of the partner contractors prior to commencing construction, instructed them to secure workers according to the construction schedule, and made preparations to ensure smooth progress of construction.

There were various difficult issues to overcome including weather conditions, but all employees worked as one to

complete the project, building a relationship of trust with the local community through the efforts of all involved and the cooperation of various companies performing airport-related administration.



Large-scale hot spring bath

Major Accomplishments



Takada Matsubara National Memorial Facility (tentative name) Management Building Construction Project
Client: Tohoku Regional Bureau, Ministry of Land, Infrastructure, Transport and Tourism



Fujisaki Public Housing Condominium Reconstruction Project
Client: Fujisaki Public Housing Condominium Reconstruction Association



Okinawa Institute of Science and Technology Graduate University Building 4 and Other Construction Project
Client: Okinawa Institute of Science and Technology Graduate University

Urban Development & Real Estate Business Division

STRATEGY

Create satisfaction for customers and society by utilizing the know-how and technology of the Nishimatsu Group

Yoshiyuki Sawai General Manager of Urban Development & Real Estate Business Division



In Tokyo, Toranomon Hills Business Tower, serving as part of the Toranomon area new international city center and global business center, and NCRé Tamagawa Gakuen student dormitory, providing a safe and secure living space, went into full operation. The redevelopment project to integrate business and commerce and serve as a hub for living and the community in the JR Nakano Station South Exit area also began. From the perspective of revitalization of local economies, throughout our nationwide network we are proceeding with new projects, such as the completion of Atlas Tower Kusatsu at JR Kusatsu Station which is aimed at creating interaction between a wide range of generations and new vibrancy, the Dojomonzen Project in Koganecho, Yamaguchi City, and the commencement of the Hikari no Minato complex at Sakata Station for building an urban space buzzing with people. Furthermore, we are also engaged in several hotel projects such as Hotel JAL City Toyama, leveraging Japan's tourism resources from the perspective of further accelerating efforts to become a tourism-oriented country being promoted by the Japanese government.

In the future, in addition to creating business with high

value in areas expected to experience new growth¹ based on the keywords of global, diversity, innovation and vibrancy, we will strive to improve asset value through the sophistication of real estate portfolio management and produce new cash flow for the sustained improvement of the Nishimatsu Group's corporate value.

Environmental contributions include the achievement of ZEB Ready² and acquisition of the highest BELS rating of five stars³ for NCO Metro Kamiyacho, which is an office directly connected to the station adjacent to the Toranomon area, as well as the acquisition of the highest CASBEE rating of S rank⁴ for the Keio University Hiyoshi International Dormitory. In addition, we have provided Hokkaido's first Nearly ZEH-M⁵ rental residences under trying climate conditions, and are also proceeding to improve the safety, security, environmental and comfort specifications of Nishimatsu's NCO (office) and NCRé (residential) brands.

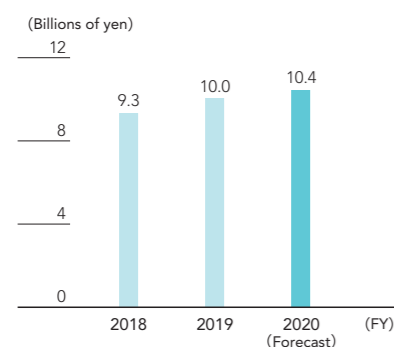
1. Foreign nationals, seniors, millennials, rapidly growing companies, tourism and entertainment businesses, and others
2. A building with energy-saving 50% or higher than the standard
3. A benchmark for energy-saving intrinsic to a building
4. A comprehensive environmental performance evaluation system for buildings
5. Apartments and condominiums that use energy-saving and energy-generation to achieve 75% or greater reduction in primary energy consumption

Strengths

A unique one-stop solution service starting with planning and proposal, and combining design, construction and operational management.

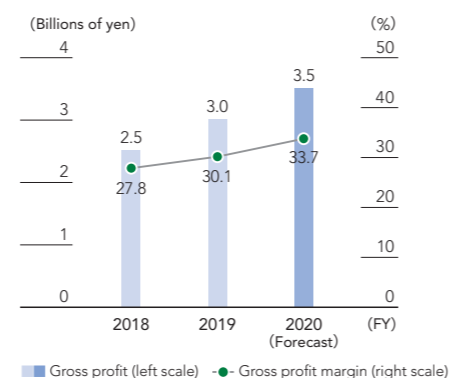
Net Sales

(Urban development and real estate business, etc.; Unconsolidated basis)



Gross Profit, Gross Profit Margin

(Urban development and real estate business, etc.; Unconsolidated basis)



Project Profile

Creation of Robust Relationships of Trust through Careful Communication Placing the Greatest Importance on Ensuring Win-Win Relationships for All Stakeholders

Kitanakanishi Sakaemachi District Type 1 Urban Redevelopment Project

The project area located in front of JR Kusatsu Station presented disaster-prevention problems including the concentration of aging wooden residences and old stores. Moreover, the existing shopping district had fallen into serious decline due to the opening of a large shopping mall near the station. In 2013, the city of Kusatsu positioned this one of the key projects in its basic plan for revitalization of the central urban area to develop a block that is suited to the station area.

In this project, Nishimatsu Construction provided operational and personnel support from the start of activities of the Urban Development Promotion Association. We helped gain the consent of almost 80 interested parties and through the project we have contributed to improving disaster-resistance and community revitalization.



Creation of a Community Where People Gather and Relationships Are Fostered to Provide a Connection to the Future Participated in Yamaguchi City's First Statutory Redevelopment Project as a Designated Business Agent and Participating Member

Project Profile

Koganecho District Type 1 Urban Redevelopment Project

Planned as Yamaguchi City's first statutory redevelopment, this project is aimed at increasing the residential population and revitalizing the central city through the reconstruction of large parking facilities, the creation of a vibrant space and the provision of urban condominiums.

Nishimatsu Construction participated in the project from September 2016 as a designated business agent, and provided a wide range of support for operation of the association such as dispatching personnel to the project office, financing and dealing with interested parties. In

addition, as a participating member, the Company also handled all aspects from product planning to marketing strategy of a 100-unit condominium, which is large for a regional city. All units were sold at the time of completion of construction in March 2020.



Major Accomplishments



Rifu-cho Shinnakamichi Land Readjustment Association
Client: Rifu-cho Shinnakamichi Land Readjustment Association
Use: Lots for commercial, business, residential and other



NCRé Tamagawa Gakuen
Client: Nishimatsu Construction Co., Ltd.
Use: Student dormitory with 77 student living units and 1 property manager living unit



Toranomon 1-chome District Type 1 Urban Redevelopment Project
Client: Toranomon 1-chome District Urban Redevelopment Association
Note: Participated as a business partner and as a member of the redevelopment association.
Use: Offices, stores, business support facilities, residences, district heating and cooling, car parking, bicycle parking and other

International Division

STRATEGY

Work to establish a highly profitable structure by accurately responding to the intensifying market environment

Yoshikuni Nakano General Manager of International Division



In the Civil Engineering Business, our strengths in safety, construction and cost management built up over the past five years paid off, enabling us to improve earnings through the recovery of claims and restoration of profits. However, issues remained concerning orders for major infrastructure projects.

In the Building Construction Business, all targets were reached for orders received, net sales and gross profit due to orders received for highly profitable large projects and projects with overseas funding. Furthermore, we were able to produce steady achievements in the stock business conducted in collaboration with the Urban Development & Real Estate Business Division to increase the percentage of sales accounted for by the Building Construction Business. Specific achievements included a real estate lease business targeting Japanese companies in Thailand, rental factory operation in Laos and participation in development projects in Vietnam.

One pending issues concerning the Civil Engineering Business is the bidding environment, which has become

increasingly difficult due to changes in the social landscape and the emergence of competitors in Hong Kong, Malaysia and Singapore, our core markets until now. To increase the volume of orders received under such conditions, we have commenced reinvestigation of Southeast Asian countries and new market research in areas such as South Asia and Australia to accelerate diversification of project orders and enter new markets.

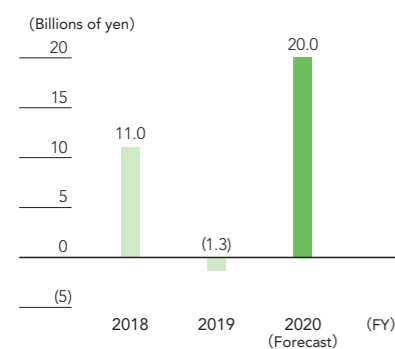
In the Building Construction Business, we will secure sales and profit by focusing on large projects, and also expand the current stock business in an effort to increase the percentage of the international business portfolio accounted for by the Building Construction Business.

In recent years, we have been actively assigning junior personnel to overseas offices as a form of human resource development. In addition, the Company welcomed its first female civil engineering career-track employee last year. We accept interns from local universities in Singapore every year, and we are also engaged in passing on skills through on-site training in Japan for local employees from Vietnam.

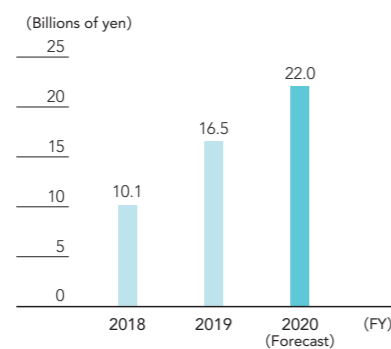
Strengths

Realization of stable business operation by steadily building relationships of trust with client companies and local partners centered on understanding of and identifying with local cultures and customs.

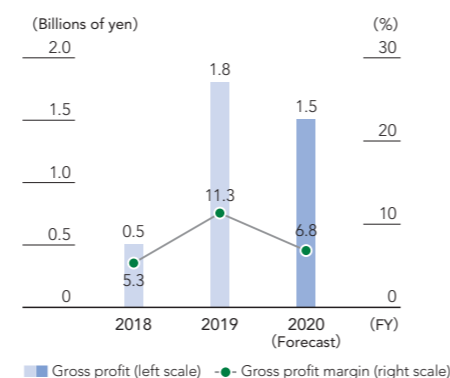
Orders Received (Unconsolidated basis)



Net Sales (Unconsolidated basis)



Gross Profit, Gross Profit Margin (Unconsolidated basis)



Project Profile

Working as One Team to Carry Out a Difficult Construction Project

Keppel Station and Tunnel Work in 6th Phase of Circle MRT Line

This project order from the Land Transport Authority (LTA) is for construction of Keppel Station and tunnel extension work on the Circle MRT Line. It is a joint venture between China State Construction, which is handling the construction of the station building, and Nishimatsu Construction, which is handling the tunnel work. Once the tunnel is opened, a loop line similar to Tokyo's Yamanote line will be completed in Singapore's subway system.

The total length of the tunnel is 2,425 m, with an inner diameter of 5.8 m and two access points. Furthermore, the tunnel work involved close contact with existing structures, requiring work such as the replacement of two foundation piles using the underpinning method because the foundation piles of an existing expressway bridge pier impeded the tunnel excavation. One section of the tunnel has been completed, and preparations are being made for the next tunnel excavation.



Underpinning construction

Initial tunneling



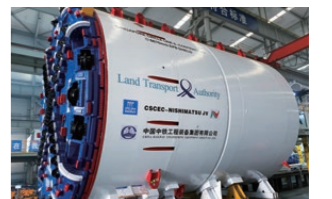
Image of completed station platform

Image of completed station entrance

Key Initiatives

A Chinese shield tunnel boring machine (made by CREG) was employed on this site due to the history of work conducted in Singapore. It was the first time a Chinese shield tunnel boring machine has been used by a Japanese company. Staff members from a variety of countries worked on the site, and efforts were made to communicate not only in English but also in their native languages to ensure no miscommunication occurred. Furthermore, respect was given to each other's cultures such as consideration for staff member fasting and praying. The Singapore Office of the International Division and the personnel on the construction

site worked as one team to create a track record in construction that on-site workers can take pride in, motivating them to want to permanently work for Nishimatsu Construction despite life-long employment not being common overseas, unlike in Japan.



Tunnel boring machine

Major Accomplishments



Construction of new factory of Hanwa Metals (Thailand)
Client: Hanwa Metals (parent company: HANWA Co., Ltd.)



Construction of Frasers Unicorn factory
Client: Frasers Property (Thailand)



Thang Long Industrial Park III
Phase 2 and 3 grading and infrastructure works
Client: Thang Long Industrial Park (Vinh Phuc)

Overseas Activities

Hong Kong

For Highways Department Contract No. HY/2017/09 - Ho Man Tin Access Shaft, shaft excavation through rock using the drill and blasting method progressed well. Works were successfully completed by the end of September 2019. The site areas were handed over smoothly to the client with a maintenance period of 12 months remaining. Our performance, including safety, achieved the highest contractor quarterly score among all current Highways Department projects.



View from the bottom of completed Ho Man Tin Access Shaft

For Architectural Services Department (ASD) Contract No. SS G503 – Re-provisioning of Fu Shan Public Mortuary at Sha Tin, progress on both site formation works and foundation works has been hindered by unexpected underground obstructions, which have adversely affected the design and construction of sheet-piling and driven H-piling works. Other difficulties included a lengthy material testing process and stringent noise restrictions for percussive piling works. Currently, site formation works have almost been completed and H-piling works and pile cap construction are progressing. Our site has received the Gold Prize in the Building Sites (Public Section) category of the Construction Industry Safety Award Scheme for 2019 and 2020.



Overall view of Fu Shan Public Mortuary site

For Hong Kong Housing Authority (HKHA) Contract No. 20170097 – Construction of District Open Space (DOS) adjoining San Po Kong Public Housing Development, progress at the site has been slower than planned due to unexpected underground structures, including an abandoned chamber, slab and a tunnel. Currently, over 80% of underground works and around 90% of structural works for five 2-storey services blocks have been completed.



Aerial View of DOS site adjoining San Po Kong Public Housing Development

Our client, MTR Corporation Limited, continues to issue us with instructions for carrying out additional works, street lighting installation, drainage works and replacement of children's playground and fitness equipment in the Wong Chuk Hang area under South Island Line (SIL) Contract No. 902 and the Whampao area under Kwun Tong Line Extension (KTE) Contract No. 1001. All such minor works are targeted for completion in September 2020.

Localization of Hong Kong Branch's organizational structure is ongoing amid current medium-scale projects in Hong Kong and is proceeding smoothly under guidance from senior Japanese staff as required.

In 2019, the reputation of the Hong Kong construction industry was damaged to a certain extent due to the construction scandal that came to light regarding two MTR stations along the Sha Tin-Central rail link, which was partially opened in mid-February 2020.

In 2020, three mega infrastructure projects are under construction, including the Three-Runway System at Hong Kong International Airport, the Lam Tin Tunnel at Tseung Kwan O and Central Kowloon Route at Central Kowloon.

From mid- to late 2019, the political environment in Hong Kong has worsened dramatically, with huge protests against the proposed extradition bill. The construction industry has been affected somewhat due to traffic and other transportation problems caused by the protestors.

Moreover, filibustering has resumed in the Legislative Council, delaying the government funding approval process for infrastructure projects.

In early 2020, the Hong Kong living environment was adversely affected by the spread of the COVID-19 virus. The situation will continue to deteriorate if the government has to impose more stringent measures to prevent the spread of disease, including restrictions on visiting Hong Kong, quarantining of people at risk of carrying COVID-19 and suspension of certain business operations. It is very likely that operations at certain construction sites will be suspended for at least two weeks if any workers at the sites

are found to be infected.

The Government of the Hong Kong Special Administrative Region has moved to bolster the economy by establishing an "Anti-epidemic Fund" to provide relief to affected companies and workers and to create more short-term jobs for youth. Furthermore, MTR has been asked by the government to proceed with detailed planning and design for the extension of the Tung Chung Line, at an estimated cost of almost HK\$19 billion. Construction of the stations is expected to begin in 2023 and take six years.

Thailand, Laos

Thailand's economic downturn in 2019 due to the deceleration of exports, led to a decline in consumer and corporate sentiment, and the economy continued to decelerate for the whole year. As a result, year on year real GDP increased only 2.4%, a much lower rate than the 4.2% growth of 2018. Construction investment in 2019 grew 1.9% to 872.4 billion baht from 855.8 billion baht in 2018. Investment in public construction mega projects such as the extension of the SRT Light Red Line and the Rama III outer ring expressway was approximately 480 billion baht, and the year on year growth rate for such projects is expected to be 2.4%. At the same time, private construction investment was about 380 billion baht, with growth of only 1.4% estimated year on year. The reason behind the low growth rate is companies have postponed new residential construction projects, which account for a large proportion of private construction investment, due to high housing inventory, more rigorous mortgage screening and oversupply in the condominium market.

Under these circumstances, Thai Nishimatsu Construction Co., Ltd., whose primary target market is non-residential private construction, successfully received orders including the Sanko Plastic Pallet Factory Project, the Frasers Unicorn

Project, and the BIKO New Factory Project. Also, we completed construction projects including the UACJ Phase III Project, the MACO EC Factory Expansion Project, and the Hanwa Aluminum Recycling Plant. Furthermore, we have completed construction of the HOYA New Factory Project in Laos.

Thailand's GDP was expected to grow 2.8% in 2020, according to a December 2019 forecast, but the economy has slowed due to the impact of COVID-19 and the estimate of GDP growth was changed to -5.3% in March 2020. Notwithstanding this, Thailand, which has developed by increasing added value of the industrial structure as a policy objective, will become an Asian base of considerably more Japanese companies due to the development and maintenance of the North-South High Speed Rail and the Eastern Economic Corridor (EEC). In that regard, Thai Nishimatsu Construction, which has more than 55 years of history, will continue to focus on its business marketing with Japanese companies. Among Japanese construction companies in Thailand, we have an extensive track record and are highly trusted by our business partners. Moreover, we have a strong organizational framework that can provide both design and construction. We will use these strengths



not only to win projects associated with Japanese companies, for which competition is intense, but also to proactively compete for projects from other foreign-capital companies. We also aim to expand business by obtaining orders for high-rise building projects through collaboration with the urban development and real estate business, and by effectively utilizing our design organization we will act as a building headquarters for neighboring Asian countries. Additionally, Pakse-Japan SME SEZ Development Co.,

Ltd. (PJSEZ), Nishimatsu Construction's business in Laos, will not only continue to fully support clients planning to invest in Laos but will also contribute to the development of the Lao regional economy. Thai Nishimatsu Construction and Lao Nishimatsu Construction will continue to take on challenges while balancing Japanese values and localization.

result, a product of the government and the people working together to counter an unprecedented threat has received international recognition.

Vietnam's economic growth rate is estimated to be about 7% for 2019. This is second only to the growth rate for 2018 over the past 10 years. Vietnam's resilience amid factors such as the sudden downturn of the global economy due to COVID-19 and tension between the United States and China, both of which have made for a troubling outlook are expected to earn the trust of the international community and strengthen relations with its neighbors in Asia, and lead to further socioeconomic development in Vietnam.

In 2018, the public and private sectors of Vietnam and Japan held various events to mark the 45th anniversary of the establishment of formal diplomatic relations between the two countries. Since then, meetings among leaders of both countries have been frequent, including visits to Japan by President Quang and Prime Minister Phuc. More than 300,000 Vietnamese live in Japan. The friendly relations between the two countries are deeper than ever, and interest in Vietnam among Japanese companies is likely to remain high.

In order to more aggressively expand business in Vietnam under these economic conditions, on February 8, 2017, Nishimatsu Construction established a wholly owned local subsidiary called Nishimatsu Vietnam Co., Ltd. The creation of this subsidiary has enabled us to respond more quickly to customer needs.

During 2019, we completed Nissei Technology (Vietnam) Ltd.'s Factory No. 3 Project, Thang Long Industrial Park II Corporation's Rental Factory No.12, and Vina Ito Co., Ltd.'s New Factory Project in the north of the country, and Seto Vietnam Co., Ltd.'s Factory 2 Extension Project in the central region.

We are now working on Thang Long Industrial Park (Vinh Phuc) Corporation's Land Grading Works and Infrastructure Works – Phase 2 and 3 Project, and Yamamoto Metal Precision Co., Ltd.'s Factory Project in the north, as well as conducting improvements, repair

work and maintenance of existing facilities throughout the country for numerous Japanese companies.

With many more Japanese companies expected to open factories in Vietnam, Nishimatsu Construction is committed to seizing these business opportunities and solidifying its position as a company with a local presence. Hence, we are leveraging the expertise we have accumulated to date in building factories, as well as human capital and all other resources, while also making maximum use of the rapid responsiveness of Nishimatsu Vietnam Co., Ltd. to make timely proposals that meet customer needs and deliver services that gain their satisfaction. This will enable us to aggressively expand sales activities and receive more orders for new factory construction for Japanese companies entering Vietnam. In addition to preparatory works for industrial parks and infrastructure construction, we will also explore possibilities in new areas, such as maintenance work, renovation, commercial facility construction projects and collaborative efforts in real estate development projects. In doing so, we aim to cultivate even more customers.

At the same time, the overseas development assistance (ODA) construction market remains promising as bids for infrastructure construction such as urban railways including underground tunnels, water treatment facilities, etc. are scheduled under the Japanese government's ODA.

In addition, as Nishimatsu Construction intends to energetically engage in the overseas urban development and real estate businesses with a focus on Southeast Asian countries, it regards Vietnam as an important market. Nishimatsu Real Estate & Development (Asia) Pte. Ltd., an investment management company established in Singapore in 2018, is actively conducting market research and studies in Vietnam. We will use these activities as a base for expanding our existing capabilities from the construction of industrial facilities to encompass the construction of commercial and residential facilities. By establishing comprehensive construction technologies, we intend to contribute to the economic development of Vietnam over the long term.

Singapore

In January 2020, the Building and Construction Authority (BCA) of Singapore reported projected construction demand in 2020 of between S\$28 billion and S\$33 billion. This is comparable to the S\$33.4 billion awarded in 2019. Public sector demand is expected to contribute to 60% of the total.

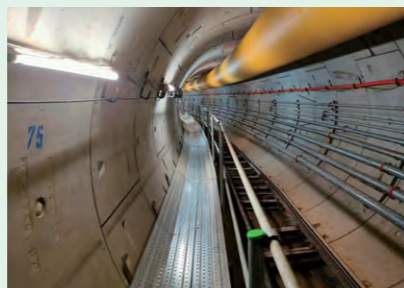
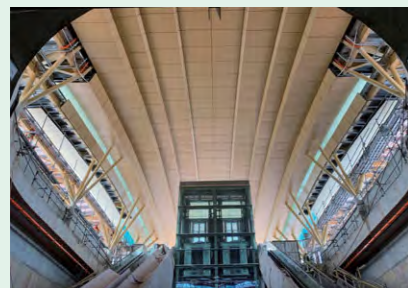
Land Transport Authority (LTA) T228, the Construction of Gardens by the Bay station and tunnels for the Thomson Line was awarded on July 25, 2014 to Nishimatsu in a joint venture with Messrs Bachy Soletanche Singapore Pte Ltd. The key milestones for T228—basic structure completion of the bored tunnels by July 30, 2018, and station and entrances by September 30, 2018—were achieved on time. This project also achieved 5.7 million accident-free man-hours as of March 2020. Architectural works for T228 are currently proceeding on schedule toward contract completion in December 2020.

LTA C882, the Construction of Keppel station and tunnels for Circle Line 6, was awarded on September 8, 2017 to Nishimatsu in a joint venture with Messrs China State Construction Engineering Corporation Limited. Works have progressed well on this project, with the first tunnel drive

completed in March 2020. There are three more tunnel drives yet to be completed, and they are all proceeding on schedule.

Public Utilities Board (PUB) T10, Design and Construction of Sewer Tunnels for the Deep Tunnel Sewerage System Phase 2 was awarded on November 17, 2017 to Nishimatsu. Works are progressing well, with the first tunnel drive launched in November 2019 and another two tunnel boring machines (TBMs) scheduled to be delivered to the site in June 2020.

Nishimatsu Singapore is currently facing challenges due to COVID-19, with travel restrictions and disruptions to the supply chain. These challenges are global in scale. Nishimatsu Singapore will continue to work to fulfill all of its contractual obligations whilst pursuing new opportunities in the upcoming LTA Cross Island Line Phase 1, for which tenders have been called progressively since August 2019. Nishimatsu will also continue building up its core professional and supervisory teams to embrace new challenges.



Vietnam

The spread of COVID-19 has shocked humanity. Clearly, this virus is affecting the entire world significantly. However, the Vietnamese government was one of the

first to implement rigorous measures to prevent its spread. As a result, the number of human casualties in Vietnam has been exceptionally low. This miraculous





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MESSAGE

As an Eco-First Company, Nishimatsu Construction has energetically promoted various efforts to help prevent global warming and has achieved positive results.

Also, greenhouse gas emissions for Japan as a whole decreased for the fifth consecutive year in fiscal 2018. However, while efforts in CO₂ emission reduction proceed, the global concentration of CO₂ is not decreasing, and global warming continues to progress.

In light of these circumstances, Nishimatsu Construction has set out an ambitious long-term vision to achieve net zero CO₂ emissions associated with its business activities by fiscal 2030 as part of the global trend toward “decarbonization.” Moving forward, we will proactively fulfill our responsibility to society by utilizing renewable energy in our business activities and developing technologies that contribute to reducing CO₂ emissions.

Makoto Isshiki
Representative Director
Environmental Committee Chairman

Moving toward Net Zero CO₂ Emissions in Fiscal 2030

Use of Renewable Energy in Business Activities

Regarding electrical power in business activities, we will consider

- Replacing conventional sources with clean power (green power)
- Using carbon credits

in a move toward effective utilization of renewable energy in general.

In addition, we are also considering producing renewable energy for consumption in our business activities and supplying it to the local community.



Technology Development That Contributes to CO₂ Reductions

Currently, we are considering increasing the efficiency of renewable energy use at construction sites and introducing next-generation biofuels. We are also proceeding with specific efforts such as the development of ZEB design technology and low-carbon concrete.



Low-carbon concrete manufactured using by-products from the iron manufacturing process

Focus: Toward Net Zero CO₂ Emissions

1 Switching to Greener Energy

Introduction of a Sun-Tracking Solar Power Generation System

At the Satsuma Solar Field Office, a construction site in Kagoshima, we have introduced a sun-tracking solar power generation system as an auxiliary power source for the office, and are verifying performance such as output and wind resistance. Based on this performance verification, we will further promote the active use of renewable energy at construction sites as an initiative to reduce CO₂ emissions.



Sun-tracking solar power generation system

Continued Use of Biodiesel Fuel

Biodiesel fuel is a replacement for diesel fuel that uses waste cooking oil (vegetable oil) as a raw material. It is carbon neutral that does not increase CO₂ in the atmosphere when burned.

Since fiscal 2015, we have used a cumulative total of 500,000 l of biodiesel at construction sites across Japan. At present, we are promoting the use of higher quality distilled biodiesel fuel.



Use of biodiesel fuel

TOPICS

Obtained A- Environmental Score from CDP

On January 20, 2020, CDP (Headquarters: London), an international non-profit organization that conducts environmental assessments, gave Nishimatsu Construction a score of A- in the activity area “Climate Change” for 2019. We were also included in the Japanese version of the CDP Climate Change Report 2019 in recognition of Nishimatsu Construction as a company that conducts appropriate information disclosure and excellent countermeasures for climate change.

CDP’s environmental assessment is one of the data sources most referenced by ESG investors as an important indicator for corporate climate change countermeasures. CDP is supported by 525 institutional investors* (total assets under management of US\$96 trillion*). We will continue to

make efforts in appropriate information disclosure, CO₂ emissions reduction, and environmental conservation.

*As of January 20, 2020



FOCUS: Toward Net Zero CO₂ Emissions

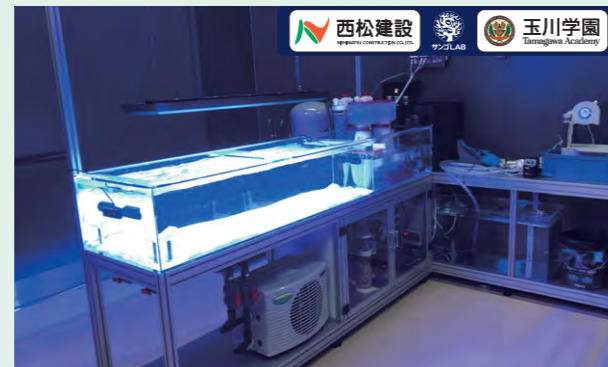
2 Biodiversity Preservation

Industry-Academia Cooperation for Coral Reef Preservation

Coral absorbs a large amount of CO₂. The amount of CO₂ fixed by coral reefs around the world is said to be twice the amount in the atmosphere.

To help preserve these coral reefs, we support Tamagawa Academy (K-12) and University (Tamagawa Gakuen), which have succeeded in transplanting corals cultivated on land into the sea.

In 2019, we installed a large aquarium in Tamagawa Gakuen to prepare a cultivation and research environment.



Aquarium installed for coral cultivation and research

Forestation in Collaboration with the Bureau of Waterworks

Forests absorb CO₂ and store it above and below ground, thereby playing a role in preventing global warming.

Since 2017, the Kanto Civil Engineering Regional Headquarters and the Tokyo Metropolitan Government Bureau of Waterworks have been collaborating on thinning work to promote the sound development of water source forests. The aim of this activity is to properly manage water source forests for the future, but at the same time, it leads to CO₂ reduction.



Nishimatsu Forest (the Company's activity area) covers 2.71 ha in Koshu City, Yamanashi Prefecture

3 Resource Recycling

Effective Use of Pile Sludge and Concrete Blocks

At the Tomigusuku Central Hospital Branch Office, a construction site in Okinawa, all construction sludge generated during construction of the new hospital (approx. 29,000 m³) was given prefectural approval for modification into a form suitable for (marketable quality), and effectively used on-site by the company that generated it.

In the same way, with the approval of the prefecture, concrete mass (approx. 200 m³) generated at the site was crushed and effectively reused as the foundation material for the structure.

Using these materials on-site significantly reduced the amount of diesel fuel (CO₂ emissions) used during transportation by dump truck compared with cases where we outsource to an offsite processing plant.



Sludge used onsite by company that generated it

FOCUS: Toward Net Zero CO₂ Emissions

4 Environmental Technology Development

Production of Methane with a CO₂ Conversion Cell That Applies the Microbial Fuel Cell (MFC) Method

In collaboration with Gunma University Graduate School (Professor Watanabe and Assistant Professor Kubota, Department of Environmental Engineering Science, Graduate School of Science and Technology), we have succeeded in producing methane using a CO₂ conversion cell that applies microbial fuel cells (MFCs).

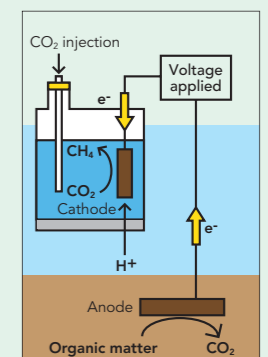
MFCs are used to generate electricity by the reaction of electricity generated by electrogenic bacteria in bottom sediment when purifying sludge, for example, with oxygen dissolved in water containing the cathode via the anode installed in the sediment.

We prototyped a CO₂ conversion cell that combines an anode built using this MFC method, with the electrogenic bacteria attached, and a cathode tank with bacteria that receive electricity and produce methane from CO₂. We confirmed that some externally-supplied CO₂ was converted into methane using the electricity generated by the electrogenic bacteria on the anode. This technology can be used for carbon recycling by

converting CO₂ into useful materials such as methane, and recycling CO₂ emitted in the use of such substances as a raw material.

Note:

While in recent years technological development related to the effective use of CO₂ emitted in large quantities has progressed, and there are known methods for converting it into useful chemical substances using chemical catalysts, these methods involve a lot of energy and catalyst costs, which is an issue. There is a need for low-cost CO₂ conversion technology that can further minimize restrictions on aspects such as permitted hours of operation and the supply of external energy.



Sediment purification type CO₂ conversion cell

TOPICS

Development of Technology for Highly Efficient Recovery of Phosphorus from Sewage Sludge Incineration Ash for Use as Fertilizer

In collaboration with the Faculty of Engineering, Niigata University (Professor Kim Hee Joon), we have developed a highly efficient technology for recovering phosphorus from sewage sludge incineration ash generated at sewage treatment plants for use as fertilizer.

This technology removes heavy metals by performing two-step elution of acid and alkali, and can efficiently recover phosphorus in a form that can be directly used as fertilizer. In

addition, since heavy metals are also removed from the residue after recovery of the phosphorus, the residue can be used as a resource (raw material for construction materials, cement and others).

Note:

Phosphorus is an essential element for humans, and is a resource indispensable for life. However, since Japan does not have natural phosphorus resources, it relies on imports for most of its domestic demand. Therefore, self-sufficiency in phosphorus is a major issue for the country.



Sweet potatoes grown using the recovered phosphorus as fertilizer



Please see our website for details. (Japanese only)

<https://www.nishimatsu.co.jp/csr/environment/>



Basic Philosophy

In order to implement Nishimatsu-Vision 2027, in addition to our existing employees, we will focus on recruitment, effective use and development activities to secure the human resources necessary for our business strategies, launching various measures regardless of existing frameworks. In addition to hiring new graduates, we will increase mid-career hiring and hiring of experienced human resources. For effective use, we aim to increase motivation and productivity by offering a career path where each employee can consider their own future and play an active role in the Company. In the Nishimatsu Employees' University, which was launched last year, the focus of training in fiscal 2019 was on flexible mindset training. From fiscal 2020, we will accelerate the early development of young employees by renewing the standard courses for specialized skills training.

Approach to Hiring Human Resources

In order for us to build a sustainable competitive advantage, it is important to secure human resources that feel joy in craftsmanship, recognize the importance of strong worksite capabilities, and have diverse values and skills.

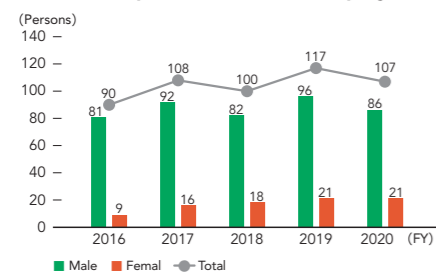
In recent years, we have been hiring the necessary human resources in order to realize Nishimatsu-Vision 2027 by securing the labor force and taking into account diversity of human resources.

Moving forward, we will continue to employ a wide range of human resources who can leverage our strengths and have diverse values and abilities.

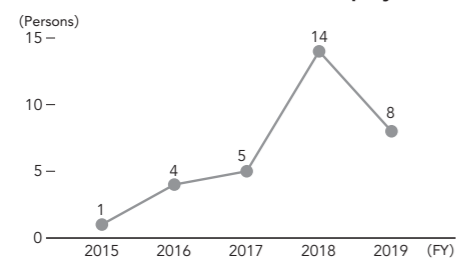


New employee training (civil engineering)

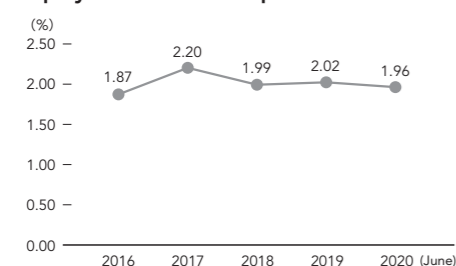
New Hires in April (Career-Track Employees)



Mid-Career Hires (Career-Track Employees)



Employment Rate of People with Disabilities



Approach to Human Resource Development

In order to achieve the long-term vision of becoming a company with overall capabilities that provides better value, it is necessary to transform the mindset of employees and develop human resources who can respond appropriately to social changes.

A fast-changing environment requires completely new ways of working and approaches to tasks. In addition, in order to expand our business areas and evolve our construction business as set out in the medium-term management plan, we believe that we must continue to seek optimal solutions for human resource development without compromise.

Now in its second year, the Nishimatsu Employees' University was established with the objective of helping employees master technical and management skills in addition to transforming their awareness and approach based on our management vision. We will ensure that training content effectively enables employees to create their own image of the future and realize career advancement according to their goals and interests.



Proposal announcement (flexible mindset training, manager class)

Fiscal 2019 Training Results

Course	Category	Participants	Schedule and Duration
New employee training	Management	117	Apr. 1-17, 2019 (13 days)
New employee follow-up training	Management	107	Nov. 25-26, 2019 (2 days)
New chief training (newly appointed: SV2)	Management	36	Oct. 8-10, 2019 (3 days)
New section chief training (newly appointed: SV1)	Management	33	Sep. 18-20, 2019 (3 days)
Next-generation leader training (deputy site manager/ deputy department manager)	Management	36	Aug. 21-23, 2019 (3 days)
New manager training: 1st group phase 1	Management	33	Jun. 5-7, 2019 (3 days)
New manager training: 1st group phase 2	Management	33	Jul. 30, 2019 (1 day)
New manager training: 2nd group phase 1	Management	21	Jun. 18-20, 2019 (3 days)
New manager training: 2nd group phase 2	Management	21	Aug. 8, 2019 (1 day)
Flexible mindset training: executive class	Management	78	Jun. 6-Jul. 19, 2019 (8 times)
Flexible mindset training (coaching): executive class	Management	78	Jun. 6-Oct. 3, 2019 (78 times)
Flexible mindset training: general manager/site manager class	Management	528	Jun. 6-Feb. 19, 2019 (27 times)
Flexible mindset training: department manager/site manager class	Management	462	Jul. 16-Feb. 26, 2019 (22 times)
New personnel technical training	Specialist	117	Apr. 17-Jul. 26, 2019 (60 days)
Civil engineering training, 1st year	Specialist	45	Sep. 2-13, 2019 (10 days)
Architectural training, 1st year	Specialist	49	Nov. 27-28, 2019 (2 days)
Civil engineering training, 2nd year	Specialist	42	Aug. 26-30, 2019 (5 days)
Architectural training, 2nd year	Specialist	43	Jan. 21-31, 2020 (9 days)
Civil engineering training, 4th year	Specialist	35	Jul. 22-26, 2019 (5 days)
Architectural training, 4th year phase 1	Specialist	28	Sep. 2-6, 2019 (5 days)
Architectural training, 4th year phase 2	Specialist	36	Nov. 11-15, 2019 (5 days)
Civil engineering training, 6th year	Specialist	22	Jun. 10-14, 2019 (5 days)
Architectural training, 6th year	Specialist	18	Feb. 6-7, 2020 (2 days)
First-class architect training (academic course)	Qualification	39	Jul. 11-19, 2019 (9 days)
First-class architect training (technical drawing)	Qualification	51	Sep. 30-Oct. 4, 2019 (5 days)
First-class architect training (technical drawing) for reexamination	Qualification	29	Nov. 26-28, 2019 (3 days)
Total		2,137	

Note:

- Number of participants is the total number.
- Schedule and duration of new personnel technical training varies depending on job category.
- First-class architect training (technical drawing) for reexamination was held in response to postponement of examination due to a typhoon.

Approach to Effective Use of Human Resources

In order to maximize corporate performance, we believe it is important to put the right person in the right position— placement of human resources in positions that enable them to demonstrate the capabilities they have fostered to their full potential, human resource development to provide a venue where they can learn and demonstrate new capabilities, and appropriate evaluations to assess how well they demonstrate the

capabilities they have acquired.

In the future, in order to make more effective use of human resources, we will continue to provide career maps by job category and work on visual presentation of human resource data.

Promotion of Diversity

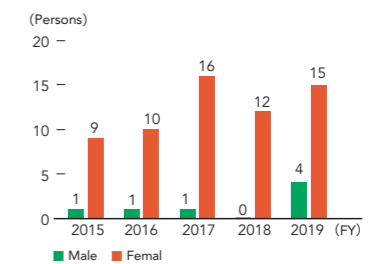
We aim to evolve our construction business and expand our business areas in order to become a company with overall capabilities that provides better value, as stated in Nishimatsu-Vision 2027. To that end, it is necessary to create a rewarding work environment in which human resources with diverse values and capabilities can gather and fully demonstrate their abilities.

Based on our basic philosophy of diversity, we are building a management system that allows diverse human resources to fully demonstrate their abilities. In addition, in order to create an environment where employees can work comfortably, we are expanding and promoting the use of a support system for balancing work with private life, and are making efforts to reduce total working hours.

We will continue working to build an effective management system to promote diversity, and create an environment that

allows more flexible working styles by promoting the use of systems such as flextime and taking paid leave in hourly units.

Employees Using the Childcare Leave System

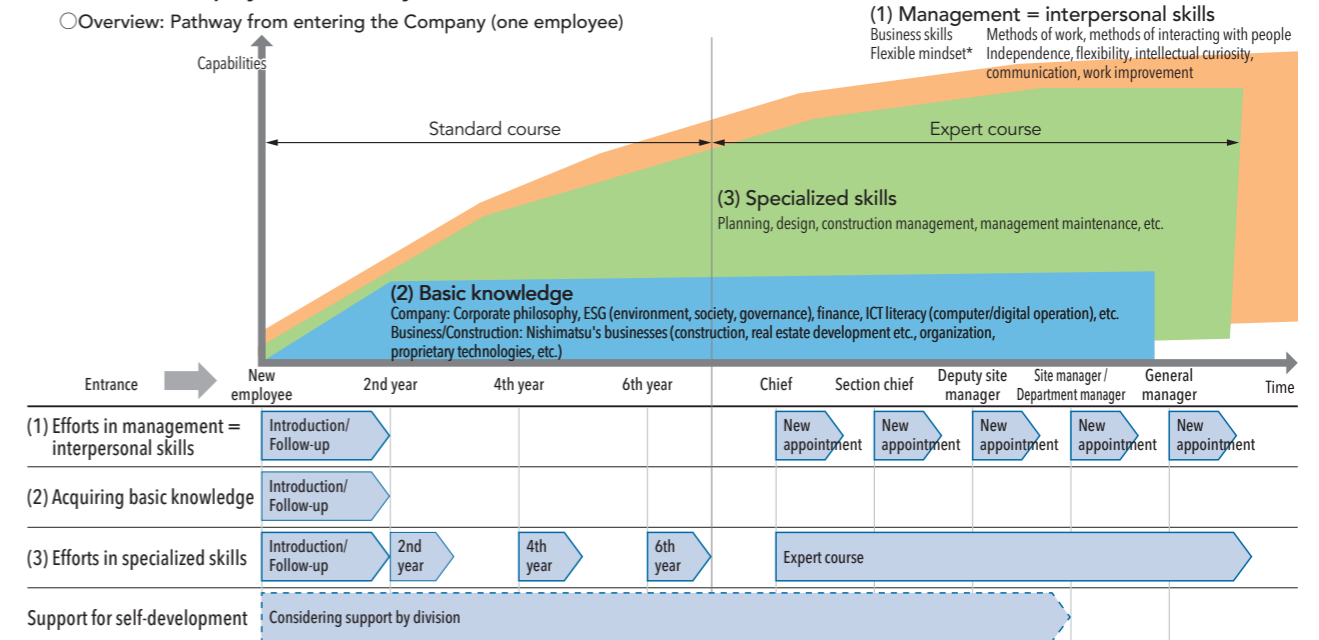


Progress of Nishimatsu Employees' University

As one program within the Nishimatsu Employees' University, we have started flexible mindset training for all executives and employees who are responsible for the growth of the Company. In this training, a new consciousness based on the idea of what is best overall is beginning to emerge through discussions of new ideas for achieving the management vision. The effects of the training are steadily becoming apparent. In addition, with the aim of helping employees learn about the work of other departments and broaden their horizons, we also put together a

short-term in-house work placement program, in which employees can get a taste of work in different departments. Moving forward, we will carry out the early development of employees and conduct training for young professionals (standard course) to improve employees' specialized skills and raising the technical capabilities of the entire Company. Together with this new initiative, we will establish a training system by appointing training staff (instructors) and providing teaching skills training.

Nishimatsu Employees' University framework

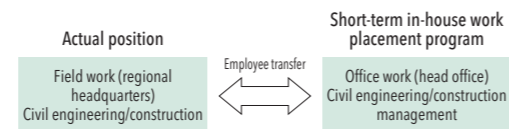


*Flexible mindset: Course taken once within fiscal 2019 – fiscal 2020, and incorporated into business skills from fiscal 2021

Short-Term In-House Work Placement Program

From on-site assignment to Civil Engineering Department or Building Department at the head office

Work in a different department for approx. three months



Participant Feedback

What kind of work did you try?

I got a taste of administrative duties in each department of the head office and of worksite support duties, such as confirmation of monthly site income and expenditures, calculation of work volumes, aggregation of bidding projects, consideration of site construction, and creation of manuals for on-site apps.

What did you gain through this experience that you can utilize?

- I acquired a broad view of the entire Company and business division, rather than just the worksite.
- I gained the ability to think from an overall perspective of worksite operations, and got new ideas through exposure to various construction methods and worksite approaches.
- I had many opportunities to communicate because I built a network of contacts, such as connections that go beyond the head office, regional headquarters and the worksite for times when I needed to consult with someone.

Message for other employees considering the program

I think carrying out one's work with aspirations and a willingness to experience new things allows one to absorb many things and accelerates the speed of personal growth.



Mr. Sumi
(Civil engineering worksite → Civil Engineering Department at the head office)



Mr. Iwasaki
(Building construction site → Building Department at the head office)

Focus: Health and Productivity Management

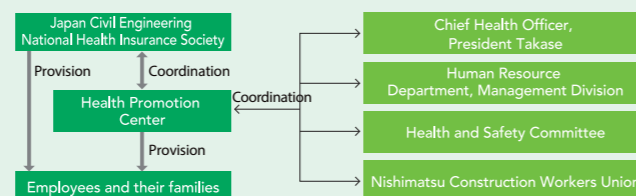
For the third consecutive year Nishimatsu Construction was recognized as a White 500 organization under the 2020 Health & Productivity Management Outstanding Organizations Recognition Program,* jointly run by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi.



* Health and Productivity Management Outstanding Organizations Recognition Program: Based on initiatives aligned with regional health issues, and initiatives the Nippon Kenko Kaigi promotes for health improvement, this program honors large companies, as well as SMEs that implement particularly outstanding health and productivity management (the Japanese term for health and productivity management, "kenko-keiei," is a registered trademark of the nonprofit organization Kenko-keiei). By increasing the visibility of such enterprises, the program aims to establish an environment in which companies that focus on and strategically carry out efforts regarding their employees' health from a management perspective can receive social recognition from employees, job applicants, related companies, and financial institutions.

Health and Productivity Management Promotion System

In promoting health and productivity management, the Health Promotion Center will play a central role in maintaining close contact with the Chief Health Officer (CHO) and related departments within the Company, and with insurance societies to provide better services for managing and promoting the health of employees and their families.



Key Points of Health and Productivity Management

- 1 Prevention of lifestyle-related diseases from becoming severe (mandatory complete physical examinations, mandatory detailed examinations, promotion of exercise)
- 2 Measures to address long working hours
- 3 Mental health initiatives
- 4 Cancer initiatives (promotion of cancer screening, balancing work and treatment)
- 5 Improvement of health literacy
- 6 Prevention of women's illness (promotion of women's health screening)
- 7 Lowering of the smoking rate

Health Checks and Complete Physical Examinations

In addition to regular health checks, since fiscal 2018 we have been providing mandatory annual complete physical examinations to employees aged 30 or older through subsidies and leave. From fiscal 2020, we will support the health of employees and their families by increasing subsidies and making employees' spouses eligible as well. We will also introduce a new system that allows all female employees to have breast and cervical cancer screening free of charge at the time of regular health checks.

Focus: Initiative to Create Better Value

Introduction of Work-from-Home System

In order to realize diverse workstyles, starting in August 2019 we conducted trial operations of system to facilitate working from home and introduced it in fiscal 2020. The system was initially made available for employees who are raising children, caring for family members, or who have difficulty commuting. As a general rule, employees were initially permitted to use the system once a week or four days in four weeks. It has been generally well received by the employees who tested it.

Apart from the original purpose of introducing the work-from-home system, we are promoting it in response to the spread of COVID-19. By incorporating the lessons of this experience, we plan to improve the system to benefit employees.

Introduction of Flextime System

Similar to the work-from-home system, we introduced a flextime system in fiscal 2020 after trial operation, in order to realize diverse workstyles. Our flextime system does not set core time or flexible time, enabling employees to take into consideration busy work periods and personal circumstances. In fiscal 2024, an upper limit to overtime work will be applied to the construction industry. In light of this, we will use the flextime system to build a system that allows employees to manage their work and time appropriately.

Freedom of Dress

Since January 2020, we have allowed employees to freely choose their work attire. Previously, we had no rules stipulating a dress code, but it was customary to wear a suit except when on worksites.

We aim to be a company that creates better value by bringing together individuals who break the mold, act autonomously and think freely. By allowing employees to wear casual clothes on the job, we expect to create an egalitarian relationship between employees and to enhance communication.

Choosing clothes according to the time, place and occasion does not directly change one's work style or approach to business, but we believe it will foster a corporate culture of acting autonomously and create an attractive work environment for current and future employees.

Development of the Construction Industry



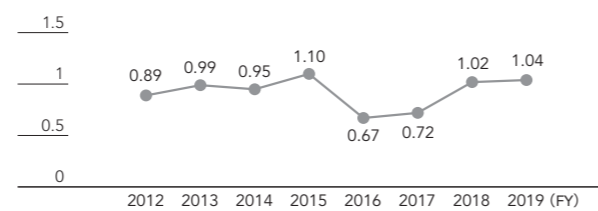
Efforts toward Zero Accidents and Injuries

Nishimatsu Construction's fiscal 2020 management targets are: continuation of no deaths and no major injuries; a frequency rate of 0.6 or below for injuries requiring four or more days of absence from work (15 or fewer incidents); a frequency rate of 1.0 or below for injuries requiring one or more days of absence from work (25 or fewer incidents); and eight or fewer "big three" accidents, as designated by Nishimatsu Construction (slips/falls; entanglement/catching of head, limbs or clothing in machinery, equipment, vehicles or materials; and flying/falling objects). To achieve these targets, we will focus on the three key management items in our health and safety plan: thoroughly enforce Nishimatsu Rules, establish an autonomous health and safety framework, and firmly establish the seven measures ("Action 7") for preventing human errors.

In working to ensure thorough compliance with Nishimatsu Rules, which incorporate lessons from past incidents and exceed legal requirements, we aim to use the foremen's association to build ties between foremen, who are the key personnel for on-site health and safety, as we transition from a prime contractor-led system to an autonomous health and

safety framework. Additionally, we will work to firmly establish seven measures for preventing human error: on-site hazard-awareness training (HAT), personal HAT, calling out to fellow workers, the 3-3-3 method (for stringing operations), reporting on employment of older workers and giving them due consideration, raising awareness regarding near misses, and "point and call" safety check routines. Among these seven measures, we will particularly focus on making sure that "point and call" safety check routines become firmly established practices.

Occupational Injury Frequency Rate



Note: Our calculation of the number of occupational injuries is based on injuries requiring four or more days of absence from work.

Vision for 2027

Establish the "Safety Nishimatsu" brand.

Target

Frequency rate of injuries requiring four or more days of absence from work ▶ 0.3 or below

We are making the following efforts to achieve our vision.

1. Legal education for employees, clients, foremen and workers
2. Establishment of an autonomous health and safety management framework centered on foremen
3. Promotion of autonomous activities by establishing comprehensive measures to prevent human error
4. Realization of a safe and comfortable working environment for everyone

Strengthening Client and Foreman Education

Since 2017, we have been focusing on educating clients and foremen, who play an important role in preventing accidents at worksites.

We provide training for all partner companies twice a year under the title "Responsibilities of clients" at safety meetings for regional headquarters and branches, and accident prevention meetings at worksites.

In addition, regarding education to improve foreman skills, we mandate that foremen undergo training within five years from their previous training.

Safety management is gradually changing from being led by the prime contractor to a framework of safety management carried out by the subcontractors (partner companies) themselves, in cooperation with the prime contractor.

(Persons)

	Northern Japan	Kanto Civil Engineering	Kanto Architectural	Western Japan	Kyushu	Total
Client education	487	236	909	1,052	439	3,123
Skill improvement training for foremen	139	59	85	197	174	654

Strengthening Client and Foreman Education



Client education

Under the basic principle that both clients and prime contractors are the leaders of worksite safety management, we set aside time twice a year to educate clients on relevant topics. We provided this education to 3,123 companies in fiscal 2019.



Skill improvement training for foremen

Foremen are the key personnel for protecting the health and safety of skilled workers. Centered on members of the foremen's association, we require foremen to attend a skill improvement class once every five years. The objective is to promote tidy, organized, vigilant and disciplined worksites with good communication. In fiscal 2019, 654 foremen attended 35 classes nationwide.



Checks of physical condition

With the aging of the workforce, workers are increasingly affected by non-work-related ailments. Losing consciousness on a scaffold or on stairs could lead to a serious accident. Therefore, before work in the morning and afternoon at worksites, work groups gather, and foremen check the physical condition of the workers under their control.



Initiatives to establish the "point-and-call" routine

Recently there are overwhelmingly more accidents due to unsafe actions than accidents due to unsafe equipment. Therefore, since fiscal 2016, we have been implementing seven measures to prevent human error. In fiscal 2019, we developed activities to establish "pointing and calling", which has yet to be firmly established in worksite culture. A Pointing-and-Calling Master is appointed to lead in ensuring workers throughout the worksite practice the routine. Although the activity has just begun, we will continue it until pointing and calling is evident throughout our worksites.

N-NET Support Office Initiatives

The Nishimatsu Subcontractors' Network (N-NET) had 1,161 registered member companies as of March 31, 2020. We have been working on various activities to build win-win relationships. In April 2018, we established the N-NET Support Office to further accelerate this effort.

In fiscal 2019, we worked on the following activities.

1. Held the N-NET Growth Strategy Conference

Launched in fiscal 2019 with the goals of coexistence and mutual prosperity for N-Net member companies and the Company, the N-Net Growth Strategy Conference involves collaboration on determining specific solutions and directions to address difficult issues that individual companies cannot solve on their own.

2. Subsidized the purchase of air-conditioned clothes (2,854 applicants in fiscal 2019)

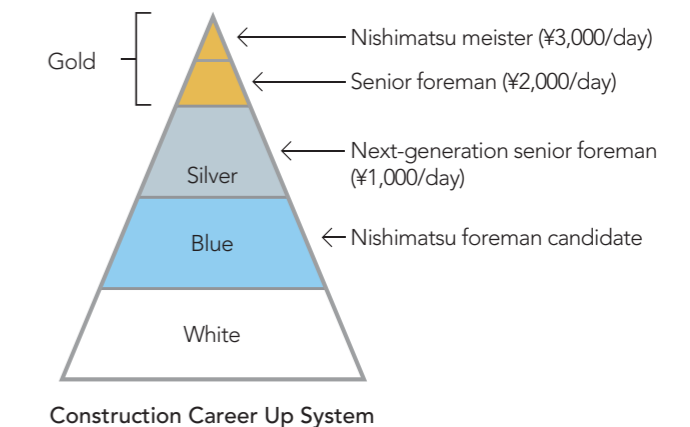


N-NET Growth Strategy Conference

3. Continued the High-Caliber Technician System
In fiscal 2020, we will implement the following specific solutions as concluded at the N-NET Growth Strategy Conference.

1. Expand the High-Caliber Technician System for certifying next-generation senior foremen and Nishimatsu foreman candidates
2. Accelerate information sharing between Nishimatsu Construction employees and foremen using smart devices
3. Continue subsidizing purchases of air-conditioned clothing

Expansion of the High-Caliber Technician System



Initiatives in the Construction Career Up System (CCUS)

We operate the CCUS for construction work with a contract amount of 50 million yen or more. In fiscal 2019, we held briefing sessions for N-NET member companies, distributed posters and leaflets, and engaged in promoting dissemination. In fiscal 2020, we will work to further inform unregistered

technicians and to increase their work history. We agree with the purpose of CCUS and will work to improve the problem of a lack of workers and the treatment of construction technicians, which are issues for the entire industry.

Comments from N-NET Headquarters Chairman

N-NET is in its 10th year of operation. The N-NET Growth Strategy Conference was newly established on the foundation built by activities so far, with the aim of further improving productivity on worksites.

This conference aims to respond to various opinions and concerns from member companies, foster mutual understanding, and realize ideal worksite operations.

The High-Caliber Technician System exists to create an environment conducive to cultivating high-caliber technicians, but we also have the Nishimatsu Senior Technician Certification System that provides a path to senior foremen and Nishimatsu meister, even for job categories that do not have a registered senior technician certification system.

In fiscal 2020, "next-generation senior foremen" and

"Nishimatsu foreman candidate" have been newly established for younger employees.

These new certifications will give young technicians a goal to aspire to that is within reach, and will also ensure consistency with CCUS.

My expectations continue to grow for the future of N-NET, which provides all related member companies with the same wholehearted support.

Masayuki Yoshida

Chairman, Nishimatsu Subcontractors' Network Headquarters
President, Souei Construction Co., Ltd.



Basic Philosophy

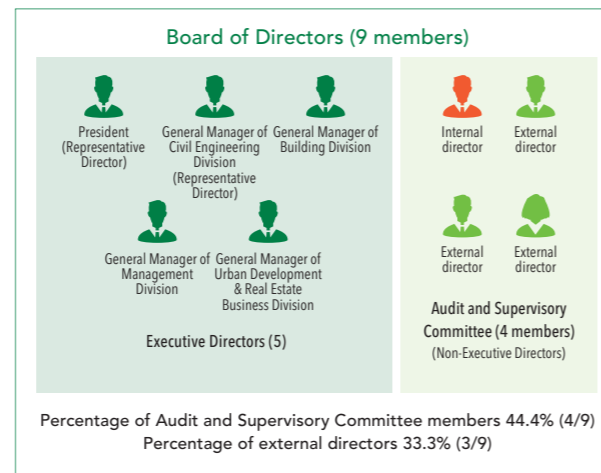
The basic policy of the Company is to improve its corporate governance and maintain good and stable relationships with its stakeholders over the long term, in order to achieve sustainable growth of the Company and increase its corporate value over the medium to long term. Based on this policy, we create structures that lead to the acceleration of decision-making and strengthen supervision by the Board of Directors and our business execution systems.

Our Corporate Governance System

Composition of the Board of Directors and Audit and Supervisory Committee

The Company's Board of Directors is comprised of five executive directors and four directors who are Audit and Supervisory Committee members. Three of the directors who are Audit and Supervisory Committee members are external directors; of these, one has experience at a government financial agency, one is an attorney, and one has experience at a general trading company. As such, all of these external directors possess specialized knowledge in fields considered to be important for the Company's business management.

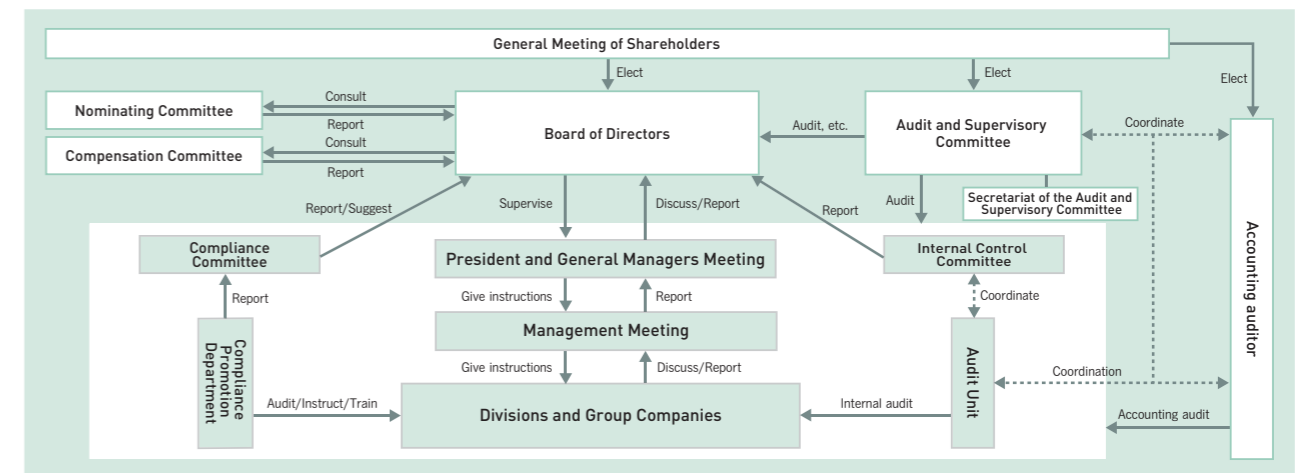
At present, external directors comprise 33% of the Board of Directors. Going forward, we will continue to review the composition of the Board of Directors and the Audit and Supervisory Committee, including the number and diversity of external directors, to ensure it is most appropriate.



Changes to the Corporate Governance System

	2006	2009	2016	2019
Organization Design	June 2006: Introduced the executive officer system.		June 2016: Transitioned to a company with an Audit and Supervisory Committee.	
Composition of the Board of Directors	June 2006: Revised number of Board of Directors members in the Articles of Incorporation to no more than 10.		June 2016: Revised number of directors excluding Audit and Supervisory Committee members in the Articles of Incorporation to no more than 8. Revised number of directors serving as Audit and Supervisory Committee members to no more than 6.	June 2020: Ratio of external directors 1/3
External Directors		June 2009: 2 external directors.	June 2016: 3 external directors (Audit and Supervisory Committee members).	
Voluntary Meetings				July 2019: Established the President and General Managers Meeting.
Voluntary Advisory Bodies		June 2009: Established the Nominating Committee and Compensation Committee.		

Corporate Governance System



Board of Directors	Decides basic management policies, and other important management matters, and supervises the execution of business by directors. Furthermore, deliberates on and decides matters stipulated by laws, regulations and the Articles of Incorporation, as well as items specified in the rules for the Board of Directors.
Audit and Supervisory Committee	Audits the execution of business by directors and carries out other tasks stipulated by laws and regulations.
Nominating Committee and Compensation Committee	As described in Nomination and Compensation Procedures (page 46).
President and General Managers Meeting	Among the proposals on the agenda of Board of Directors meetings, carries out preliminary deliberations on important matters mainly related to sustainable growth, in addition to deciding on specific measures relating to the execution of those proposals once they have been approved by the Board of Directors. Also approves or deliberates on certain individual matters of business execution.
Internal Control Committee	Reviews matters related to internal control, promotes and upholds the processes of internal control, and manages Company-wide risk.
Compliance Committee	Responds to various issues related to compliance.

Reasons for Not Implementing All of the Principles of the Corporate Governance Code

We agree with the principles of the Corporate Governance Code and have a policy of implementing them as a general rule, but have not implemented portions of the following three items. The reasons for not implementing them, and our future policy, are as follows.

Formulation of standards for exercising voting rights for cross-shareholdings (Principle 1.4)

Regarding the exercise of voting rights for cross-shareholdings, it is necessary to make a comprehensive judgment in consideration of the situation of the relevant company and maintaining or strengthening of the relationship between that company and Nishimatsu Construction, so a uniform standard has not been established. We carefully investigate and decide on the pros and cons of individual proposals that could damage shareholder value.

Succession plan for CEO (Supplementary Principle 4.1.3)

Regarding the succession plan for the CEO and others, the following basic policy was decided at a Board of Directors meeting in fiscal 2019. Going forward, we will continue discussions at Board of Directors meetings and implement specific initiatives.

- The Board of Directors clearly states the qualities and capabilities required for candidates for the next president as Requirements for Candidates for President, and consults the Nominating Committee, which submits a report.
- The Board of Directors selects multiple candidates for the next president from among Company officers and employees based on the Requirements for Candidates for President, and consults with the Nominating Committee, which submits a report.
- The Board of Directors formulates an education and training plan for the selected candidates for the next president.

Management compensation (Supplementary principle 4.2.1)

The Board of Directors shall continue to discuss compensation linked to medium- to long-term business performance, and consider a system that matches the actual conditions of the construction industry and Nishimatsu Construction.

We believe that stock-based compensation contributes to sharing value with shareholders and to promoting management from the perspective of shareholders. In order to promote the continuous acquisition and holding of company shares by executive directors, since fiscal 2019 we have been paying compensation for contributions to the Officers' Shareholding Association.

Status of Appointment of External Directors (Audit and Supervisory Committee Members)

Policy and Procedures for Appointment

With an emphasis on independence, we endeavor to appoint external director candidates with specialized knowledge and corporate management experience. We also consider the diversity of our Board of Directors.

We place importance on the expertise and background of candidates for directors who serve as Audit and Supervisory Committee members, and appoint those who we judge to be

able to appropriately audit and supervise. In addition, we have appointed three external directors (including one female director) to ensure the diversity of the Board of Directors.

In order to facilitate the establishment of an appropriate management system, the Board of Directors consults the Nominating Committee regarding the nomination of external director candidates and makes a decision based on the report submitted by the committee.

Reasons for Appointment of External Directors (Audit and Supervisory Committee Members), and Meeting Attendance

Name	Independent officer	Reason for appointment	Meeting Attendance
Koji Mino	Yes	In addition to his extensive experience at Development Bank of Japan, Mr. Mino also has experience as a director and corporate auditor at other companies. Since June 2016, he has been in charge of monitoring and supervising the management of Nishimatsu Construction from an independent position as a director on the Audit and Supervisory Committee. Based on these experiences and achievements, we have determined that he can appropriately audit and supervise the overall management of Nishimatsu Construction from an objective perspective, and have appointed him as an external director on the Audit and Supervisory Committee.	Board of Directors 15/15 (100%) Audit and Supervisory Committee 17/17 (100%)
Kiyomi Kikuchi	Yes	In addition to her professional knowledge as an attorney, Ms. Kikuchi has extensive experience working at financial institutions. Since June 2016, she has been in charge of monitoring and supervising the management of Nishimatsu Construction from an independent position as a director on the Audit and Supervisory Committee. Based on these experiences and achievements, we have determined that she can appropriately audit and supervise the overall management of Nishimatsu Construction from an objective perspective, and have appointed her as an external director on the Audit and Supervisory Committee.	Board of Directors 15/15 (100%) Audit and Supervisory Committee 17/17 (100%)
Jun Ikeda	Yes	In addition to his abundant experience at Mitsubishi Corporation, Mr. Ikeda has a wide range of insight cultivated as the representative director and president of a subsidiary of Mitsubishi Corporation. Since June 2016, he has been in charge of monitoring and supervising the management of Nishimatsu Construction from an independent position as a director on the Audit and Supervisory Committee. Based on these experiences and achievements, we have determined that he can appropriately audit and supervise the overall management of Nishimatsu Construction from an objective perspective, and have appointed him as an external director on the Audit and Supervisory Committee.	Board of Directors 15/15 (100%) Audit and Supervisory Committee 17/17 (100%)

Skill Matrix

Name	Number of years in office	Major area of professional experience					Important Past Experience, Qualifications and Concurrent Positions
		General management	International management	Finance/Accounting	Legal/Compliance	HR/Labor	
Koji Mino	5			Yes		Yes	(Important Past Experience and Qualifications) Associate Director, Development Bank of Japan Inc. Executive Director of The Japan Economic Research Institute Director, Institute of Educational Environment (Important Concurrent Positions) Auditor, Jalec Co., Ltd., and one other company
Kiyomi Kikuchi	5		Yes (North America/ Europe)		Yes		(Important Past Experience and Qualifications) Attorney The Dai-ichi Kangyo Bank, Limited JPMorgan Securities Japan Co., Ltd. (Important Concurrent Positions) Partner (Attorney), TMI Associates Outside Auditor, Nissay Asset Management Corporation and one other company Outside Director of the Board, Mitsubishi Chemical Holdings Corporation
Jun Ikeda	4	Yes	Yes (North America/ Europe)				(Important Past Experience and Qualifications) Executive Officer, Mitsubishi Corporation Representative Director and President of Mitsubishi Shoji Foodtech Co., Ltd. and two other companies (Important Concurrent Positions) Outside Director, SODA NIKKA CO., LTD.

Nomination and Compensation Procedures

Nominating Committee

To help build an appropriate management structure, we have instituted a Nominating Committee for the nomination of director candidates and executive officers. The Nominating Committee accepts inquiries from the Board of Directors and prepares reports on the nomination of director candidates, the appointment/removal of representative directors, the appointment/dismissal of the president, and the appointment/dismissal and promotion/demotion of executive officers. The Board of Directors accepts these reports from the Nominating Committee and makes final decisions.

Compensation Committee

To ensure transparency and objectivity regarding decisions relating to director and executive officer compensation, we have instituted a Compensation Committee. The Compensation Committee accepts inquiries from the Board of Directors and prepares reports on individual compensation for directors and executive officers. The Board of Directors accepts these reports from the Compensation Committee and makes final decisions.

Composition of the Nominating Committee

Committee chairperson	External Director (Audit and Supervisory Committee Member)	Koji Mino
Member	External Director (Audit and Supervisory Committee Member)	Kiyomi Kikuchi
Member	External Director (Audit and Supervisory Committee Member)	Jun Ikeda
Member	Executive Director	Makoto Isshiki
Member	Executive Director	Yuichi Kono

Composition of the Compensation Committee

Committee chairperson	External Director (Audit and Supervisory Committee Member)	Kiyomi Kikuchi
Member	External Director (Audit and Supervisory Committee Member)	Koji Mino
Member	External Director (Audit and Supervisory Committee Member)	Jun Ikeda
Member	Executive Director	Makoto Isshiki
Member	Executive Director	Yuichi Kono

Analysis and Evaluation of the Effectiveness of the Board of Directors

In order to confirm whether the Board of Directors is appropriately fulfilling its duties for promoting sustainable corporate growth and increasing corporate value, we analyze and evaluate the board's effectiveness once a year and strive

to strengthen and improve its functions.

Analysis and evaluation for fiscal 2019 took place from February to April 2020. Following here is an overview of the evaluation process, evaluation results, and future initiatives.

1. Evaluation Process

The Audit and Supervisory Committee led in conducting a questionnaire survey of all directors regarding nine categories: composition of the Board of Directors, operation of the Board of Directors, supervision of directors' execution of duties, compliance and governance, officer compensation system, medium-term management plan/long-term vision, Nominating Committee and Compensation Committee, role of the Audit and Supervisory Committee, and other matters. Compilation of questionnaire results was outsourced to a third party to ensure anonymity. The Audit and Supervisory Committee analyzed and evaluated the compiled results of the questionnaire and reported its findings to the Board of Directors.

and while the effectiveness of the Board of Directors was judged to be one step ahead of the previous year, it was confirmed that continued discussions, investigations and improvements (PDCA) are still necessary, and pointed out that some matters have not been discussed.

In light of these results, the Audit and Supervisory Committee reported to the Board of Directors that the following five categories would continue to be a focus going forward.

- ① Composition of the Board of Directors ② Operation of the Board of Directors ③ Supervision of directors' execution of duties ④ Compliance and internal control ⑤ Officer compensation system

2. Overview of Evaluation Results

The purpose of this Board of Directors evaluation questionnaire was to collect various opinions from directors, so it was conducted in an entirely descriptive response format. As a result, many valuable responses were received, such as comments recognizing the challenges facing Nishimatsu Construction, and suggested measures for improving effectiveness. The responses showed that the directors are willing to fulfill their responsibilities,

3. Future Initiatives

Based on the above suggestions and reports, the general manager of the Management Division and the Administrative Office of the Board of Directors (General Affairs Department) will work together to formulate matters to be deliberated by the Board of Directors and their schedule for the year, and proceed with concrete initiatives following those deliberations.

Communication with Shareholders and Investors

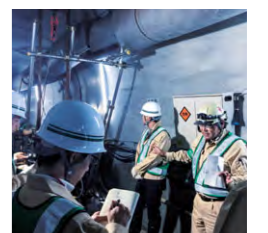
In accordance with General Principle 5 "Dialogue with Shareholders" of the Corporate Governance Code, we will actively engage in constructive dialogue with our shareholders and investors in order to share our medium- to long-term vision and approach to business strategy.

In order to promote constructive dialogue, the director in charge of investor relations leads in building mutual cooperation among corporate planning, general affairs, accounting, and other related departments. The director reports to the Board of Directors on the opinions obtained through dialogue as appropriate, and based on the report the Board of Directors holds repeated discussions on the sustainable growth of the

Company and the enhancement of corporate value over the medium to long term.

In fiscal 2019, we held numerous individual interviews and conference calls in addition to financial results briefings and small meetings for institutional investors and analysts.

We also held a construction site tour for institutional investors and analysts.



Tateno Dam construction site tour

Messages from Directors on the Audit and Supervisory Committee

Hiroshi Yaguchi
Director and Chairperson of the
Audit and Supervisory Committee
(Full-time)



I was appointed to the Audit and Supervisory Committee at the General Meeting of Shareholders in June 2020. Since joining the Company, I have worked in the Information Systems, Audit, Human Resources and Compliance departments. Going forward, I hope to leverage that experience in my role as a full-time Audit and Supervisory Committee member, and through fair and objective audit work prevent misconduct while contributing to the sound, sustainable growth of the Company.

Under any business conditions, a company must continue to grow and expand while demonstrating the flexibility needed to pursue new possibilities. To monitor and verify whether the Company's long-term vision and medium-term plans are being advanced and are delivering results based on legitimate, proper business execution, I will work proactively to enhance the audit environment and gather information internally, share information with the external directors and enhance the effectiveness of our audits.

Recently, the digitalization of work, using ICT to improve productivity, and responding to diversified work styles that are no longer restricted by time or location have become pressing issues for companies, and I sense a need to further accelerate the pace of concrete initiatives to address them. Those initiatives are also an important growth strategy for achieving the long-term vision, and to ensure the success of Nishimatsu Construction's shift to becoming a company with overall capabilities that provides better value, I look forward to deepening the discussion and leveraging it for the future.

Kiyomi Kikuchi
External Director and Audit and
Supervisory Committee Member



The year 2020 began with the onset of COVID-19, which has had an enormous impact on the global economy. Seeing the response of Chinese companies in January, the thought crossed my mind that if handled poorly, this could very well mean the end of a civilization. Two months later, the World Health Organization declared a global pandemic. During that time, and in the months that followed, I also witnessed the response of a variety of Japanese companies to these developments, and was sometimes astounded at their poor sense of crisis and the inadequacy of their BCP preparations in normal times. Early on, I began questioning the Company about what it would do with its worksites, and what kind of situation the Company was imagining would exist once the pandemic died down. I believe that with little reliable information available, the ability to choose information based on objective fact, and to judge a situation calmly based on insight into its true nature, can only be effective if it is part of everyday practice. That belief is something I constantly try to bring to my questioning during Board of Directors meetings and elsewhere.

In the end, only history will tell just how significant the impact of current events will be on the global economy. That said, this pandemic can be seen as offering a good opportunity for Nishimatsu Construction to question, on a fundamental level, the kind of company it wishes to become. Over the long course of history, unexpected and unprecedented events are unavoidable. While coexisting "with COVID-19" is important, I hope that as the Company thinks carefully about how to build an unshakeable management structure that can survive crisis, and become a company that can truly benefit the world, it will also consider a post-COVID-19 world. I look forward to seeing the Company develop sustainably on an even more solid footing than in pre-COVID-19 times.

Koji Mino
External Director and Audit and
Supervisory Committee Member



As an external director, I am committed to bringing a public perspective to maintaining a broad, medium- to long-term view that extends to all business categories.

General contractors tend to be siloed organizations with compartmentalized thinking that does not extend beyond the established boundaries of each business. I thus strive to leverage networks I can trust both in and outside the Company, offering outside perspectives and insights as I work with each layer of the organization in an effort to improve the capabilities of the organization as a whole.

The Company is responsible for building social infrastructure, and its livelihood relies primarily on the wide-ranging construction business. This means that even as the spread of COVID-19 brings about global-level, rapid changes, we must continue to focus on worksites and be tenacious and responsive in sustaining business, firmly maintaining the trust of many stakeholders while also aiming toward stable, developing profits and growth.

Today, we find ourselves in an environment disrupted by a variety of ongoing changes in conditions, digital transformation (DX) and other types of technological innovation. It is thus even more important to free ourselves from the conventions of the industry and organization to take risks when necessary, develop motivated human resources, and create an organization and culture accepting of those changes.

I strongly hope that the Company's management is committed to demonstrating leadership and use their strong organizational abilities to overcome these current challenges.

Jun Ikeda
External Director and Audit and
Supervisory Committee Member



As of June 2020, it has been four years since I was appointed to the position of external director. During that time, I have been careful to take an objective view from the perspective of shareholders and the general public, focusing my remarks on encouraging reforms, unconstrained by precedent or industry practices. In fiscal 2019, I noted that the Company's scale and position in the industry make it well-suited to lead innovation; I sense that changes are now beginning to occur. Outside of discussions by the Board of Directors, I think the Company has, in different ways, demonstrated a strong desire to change its conservative culture and the lockstep nature of the industry, whether by introducing freedom of dress in the office or by leading the industry in deciding to suspend construction projects just one day after the government issued its emergency declaration following the emergence and spread of COVID-19 at the beginning of the year.

At the same time, the prolonged spread of COVID-19 worldwide has raised numerous alarms about a major depression to rival the Great Depression of 1929 even if the situation begins to return to normal. Economic recovery will likely take time, and as society undergoes a major shift, how companies face up to those changes will be called into question. I look forward to seeing further transformation at Nishimatsu Construction that focuses not just on short-term profits, but on the Company's long-term involvement in and contributions to society as a whole—exemplified by the Sustainable Development Goals—which will be an increasingly important part of corporate value.

Compliance

Basic Compliance Policy

We have stipulated our basic compliance policy based on our Company Motto of "Courage, Courtesy, and Justice," with the strong conviction that "adherence to laws and ethics are the engine of sustainable growth for our company." Furthermore, we printed the basic compliance policy on compliance cards, which all employees carry so that they can review the compliance policy at any time.



Compliance Promotion System

In our compliance promotion system, the heads of each division at our head office, the general managers at each regional headquarters, and the presidents of affiliated companies have been appointed as persons in charge of compliance under the Compliance Promotion Department. We are working to publicize and raise awareness about compliance through training and other measures. Furthermore, we established our Compliance Committee, which meets once a month and is chaired by an expert from outside the Company. The committee fulfills functions such as resolving various compliance-related issues. It also makes proposals and recommendations to the Board of Directors. The Compliance Promotion Department acts as the administrative office for the Compliance Committee and works to coordinate with committee activities.

Whistleblowing System and External Consultation Hotline

We have established the Nishimatsu Hotline internal reporting system to improve our corporate culture and deter misconduct, and the Workplace Hotline that enables employees to contact an external professional organization regarding human relations in the workplace or mental health issues.

Whistleblowing Compliance Management System Certification (system for registration of self-declaration of system conformity)

On March 13, 2020, our whistleblowing system, Nishimatsu Hotline, was certified under the Whistleblowing Compliance Management System (WCMS) under the jurisdiction of the Consumer Affairs Agency of Japan. Going forward, we will continue to make more active efforts to improve the environment of the whistleblowing system and promote the strengthening of compliance management.



Risk Management

Basic Philosophy

In order to properly manage risk in the Nishimatsu Construction Group, we have established the Risk & Crisis Management Rules and will strive to minimize losses and ensure sustainable growth. Accurately grasping the nature of various risks surrounding our business activities will also enable us to develop appropriate responses to emergencies and unexpected issues.

Company-Wide Risk Management System

Each fiscal quarter, individual risks are assessed by the responsible departments; then the Audit Unit holds hearings with each department to verify these assessments. The Internal Control Committee then judges these assessments from the perspective of efficacy toward establishing and implementing risk management practices. If necessary, the committee has the department in question define risk levels and revise risk evaluation standards. Furthermore, with regard to the manifestation of high risks, concrete countermeasures are devised and monitored by responsible departments to verify and follow the progress of said measures. By assessing effectiveness throughout the year and recommending corrective actions to reduce risks, the committee helps ensure thorough risk management to minimize the possibility of risk manifestation and the impact such risk has on operations.

Risk Management System



Internal Officers



▶ Representative Director and President

Nobutoshi Takase

Apr. 1980 Joined the Company
 Sep. 2005 General Manager of Building Department, Chubu Branch
 Apr. 2008 Deputy General Manager of Chubu Branch
 Jul. 2008 General Manager of Building Department
 Apr. 2010 Executive Officer, General Manager of Building Headquarters and Building Department
 Apr. 2011 Managing Officer, General Manager of Building Headquarters
 Jun. 2011 Director, Managing Officer, General Manager of Building Headquarters
 Apr. 2012 Director, Managing Officer, General Manager of Kanto Architectural Regional Headquarters
 Apr. 2017 Director, Senior Managing Officer, General Manager of Kanto Architectural Regional Headquarters
 Apr. 2018 Representative Director and President (to present), Chief Executive Officer and President (to present)



▶ Representative Director

Makoto Isshiki

Apr. 1984 Joined the Company
 Jan. 2003 General Manager of Building Marketing Department I
 Apr. 2005 General Manager of Civil Engineering, Higashi Kanto Branch
 Apr. 2007 General Manager of Building Marketing Department I
 Apr. 2010 General Manager of Building Marketing Department III
 Jul. 2011 General Manager of Chubu Branch, West Japan Regional Headquarters
 Apr. 2014 Executive Officer, Deputy General Manager of Civil Engineering Division, General Manager of Civil Engineering Business Planning Department
 Apr. 2016 Senior Managing Officer, General Manager of Civil Engineering Division
 Jun. 2016 Director, Senior Managing Officer, General Manager of Civil Engineering Division
 Apr. 2018 Representative Director and Executive Vice President, General Manager of Civil Engineering Division
 Apr. 2019 Representative Director and Executive Vice President, General Manager of Civil Engineering Division, In charge of New Businesses
 Apr. 2020 Representative Director and Executive Vice President, General Manager of Civil Engineering Division and Safety, Environment & Quality Division, In charge of New Businesses (to present)



▶ Director

Yuichi Kono

Apr. 1980 Joined the Company
 Apr. 2005 Deputy General Manager of Finance & Accounting Department
 Apr. 2008 Deputy General Manager of Audit Unit, Deputy General Manager of Finance & Accounting Department
 Mar. 2009 General Manager of Audit Unit
 May 2009 General Manager of General Affairs Department
 Apr. 2012 Executive Officer, Chief of the President Office
 Apr. 2015 Managing Officer, General Manager of Management Division, In charge of Investor Relations
 Jun. 2015 Director, Managing Officer, General Manager of Management Division, In charge of Investor Relations
 Apr. 2018 Director, Senior Managing Officer, General Manager of Management Division, In charge of Investor Relations (to present)



▶ Director

Yoshiyuki Sawai

Apr. 1980 Joined Fuji Bank, Ltd.
 Mar. 2006 Executive Officer, General Manager of Corporate Planning, Mizuho Bank, Ltd.
 Apr. 2007 Executive Officer, General Manager of Corporate Business, Mizuho Bank, Ltd.
 Apr. 2008 Executive Officer, General Manager of Shibuya Branch, Mizuho Bank, Ltd.
 Jun. 2010 Director of the Company
 Apr. 2011 Director, Managing Officer, General Manager of Urban Development & Real Estate Business Division
 Apr. 2012 Director, Managing Officer, General Manager of Urban Development & Real Estate Business Division
 Apr. 2019 Director, Senior Managing Officer, General Manager of Urban Development & Real Estate Business Division (to present)



▶ Director

Kazutoyo Hamada

Apr. 1987 Joined the Company
 Apr. 2014 General Manager of Building Engineering Planning Department
 Apr. 2016 Executive Officer, Deputy General Manager of Building Division, General Manager of Building Engineering Planning Department, General Manager of Building Department
 Apr. 2019 Executive Officer, Deputy General Manager of Building Division, General Manager of Building Department
 Apr. 2020 Managing Officer, General Manager of Building Division
 Jun. 2020 Director, Managing Officer, General Manager of Building Division (to present)



▶ Director

(Audit and Supervisory Committee Member) (Full-Time)

Hiroshi Yaguchi

Apr. 1979 Joined the Company
 Jun. 2009 General Manager of Information System Department
 Jul. 2013 General Manager of Audit Unit
 Apr. 2015 General Manager of Human Resource Department
 Apr. 2016 Deputy General Manager of Management Division, General Manager of Human Resource Department
 Apr. 2017 Executive Officer, Deputy General Manager of Management Division, General Manager of Compliance Promotion Department
 Apr. 2020 Executive Officer, Deputy General Manager of Management Division
 Jun. 2020 Director (Audit and Supervisory Committee Member) (to present)

External Officers



▶ External Director
(Audit and Supervisory Committee Member)

Koji Mino

Apr. 1979 Joined Japan Development Bank (current Development Bank of Japan Inc.)
 Mar. 2000 Deputy General Manager of Kansai Branch, Japan Development Bank
 Mar. 2001 Counselor, Japan Development Bank
 Mar. 2001 Seconded to The Japan Economic Research Institute
 Jun. 2003 Executive Director of The Japan Economic Research Institute
 Apr. 2005 Seconded to PLUS Corporation
 Apr. 2011 Director, Institute Educational Environment
 Jun. 2011 Retired from Development Bank of Japan Inc.
 May 2013 Auditor, Jalec Co., Ltd. (to present)
 Jun. 2014 Auditor, AERAHOME, Co., Ltd.
 Jun. 2015 External Director of the Company
 Jun. 2016 External Director (Audit and Supervisory Committee Member) (to present)
 Jan. 2017 Auditor, Tokyo Telemarketing Inc. (to present)
 Mar. 2017 Director and General Manager of General Affairs Department, Kyoritsuikueikai Educational Corporation (to present)



▶ External Director
(Audit and Supervisory Committee Member)

Kiyomi Kikuchi

Apr. 1986 Joined The Dai-Ichi Kangyo Bank, Limited
 Dec. 1990 Retired from The Dai-Ichi Kangyo Bank, Limited
 Apr. 1999 Asahi Law Offices (registered in Tokyo Bar Association)
 May 2002 Graduated from Law school at Columbia University
 Sep. 2002 Allen & Overy (London)
 May 2003 Acquired attorney license at New York State
 Oct. 2003 Asahi Law Offices
 Sep. 2004 TAIYO LAW OFFICE (current Paul Hastings LLP.)
 Sep. 2006 JPMorgan Securities Japan Co., Ltd.
 Apr. 2008 Attorney, TMI Associates (to present)
 Jun. 2015 External Director of the Company
 Mar. 2016 Outside Auditor, Nissay Asset Management Corporation (to present)
 Jun. 2016 External Director (Audit and Supervisory Committee Member) of the Company (to present)
 Jun. 2019 Outside Auditor, GECOSS CORPORATION (to present)
 Jun. 2019 Outside Director of the Board, Mitsubishi Chemical Holdings Corporation (to present)



▶ External Director
(Audit and Supervisory Committee Member)

Jun Ikeda

Apr. 1976 Joined Mitsubishi Corporation
 Dec. 1998 General Manager, Commodity Chemicals Division, US Mitsubishi Headquarters (New York)
 May 2003 Corporate Planning Division, Business Development Division, Mitsubishi Corporation
 Jun. 2005 General Manager of Advanced Science Division, Mitsubishi Corporation
 Apr. 2006 Executive Officer, Mitsubishi Corporation
 Jun. 2009 Retired from Mitsubishi Corporation
 President and Representative Director, Mitsubishi Shoji Foodtech Co., Ltd.
 Nov. 2012 President and CEO, Mitsubishi Corporation Life Sciences Limited
 President and CEO, KOHJIN Life Sciences Co., Ltd.
 Jul. 2015 Advisor, Mitsubishi Corporation Life Sciences Limited
 Jun. 2016 External Director (Audit and Supervisory Committee Member) of the Company (to present)
 Outside Director, SODA NIKKA CO., LTD. (to present)

Evaluation of 2019 CSR Activities

Activity Target Evaluation Scoring Method

- 5 The activity was adopted Group-wide and its continuation for the medium to long term is assured.
- 4 A system for the activity was created, and the activity was rolled out throughout the Group.
- 3 An effective activity was implemented, and a system for the activity has been created in business divisions.
- 2 The activity was implemented, but a system for the activity was not created in business divisions.
- 1 A specific activity target was established, but the activity was not implemented.
- 0 A specific activity target was established, but the activity was not implemented.

Numerical Target Evaluation Scoring Method

- 4 Achievement rate of 120% or higher
- 3 Achievement rate of 100% to 119%
- 2 Achievement rate of 60% to 99%
- 1 Achievement rate of 59% or lower

Better Value	SDGs	Activity details	Activity evaluation	Numerical target	Numerical evaluation	Overall evaluation		
Superior Environmental Technologies		Net-zero CO ₂ emissions	5	Total CO ₂ emissions from business activities	48,000 t-CO ₂ (construction) 1,469 t-CO ₂ (other than construction)	2 67%		
		Activities to preserve biodiversity	5	Number of activities implemented	All worksites	4 133%		
		Minimization of final landfill disposal rate	5	Final landfill disposal rate	2.7% or lower	4 133%		
		Improvement of environmental awareness and knowledge of employees	5	Number of people who have passed the Eco Test	2,330 or more in total	4 133%		
		Active promotion of research and development related to environmental technologies	3	Number of practical environmental technologies developed	3/year	1 20%		
		Promotion of environmentally friendly design and construction	3	Rate of environmentally friendly conscious design items selected by customers	74% or higher	2 40%		
		LED illumination for NCO properties	4	Number of NCO properties that have switched to LED lighting	3/year	3 80%		
		Product accident avoidance (Civil Engineering)	4	Number of product accidents	1/year or fewer	4 107%		
		Acquisition of high evaluations from clients (Civil Engineering)	3	Average score for the year in construction results evaluations	Average score of 79 or more	2 40%		
		Diverse Services		Significant reduction in construction defects (Building)	5	Total annual expenditures on defect repairs	¥670 million/year	3 100%
Acquisition of high evaluations from clients (Building)	4			Rate of "A" evaluations in customer questionnaires	80% or higher	4 107%		
Improvement of quality standards (International)	4			Items requiring improvement identified in quality patrols, etc.	0.5/worksites	2 53%		
Promotion of maintenance and renewal works business (Civil Engineering)	5			Number of renewal construction orders for renewal works	2 orders or more received by each regional headquarters	4 133%		
Proactive promotion of technical proposals and proposal-based sales (Building)	3			Percentage of properties rated superior properties	80% or higher	3 60%		
Promotion of one-stop business (BM, PM) (Urban Development)	4			Number of BM and PM contracts	5/year	4 107%		
Initiatives in new environment-related business (OKIPPA Slope-monitoring cloud system, etc.)	0			Number of external sales of OKIPPA	100 units	0 0%		
Initiatives in urban development (PPP/PFI) business	0			Number of PPP/PFI projects created		0 0%		
Initiatives in New Businesses (plant factories)	0			Number of bags of lettuce sold	[Tamagawa] 2,000 bags/day [Ichihara] 2,000 bags/day	0 0%		
Appealing Work Styles				Establishment of human resource quality and technical skills (Civil Engineering)	3	Rate of first-class construction management engineer qualification acquisition	100%	2 40%
		Promotion of core technology development	3	Number of practical technologies developed	10 or more	3 60%		
		Promotion of proprietary technology dissemination	4	Number of proprietary technologies utilized at worksites	37 technologies or more/year	4 107%		
		Promotion of technological development that lead to New Business	3	Number of practical technologies developed	2 over the period 3-year medium-term plan	4 80%		
		Active promotion and continuation of social contribution activities (In-house)	3	Number of social contribution activity implementation reports	100/year	2 40%		
		Active promotion and continuation of social contribution activities (External recognition)	3	Number of awards received from external organizations	3 or more	3 60%		
		Distribution of accurate and detailed information to potential investors	5	Number of interviews etc.; number of improper disclosures	50 or more; 0	2 67%		
		Engagement with substantial shareholders	5	Number of dialogues with major shareholders (institutional investors); approval rate for proposals at General Meeting of Shareholders	10 or more; 90% or higher on average	3 100%		
		Sound Management		Internal personnel exchange, employee retention (Urban Development & Real Estate)	4	0% turnover rate	0%	3 80%
				Training local staff and young employees (International)	4	Number of local staff participating in training	Total of 6 people	3 80%
Development of human resources capable of accurately responding to social changes	2			Understanding and shared appreciation of Nishimatsu-Vision 2027	(No numerical target)	- -		
Clarification of each employee's career	2			Career map creation	Creation for each job category	2 27%		
Promotion of work environment improvements (civil engineering worksites)	3			(1) Rate of sites with six closures every four weeks (2) Overtime hours on worksites, etc.	(1) 70% or higher (2) 70 hours/month or less	2 40%		
Promotion of work environment improvements (Building worksites)	3			(1) Rate of sites with five closures every four weeks (2) Number of employees who work less than 80 hours overtime per month	(1) 90% or higher (2) 80% or higher	3 60%		
Promotion of work environment improvements (Building Engineering Design Department)	4			(1) Number of employees who take 125 days of annual holiday plus five days of planned paid leave (2) Number of employees who work 80 hours or more overtime per month	(1) 90% or higher (2) 95% or higher	2 53%		
Promotion of work environment improvements (overseas)	5			Percentage of Japanese employees working overseas who take home leave for a temporary return to Japan	100%	3 100%		
Creation of a workplace that is motivating and comfortable	4			Turnover rate, etc.	Less than 1.5%	3 80%		
Creation of a workplace that is motivating and comfortable	1			Employee satisfaction survey	(No numerical target)	- -		
Management		Improvement of safety management standards	2	Frequency rate for injuries requiring four days or more, 1 day or more of absence from work	0.6 or below, 1.0 or below	1 13%		
		No deaths and no major injuries	2	Number of injuries requiring four days or more, 1 day or more of absence from work	15 or fewer, 25 or fewer	3 40%		
		Improvement of safety management standards (International)	5	Frequency rate for injuries requiring four days or more of absence from work	0.7 or less	4 133%		
		Improvement of the quality and technical skills of N-NET member companies	1	Number of business client/foreman training sessions	2 times/year	1 7%		
		Vitalization of N-NET	4	Number of N-NET opinion exchange meetings	4 times/year	4 107%		
		Completion of business continuity plan for earthquakes	3	Number of safety confirmation training sessions; number of BCP headquarters startup training sessions	4 times/year; 2 times/year	3 60%		
		Appropriate promotion of risk management	4	Risk management high-risk items	"A" evaluation 0 items	3 80%		
		Establishment of information leakage counter measures	5	Number of cases of information leakage	0 cases	3 100%		
		Sophistication of corporate governance	4	(None)	(None)	- -		
		Thorough IT governance (RN21 system)	5	Evaluation and items identified by audit corporation requiring improvement	Zero items identified	3 100%		
Compliance		Practice of compliance management in response to social changes	4	Compliance Awareness Survey overall evaluation score	1.35 points or more	2 53%		
		Effective operation of the whistleblowing system	4	Awareness survey (awareness of hotline use) evaluation score	1.0 points or more	3 80%		
		Active implementation of compliance training	3	Awareness survey (evaluation of training) evaluation score	1.0 points or more	3 60%		

Financial Section

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Consolidated Balance Sheet

Nishimatsu Construction Co., Ltd. and Consolidated Subsidiaries
March 31, 2019 and 2020

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Assets			
Current assets:			
Cash and time deposits (Notes 2 and 17).....	¥ 31,474	¥ 46,459	\$ 426,896
Notes and accounts receivable, trade:			
Notes (Notes 13 and 17).....	10,001	4,007	36,822
Accounts (Note 17).....	187,728	216,303	1,987,533
Allowance for doubtful accounts (Note 2).....	(163)	(164)	(1,503)
Inventories.....	11,209	13,133	120,672
Advance paid.....	17,469	12,845	118,029
Other current assets.....	11,484	9,233	84,826
Total current assets.....	269,202	301,816	2,773,275
Investments and other assets:			
Investment securities (Notes 2, 8, 13 and 17).....	76,331	54,585	501,558
Investments in subsidiaries and affiliates (Note 13).....	745	751	6,896
Deferred income taxes.....	—	161	1,475
Others.....	5,762	6,763	62,153
Allowance for doubtful accounts (Note 2).....	(91)	(86)	(789)
Total investments and other assets.....	82,747	62,174	571,293
Property and equipment (Notes 2 and 13):			
Land.....	57,573	80,394	738,710
Buildings.....	84,071	81,513	748,997
Machinery and equipment.....	10,098	10,266	94,335
Accumulated depreciation.....	(37,364)	(39,118)	(359,440)
Total property and equipment.....	114,378	133,055	1,222,602
Total assets.....	¥466,327	¥497,045	\$4,567,170

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Liabilities and Net assets			
Current liabilities:			
Short-term debt (Notes 9 and 17).....	¥ 61,068	¥ 41,909	\$ 385,087
Current portion of bonds payable (Note 17).....	—	15,000	137,830
Commercial papers (Note 17).....	—	35,000	321,602
Notes and accounts payable, trade:			
Notes (Note 17).....	47,183	28,655	263,301
Accounts (Note 17).....	61,463	64,489	592,567
Advances received on uncompleted contracts.....	8,866	16,756	153,969
Provision for warranties for completed construction (Note 2).....	763	797	7,321
Provision for bonuses (Note 2).....	3,674	4,006	36,808
Provision for loss on construction contracts (Note 2).....	1,002	1,052	9,666
Accrued income taxes.....	4,265	4,581	42,092
Provision for loss on real estate business and other (Note 2).....	24	25	230
Deposits received.....	23,134	35,996	330,755
Other current liabilities.....	12,031	4,361	40,072
Total current liabilities.....	223,473	252,627	2,321,300
Long-term liabilities:			
Bonds payable (Notes 9 and 17).....	25,000	30,000	275,659
Net defined benefit liability.....	8,475	7,993	73,443
Deferred tax liabilities (Notes 2 and 11).....	5,702	528	4,849
Provision for environmental measures (Note 2).....	246	97	890
Asset retirement obligations (Note 19).....	424	481	4,415
Other long-term liabilities.....	3,676	6,032	55,434
Total long-term liabilities.....	43,523	45,131	414,690
Total liabilities.....	266,996	297,758	2,735,990
Net assets:			
Common stock:			
Authorized - 160,000,000 shares			
Issued and outstanding - 55,591,502 shares.....	23,514	23,514	216,058
Capital surplus.....	20,780	20,780	190,944
Retained earnings.....	129,707	142,684	1,311,075
Treasury stock, at cost.....	(2,172)	(2,175)	(19,984)
Unrealized gain on available-for-sale securities.....	25,811	13,137	120,710
Equity adjustment from foreign currency translation.....	(36)	72	661
Remeasurements of defined benefit plans.....	(366)	(1,140)	(10,475)
Non-controlling interests.....	2,093	2,415	22,191
Total net assets.....	199,331	199,287	1,831,180
Total liabilities and net assets.....	¥466,327	¥497,045	\$4,567,170

Consolidated Statement of Income

Nishimatsu Construction Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2019 and 2020

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Net sales (Note 2):			
Completed construction contract.....	¥338,334	¥379,962	\$3,491,339
Real estate business and other.....	10,985	11,659	107,128
	349,319	391,621	3,598,467
Cost of sales (Notes 2 and 14):			
Cost of completed construction contract.....	298,044	339,326	3,117,943
Cost of real estate business and other.....	7,851	8,357	76,793
	305,895	347,683	3,194,736
Gross profit.....	43,424	43,938	403,731
Selling, general and administrative expenses (Note 14):			
Income from operations.....	18,495	18,625	171,137
	24,929	25,313	232,594
Other income (expenses):			
Interest and dividend income.....	1,208	1,161	10,667
Interest expenses.....	(439)	(474)	(4,354)
Financing expenses.....	(72)	(15)	(136)
Gain on sales of investment securities.....	1,208	912	8,382
Gain on investments in silent partnerships.....	254	82	749
Gain on sales of non-current assets.....	—	25	239
Loss on retirement of non-current assets.....	(31)	(6)	(52)
Loss on valuation of investment securities.....	—	(1,236)	(11,356)
Foreign currency exchange loss.....	(11)	(329)	(3,020)
Compensation income.....	15	189	1,736
Head office relocation expenses.....	—	(219)	(2,013)
Other-net.....	(144)	32	277
	1,988	122	1,119
Profit before income taxes	26,917	25,435	233,713
Income taxes (Notes 2 and 11):			
Current.....	7,590	5,803	53,323
Deferred.....	470	724	6,650
	8,060	6,527	59,973
Profit	18,857	18,908	173,740
Loss attributable to non-controlling interests	72	187	1,716
Profit attributable to owners of parent	¥ 18,785	¥ 18,721	\$ 172,024
	Yen		U.S. dollars
Per share of common stock (Note 21):			
Net income.....	¥343.39	¥342.24	\$3.145
Cash dividends applicable to the year.....	105.00	105.00	0.965

The accompanying notes are an integral part of these statements.

Consolidated Statement of Comprehensive Income

Nishimatsu Construction Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2019 and 2020

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Profit	¥18,857	¥ 18,908	\$ 173,740
Other comprehensive income:			
Unrealized gain on available-for-sale securities (Note 15).....	1,009	(12,675)	(116,466)
Equity adjustment from foreign currency translation (Note 15).....	(77)	248	2,274
Remeasurements of defined benefit plans (Note 15).....	(460)	(774)	(7,113)
	472	(13,201)	(121,305)
Comprehensive income	¥19,329	¥ 5,707	\$ 52,435
Comprehensive income attributable to:			
Comprehensive income attributable to owners of parent.....	¥19,280	¥ 5,381	\$ 49,440
Comprehensive income attributable to non-controlling interests....	49	326	2,995

The accompanying notes are an integral part of these statements.

Consolidated Statement of Changes in Net Assets

Nishimatsu Construction Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2019 and 2020

	Millions of yen								Total net assets
	Eop o op" uqam	Eor kari' uir nru	Tgclpof " gtpipi u	Vgaurif " uqanibvqav	Vitgaurif " i dp'ap" cckkadryat/ uarg'lgavikigu	Gwki' " of lvuo go/hap" hajki plvittqep" vqpurokp	Tgo gaurigo gau' " chf g'pof" dpgjlv' repu	Pap'epitqilpi " lpgtguu	
Balance at April 1, 2018	¥23,514	¥20,780	¥116,133	¥(2,170)	¥ 24,802	¥ 18	¥ 94	¥2,049	¥185,220
Dividends declared (Note 16).....			(5,197)						(5,197)
Profit attributable to owners of parent.....			18,785						18,785
Change of scope of consolidation.....			(14)						(14)
Purchase of treasury stock.....				(2)					(2)
Net changes of items other than shareholder's equity.....					1,009	(54)	(460)	44	539
Balance at April 1, 2019	¥23,514	¥20,780	¥129,707	¥(2,172)	¥ 25,812	¥ (37)	¥ (366)	¥2,093	¥199,331
Dividends declared (Note 16).....			(5,744)						(5,744)
Profit attributable to owners of parent.....			18,721						18,721
Purchase of treasury stock.....				(3)					(3)
Disposal of treasury shares.....		(0)							(0)
Net changes of items other than shareholder's equity.....					(12,675)	109	(774)	322	(13,018)
Balance at March 31, 2020	¥23,514	¥20,780	¥142,684	¥(2,175)	¥ 13,137	¥ 72	¥(1,140)	¥2,415	¥199,287

	Thousands of U.S. dollars								Total net assets
	Eop o op" uqam	Eor kari' uir nru	Tgclpof " gtpipi u	Vgaurif " uqanibvqav	Vitgaurif " i dp'ap" cckkadryat/ uarg'lgavikigu	Gwki' " of lvuo go/hap" hajki plvittqep" vqpurokp	Tgo gaurigo gau' " chf g'pof" dpgjlv' repu	Pap'epitqilpi " lpgtguu	
Balance at April 1, 2019	\$216,058	\$190,944	\$1,191,829	\$(19,960)	\$ 237,176	\$(333)	\$ (3,362)	\$19,234	\$1,831,586
Dividends declared (Note 16).....			(52,778)						(52,778)
Profit attributable to owners of parent.....			172,024						172,024
Purchase of treasury stock.....				(24)					(24)
Disposal of treasury shares.....		(0)							(0)
Net changes of items other than shareholder's equity.....					(116,466)	994	(7,113)	2,957	(119,628)
Balance at March 31, 2020	\$216,058	\$190,944	\$1,311,075	\$(19,984)	\$ 120,710	\$ 661	\$(10,475)	\$22,191	\$1,831,180

The accompanying notes are an integral part of these statements.

Consolidated Statement of Cash Flows

Nishimatsu Construction Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2019 and 2020

	Millions of yen		Thousands of U.S. dollars
	2019	2020	
Cash flows from operating activities:			
Profit before income taxes.....	¥ 26,917	¥ 25,435	\$ 233,713
Adjustment for:			
Depreciation and amortization.....	2,209	2,617	24,048
Increase (decrease) in allowance for doubtful accounts.....	0	(4)	(40)
Increase (decrease) in provision for loss on construction contracts.....	329	50	459
Loss (gain) on sales of investment securities.....	(1,208)	(912)	(8,382)
Loss (gain) on valuation of investment securities.....	—	1,236	11,356
Loss (gain) on sales of property and equipment.....	84	(26)	(239)
Interest and dividend income.....	(1,208)	(1,161)	(10,667)
Interest expenses.....	439	474	4,354
Decrease (increase) in notes and accounts receivable.....	(58,225)	(22,415)	(205,962)
Decrease (increase) in inventories.....	(2,995)	1,100	10,104
Increase (decrease) in notes and accounts payable.....	30,952	(15,669)	(143,973)
Increase (decrease) in advances received on uncompleted contracts.....	(3,231)	7,890	72,494
Increase (decrease) in retirement benefit liability.....	(867)	(1,605)	(14,749)
Others.....	(2,401)	21,969	201,874
Sub-total.....	(9,205)	18,979	174,390
Interest and dividend received.....	1,195	1,166	10,718
Interest paid.....	(438)	(540)	(4,958)
Income taxes paid.....	(7,435)	(5,485)	(50,403)
Net cash provided by (used in) operating activities	(15,883)	14,120	129,747
Cash flows from investing activities:			
Payment for purchases of marketable and investment securities.....	(4,056)	(546)	(5,022)
Proceeds from sale of marketable and investment securities.....	1,982	3,390	31,153
Acquisition of property and equipment.....	(21,044)	(24,757)	(227,482)
Proceeds from sale of property and equipment.....	271	117	1,073
Payments of loans receivable.....	(587)	(672)	(6,178)
Proceeds from collection of loans.....	21	3,081	28,307
Others.....	(219)	(760)	(6,976)
Net cash provided by (used in) investing activities	(23,632)	(20,147)	(185,125)
Cash flows from financing activities:			
Net increase (decrease) in short-term loans.....	42,900	(19,142)	(175,889)
Net increase (decrease) in commercial papers.....	—	35,000	321,602
Repayment of long-term borrowings.....	—	(100)	(919)
Proceeds from issuance of bonds.....	—	20,000	183,773
Increase (decrease) in deposit received from employees.....	—	(9,016)	(82,843)
Cash dividends paid.....	(5,193)	(5,745)	(52,787)
Dividends paid to non-controlling interests.....	(4)	(4)	(41)
Others.....	854	(41)	(374)
Net cash provided by (used in) financing activities	38,557	20,952	192,522
Effect of exchange rate changes on cash and cash equivalents.....	(42)	60	553
Net increase (decrease) of cash and cash equivalents	(1,000)	14,985	137,697
Cash and cash equivalents at beginning of year (Note 2).....	32,499	31,474	289,199
Decrease in cash and cash equivalents resulting from change of scope of consolidation.....	(25)	—	—
Cash and cash equivalents at end of year (Note 2)	¥ 31,474	¥ 46,459	\$ 426,896

The accompanying notes are an integral part of these statements.

1. Basis of presenting consolidated financial statements

(a) Nishimatsu Construction Co., Ltd. (the "Company") maintains its accounting records and prepares its financial statements in accordance with the provisions set forth in the Japanese Corporation Law and in conformity with generally accepted accounting principles and practices in Japan.

The accompanying consolidated financial statements of the Company and its consolidated subsidiaries are a translation of the audited consolidated financial statements filed with the Financial Services Agency as required by the Financial Instruments and Exchange Law.

In preparing the consolidated financial statements for the purpose of inclusion in this Corporate Report, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in Japan in order to present these statements in a form which is more familiar to readers of these statements outside Japan.

(b) Scope of consolidation

The Company, its thirteen subsidiaries (of which eleven are included in the scope of consolidation), constitute the Nishimatsu Construction Group (the "Group"). Sangenjaya Ichigou Co., Ltd., which had acquired shares by anonymous partnership investment in the consolidated fiscal year ended March 31, 2020, has been included in the scope of consolidation. Hanoi PH investment Pte. Ltd., which was established in the consolidated fiscal year ended March 31, 2020, has been included in the scope of consolidation.

Major consolidated subsidiaries are Nishimatsu Jisho Co., Ltd. and Thai Nishimatsu Construction Co., Ltd.

Major non-consolidated subsidiaries are Shimashizu Corporation Co.,

Ltd. and Shin Urayasu Ekimae PFI. The non-consolidated subsidiaries have been excluded from the scope of consolidations as they are small in scale and the total amounts of the non-consolidated subsidiaries' assets, net sales, equity in net income/loss, and equity in retained earnings do not have material impact on the consolidated financial statements.

(c) Application of the equity method

The Company does not apply the equity method on investments in non-consolidated subsidiaries and affiliated companies.

Major non-consolidated subsidiaries are Shimashizu Corporation, Shin Urayasu Ekimae PFI, and non-consolidated affiliates, Hamamatsu Chuo Nishi Building K.K. and Masunagagumi Co., Ltd.

These non-consolidated subsidiaries and affiliates are excluded from the application of the equity method, as each company has minimal impact on net income/loss, retained earnings and other accounts and these companies on the whole do not have materiality.

(d) Fiscal year end of consolidated subsidiaries

The fiscal year end of our consolidated subsidiaries, Thai Nishimatsu Construction Co., Ltd., Lao Nishimatsu Construction Co., Ltd., Nishimatsu Vietnam Co., Ltd., Nishimatsu Real Estate & Development (Asia) Pte. Ltd., Nishimatsu Investment, Ltd., Sangenjaya Ichigou Co., Ltd. and Hanoi PH investment Pte. Ltd. is December 31.

Financial statements of these subsidiaries as of December 31 are included in the consolidated financial statements. However, significant transactions that occurred in the period between January 1 and March 31, the balance sheet date of the Group, have been reflected in the preparation of the consolidated financial statements.

2. Summary of significant accounting policies

(a) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits placed with banks on demand, and highly liquid investments with insignificant risk of changes in value, with maturities of three months or less when purchased.

Cash and cash equivalent balance of ¥46,459 million (\$426,896 thousand) is in the balance sheet as of March 31, 2020.

(b) Standard and methods of assessment of significant assets

Investments in securities:

Held-to-maturity securities are either amortized or accumulated to face value.

Other securities with quoted market prices are carried at market value.

The difference between the acquisition costs and the carrying value of other securities, including unrealized gains and losses, is recognized as a component of net assets and is reflected as "Unrealized gain on available-for-sale securities held for sale."

The cost of other securities sold is computed by the moving average method.

Other securities without quoted market prices are stated at cost based on the moving average method.

Derivatives:

Mark-to-market method

Inventories:

Inventories other than materials and supplies are stated at the accumulated construction cost for each project, which does not include selling, general and administrative expenses.

Materials and supplies are stated at cost determined by the moving average method.

Regarding real estate held for sale, cost of uncompleted real estate development projects and materials and supplies, when deterioration in profitability is recognized, their book values on balance sheets are devalued.

(c) Depreciation and amortization

Property, plant and equipment (excluding lease assets):

Property and equipment, including significant renewals and additions, are carried at cost.

The cost of property and equipment retired or otherwise disposed of

and accumulated depreciation in respect thereof are eliminated from the related accounts, and the resulting gain or loss is reflected in income.

Maintenance and repairs, including minor renewals and improvements, are charged to income as incurred.

Depreciation is computed generally by the declining balance method at rates based on the useful lives, which is determined under standards that conform to the methods provided for in the corporation tax act.

The straight-line method is applied to buildings acquired after April 1, 1998 and buildings and accompanying facilities and structures acquired after April 1, 2016.

Intangible assets (excluding lease assets):
Intangible assets are carried at cost.

Useful lives of assets are determined based on standards that conform to the methods provided for in the corporation tax act. Software for internal use is amortized using the straight-line method based on an internal estimate of its useful life (five years).

Lease assets:

Lease assets associated with finance leases that do not transfer ownership are accounted for based on the straight-line method with the term of lease as the useful life and the residual value as zero.

(d) Accrued retirement benefits

Accrued retirement benefits are calculated based on an estimate of the projected retirement benefit obligation and the pension fund assets.

Past service costs are amortized on straight-line method over 10 years.

Actuarial gains and losses are amortized on the straight-line method over 10 years beginning immediately with the following year.

(e) Recognition of sales and related costs

The Group applies the percentage of completion method to the projects to which the percentage of completion can be reliably estimated, while the Group applies the completed contract method to the other projects.

Estimation of construction progress at the end of fiscal year applies the proportional method.

Sales from the percentage of completion method are ¥372,828 million (\$3,425,891 thousand).

(f) Income taxes

Deferred income taxes are recognized applying the asset and liability method.

Under this method, deferred tax assets and liabilities are determined based on the difference between the financial reporting and the tax basis of the assets and liabilities, and are measured using enacted tax rates and laws that will be in effect when the differences are expected to reverse.

(g) Foreign currency transactions

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date.

The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by foreign exchange derivatives.

(h) Hedge accounting

Interest rate swaps are utilized to avoid interest volatility risk on debt.

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the net amount to be paid or received under the interest rate swap contracts are recognized and included in interest expense and income as incurred.

Forward foreign exchange contracts utilized as a hedging instrument against risk arising from exchange rate fluctuations which meet the required criteria are accounted for by the allocation method. In the allocation method, assets and liabilities subject to foreign forward contract are translated by the contracted rate of exchange.

(i) Provision for warranties for completed construction

Provision for losses which are expected to occur in the future related to

defects of completed work is provided based on the estimated amount calculated using an actual percentage of related losses during a certain past period and the estimated future warranty expense amount for the specific properties.

(j) Allowance for doubtful accounts

The Group provides for possible losses due to uncollectibility of notes, accounts, loans receivable and others based on the Groups' past credit loss experience and management's estimate.

(k) Provision for loss on construction contracts

Provision for loss on construction contracts is provided with respect to construction projects for which the losses can be reasonably estimated.

(l) Provision for bonuses

Provision for bonuses is based on the estimated value of the bonus to be paid to employees.

(m) Provision for loss on real estate business

Provision for losses which are expected to occur in the future related to real estate businesses is provided when the loss can be reasonably estimated.

(n) Provision for environmental measures

It is calculated based on a rational estimate and the Group recognized ¥96 million (\$890 thousand) subjected to the Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes.

(o) Other accounting policies on preparing consolidated financial statements

Process of the equivalent of consumption tax and local consumption tax Consumption tax and local consumption tax are accounted for using the tax exclusion method.

3. Accounting standards not yet implemented, etc.

- Accounting Standards on Revenue Recognition (Corporate Accounting Standards No. 29, March 31, 2020)
- Implementation Guidelines on Accounting Standards on Revenue Recognition (Corporate Accounting Standards Application Guideline No. 30, March 31, 2020)

(1) Overview

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when the entity satisfies a performance obligation and as it fulfills

(2) Planned applicable date

Applied from the beginning of the fiscal year ending in March 2022.

(3) Impact of application on these accounting standards, etc.

We are currently assessing the amount of effect on consolidated financial statements.

4. Changes in presentations

(a) Notes to consolidated statement of Balance sheet

"Marketable securities" which was separated in the previous fiscal year, is included in "Other current assets" listed from the fiscal year ended March 31, 2020, because of less quantitative materiality.

The consolidated financial statement of the previous fiscal year has been reclassified to reflect this change in presentation.

As a result, ¥128 million of presented in "Marketable securities" under "Current assets" in the consolidated statement of balance sheet of the previous fiscal year has been reclassified as ¥11,484 million of "Other current assets".

"Current portion of long-term debt" and "Employee's deposits" which was separated in the previous fiscal year, is included in "Other current liabilities" listed from the fiscal year ended March 31, 2020, because of less quantitative materiality.

The consolidated financial statement of the previous fiscal year has been reclassified to reflect this change in presentation.

As a result, ¥100 million of presented in "Current portion of long-term debt" and ¥9,016 million of "Employee's deposits" under "Current liabilities" in the consolidated statement of balance sheet of the previous fiscal year has been reclassified as ¥12,031 million of "Other current liabilities".

(b) Notes to consolidated statement of income

"Loss of rebuilding" and "Settlement package" which was separated in "Other income (expenses)" in the previous fiscal year, is included in "Other-net" listed from the fiscal year ended March 31, 2020, because of less quantitative materiality.

The consolidated financial statement of the previous fiscal year has been reclassified to reflect this change in presentation.

As a result, ¥(147) million of "Loss of rebuilding" and ¥(7) million of "Settlement package" under "Other income (expenses)" in the consolidated statements of income of the previous fiscal year has been reclassified as ¥(144) million of "Other-net".

5. Additional information

For accounting estimation of impairment of property and equipment, the Group has assumed that the impact of COVID-19 on operating revenue and other expenses for a portion of leased real estate is expected to occur over a period of about six months, based on information available at the time of preparation of the financial statements.

In addition, the effect of COVID-19 has not been taken into account in estimates under the percentage-of-completion method (total revenue, total cost of construction, and the degree of completion of construction work as of the balance sheet date) because it was difficult to reasonably estimate the extent of the effect after the balance sheet

date.

In some cases, additional costs were incurred after the balance sheet date as a result of the temporary suspension of construction work due to the issuance of the declaration of a state of emergency. As of the date of submission, the suspended construction work has resumed sequentially, and the impact on the financial position and operating results in the following fiscal year is expected to be limited; however, if the period of suspension of construction work is prolonged or the number of suspended works increases due to the reemergence of the infection, the Company's business results may be significantly affected.

6. Significant subsequent events (Issue of unsecured bonds)

At the board meeting held on June 25, 2020, the Company made the following comprehensive resolution regarding the issuance of unsecured bonds.

1. Corporate bond type	Domestic unsecured straight corporate bonds
2. The total amount of issued corporate bonds	30 billion yen (however, it can be issued once or divided into multiple times.)
3. Redemption deadline	5 years
4. Amount of each offered bond	100 million yen
5. The upper limit of interest rate of each offered bond	0.45% or less
6. Redemption method	Bullet maturity amortization
7. Amount paid for each offered bond	100 yen for every 100 yen offered
8. Redemption amount of each offered bond	100 yen for every 100 yen offered
9. Application period	From July 1, 2020 to September 30, 2020
10. Interest payment method and deadline	Every 6 months, deferred payment
11. Collateral/Guarantee	No collateral/guarantee.
12. Use of funds	Debt repayment and working capital.
13. Book-Entry bond system	The provisions of the Law Concerning Book-Entry Transfer of Corporate Bonds and Shares, etc. apply to the bonds.
14. Others	Determining the specific conditions for each issuance and all matters necessary for the issuance of corporate bonds are left to the General Manager of the Management Headquarters within the range specified above.

7. United States dollar amounts

The United States dollar amounts presented in the accompanying consolidated financial statements are included solely for convenience and are stated, as a matter of arithmetical computation only, at the rate of ¥108.83 = US\$1, which was the exchange rate prevailing as of March 31, 2020.

These conversions should not be construed as representations that the Japanese yen amounts actually represent, or have been or could be converted into, United States dollars at that rate.

8. Investment in securities

As of March 31, 2019 and 2020, securities with quoted market prices were summarized as follows:

Held-to-maturity securities with quoted market prices

	Millions of yen			Thousands of U.S. dollars		
	2019	2020	2020	2019	2020	2020
	Book value	Fair value	Unrealized gains (losses)	Book value	Fair value	Unrealized gains (losses)
Held-to-maturity securities whose market values exceed the amounts recorded in the balance sheet:						
Debt securities.....	¥128	¥130	¥2	—	—	—
Sub-total.....	128	130	2	—	—	—
Held-to-maturity securities whose market values do not exceed the amounts recorded in the balance sheet:						
Debt securities.....	—	—	—	—	—	—
Sub-total.....	—	—	—	—	—	—
Total.....	¥128	¥130	¥2	—	—	—

Other securities with quoted market prices

	Millions of yen			Thousands of U.S. dollars		
	2019	2020	2020	2019	2020	2020
	Acquisition cost	Fair value	Unrealized gains (losses)	Acquisition cost	Fair value	Unrealized gains (losses)
Other securities whose market values recorded in the balance sheet exceed their acquisition costs:						
Equity securities.....	¥26,454	¥64,392	¥37,938	¥22,899	¥42,561	¥19,662
Sub-total.....	26,454	64,392	37,938	22,899	42,561	19,662
Other securities whose market values recorded in the balance sheet do not exceed their acquisition costs:						
Equity securities.....	3,114	2,358	(756)	5,533	4,773	(760)
Sub-total.....	3,114	2,358	(756)	5,533	4,773	(760)
Total.....	¥29,568	¥66,750	¥37,182	¥28,432	¥47,334	¥18,902
				\$261,250	\$434,939	\$173,689

Available-for-sale securities sold during the fiscal year ended March 31, 2019 and 2020

	Millions of yen			Thousands of U.S. dollars		
	2019	2020	2020	2019	2020	2020
	Proceeds	Total gain on sales	Total loss on sales	Proceeds	Total gain on sales	Total loss on sales
Equity securities.....	¥1,865	¥1,208	¥(657)	¥1,349	¥912	¥(437)
				\$12,395	\$8,382	\$(4,013)

Loss on valuation of investment securities

FY2018 (April 1, 2018 to March 31, 2019)

As of March 31, 2019, an impairment loss is recognized of ¥— million of securities (other securities of unlisted stocks)

FY2019 (April 1, 2019 to March 31, 2020)

As of March 31, 2020, an impairment loss is recognized of ¥1,235 million of securities (other securities of unlisted stocks)

The Group recognizes an important loss on securities with market prices in cases where the market price at the end of the fiscal year falls 50% or more compared to the book value and is considered to be irrecoverable. An impairment loss is also recognized for any item considered to be irrecoverable when the market price at the end of the fiscal year falls 30% or more and less than 50% compared to the book price and any of the following applies.

- Market price has continued to drop at a rate of 30% or more over the past year.
- The issuing company of the respective stock is in an excess debt status as of the latest fiscal year.
- The issuing company of the respective stock has posted loss attributable to owners of parent for the last two consecutive years and expects to post loss attributable to owners of parent also in the following fiscal year.

For securities without market prices, the Group recognizes an impairment loss for the value needed in consideration of its recoverability in cases where the substantial value falls 50% or more compared to the book value.

9. Short-term and long-term debt

(a) The weighted average interest rates on short-term debt outstanding as of March 31, 2020 was approximately 0.310 per cent.

(b) Long-term debt comprised the following:

Issuer	Type	Date of issue	Millions of yen		Thousands of U.S. dollars
			2019	2020	2020
Fvg#2421q#243y#k#					
" y g k j v f / o g t a i g l p g t u "					
t o g t # 2 0 4 2 1 g t e p / #			¥ 100	¥ —	\$ —
20221 g t e p / # p g a t e f "	Plj lo ow/	V g 8 j "			
" L o r o p g g l g p t b p f f v e g "	Equtvelkp	v p g a t e f "			
" L w r # 6 . # 2 4 2 0 #	EqDfN	L o r o p g g l g p t b p f d p f u "	15,000	15,000	137,830
20321 g t e p / # p g a t e f "	Plj lo ow/	V g 9 j "			
" L o r o p g g l g p t b p f f v e g "	Equtvelkp	v p g a t e f "			
" L w r # 4 . # 2 4 4 0 #	EqDfN	L o r o p g g l g p t b p f d p f u "	10,000	10,000	91,886
20# 21 g t e p / # p g a t e f "	Plj lo ow/	V g i j "			
" L o r o p g g l g p t b p f f v e g "	Equtvelkp	v p g a t e f "			
" U j # 2 . # 2 4 6 0 #	EqDfN	L o r o p g g l g p t b p f d p f u "	—	20,000	183,773
			25,100	45,000	413,489
N g u r # p k p f v g l y k j p 31 g t			100	—	—
			¥25,200	¥45,000	\$413,489

The aggregate annual maturities of lease on March 31, 2020 were as follows:

	Millions of yen	Thousands of U.S. dollars
2020.....	¥32	\$291
2021.....	¥21	\$189
2022.....	¥18	\$168
2023 and thereafter	¥21	\$193

The amount of commercial papers (scheduled to be repaid within one year) as of March 31, 2020 is as follows:

	Millions of yen	Thousands of U.S. dollars
2020.....	¥35,000	\$321,602

The interest rate applied to this commercial papers is 0.011%.

10. Retirement benefit and pension plan

Information on the projected benefit obligation under the retirement benefit and pension plan were as follows:

FY2018 (April 1, 2018 to March 31, 2019)

(a) Retirement benefit obligation

	Millions of yen	
	2019	
Retirement benefit obligation as of April 1, 2018	¥25,144	
Service cost.....	1,159	
Interest cost.....	173	
Actuarial gain or loss	658	
Retirement benefits paid.....	(1,141)	
Others.....	(2)	
Retirement benefit obligation as of March 31, 2019	¥25,991	

Method of attributing the retirement benefit obligation to periods of service: Simplified method

(b) Reconciliation of plan assets

	Millions of yen	
	2019	
Plan assets as of April 1, 2018.....	¥16,462	
Expected return on plan assets.....	286	
Actuarial gain or loss	(337)	
Contribution by the Company.....	1,960	
Retirement benefits paid.....	(853)	
Plan assets as of March 31, 2019	¥17,516	

(c) Reconciliation of retirement benefit obligation and plan assets and net liability for retirement benefit in the Consolidated Balance Sheet

	Millions of yen	
	2019	
Funded retirement benefit obligation	¥ 25,823	
Plan assets.....	(17,515)	
	8,308	
Unfunded retirement benefit obligation.....	167	
Net liability for retirement benefit in the Consolidated Balance Sheet	8,475	
Net defined benefit liability	8,475	
Net liability for retirement benefit in the Consolidated Balance Sheet	¥ 8,475	

(d) Components of net periodic pension cost for the year ended March 31, 2019

	Millions of yen	
	2019	
Service cost	¥1,159	
Interest cost.....	173	
Expected return on plan assets.....	(286)	
Amortization of actuarial gain or loss	424	
Unrecognized past service cost	(91)	
Total	¥1,379	

Service cost includes the retirement benefit obligation applying the simplified method are included in "service cost".

(e) Remeasurements of defined benefit plans

Details of items (before income tax excluded) of remeasurements of defined benefit plans were as follows:

	Millions of yen	
	2019	
Past service cost.....	¥ (91)	
Actuarial gain or loss.....	(571)	
Total	¥(662)	

(f) Cumulative remeasurements of defined benefit plans

Details of items (before income tax excluded) of cumulative remeasurements of defined benefit plans were as follows:

	Millions of yen	
	2019	
Unrecognized past service cost	¥ (91)	
Unrecognized actuarial gain or loss.....	618	
Total	¥527	

(g) Pension assets

Details of plan assets

Ratio of each major category for plan assets was as follows:

	2019
Bonds	46%
Securities	22%
General accounts	19%
Others	13%
Total	100%

Retirement benefits trust established for corporate pension plans accounts for 28% of total plan assets.

Method for long-term expected return on plan assets

Long-term expected return on plan assets is determined by current and future distribution of plan assets and long-term expected return consists of pension assets.

(h) Assumptions for actuarial calculations

	2019
Discount rate	0.7%
Expected return on plan assets	
Except pension trust.....	2.5%
Expected return on pension trust.....	0.0%

(i) Defined contribution

Amount payable for defined contribution of the Company and consolidated subsidiary was ¥192 million.

(j) The Group participates in multi-employer defined benefit pension plans and recognizes as net pension cost the related required contributions for the period.

As mentioned above, our company had joined NATIONAL CONSTRUCTION ASSOCIATION PENSION FUND, which is in the process of liquidation so the Company omitted the funded status of the entire plan, the ratio of the Company's payment contributions for the entire plan and other supplementary information.

FY2019 (April 1, 2019 to March 31, 2020)

(a) Retirement benefit obligation

	Millions of yen		Thousands of U.S. dollars	
	2020	2020	2020	2020
Retirement benefit obligation as of April 1, 2019	¥25,991	\$238,819		
Service cost.....	1,282	11,782		
Interest cost.....	179	1,645		
Actuarial gain or loss	97	894		
Retirement benefits paid.....	(1,364)	(12,534)		
Others.....	8	72		
Retirement benefit obligation as of March 31, 2020.....	¥26,193	\$240,678		

Method of attributing the retirement benefit obligation to periods of service: Simplified method

(b) Reconciliation of plan assets

	Millions of yen		Thousands of U.S. dollars	
	2020	2020	2020	2020
Plan assets as of April 1, 2019.....	¥17,516	\$160,949		
Expected return on plan assets.....	317	2,910		
Actuarial gain or loss	(964)	(8,861)		
Contribution by the Company.....	2,338	21,479		
Retirement benefits paid.....	(1,005)	(9,241)		
Plan assets as of March 31, 2020	¥18,200	\$167,236		

(c) Reconciliation of retirement benefit obligation and plan assets and net liability for retirement benefit in the Consolidated Balance Sheet

	Millions of yen		Thousands of U.S. dollars	
	2020	2020	2020	2020
Funded retirement benefit obligation	¥ 25,986	\$ 238,776		
Plan assets.....	(18,200)	(167,236)		
	7,786	71,540		
Unfunded retirement benefit obligation.....	207	1,903		
Net liability for retirement benefit in the Consolidated Balance Sheet	7,993	73,443		
Net defined benefit liability	7,993	73,443		
Net liability for retirement benefit in the Consolidated Balance Sheet	¥ 7,993	\$ 73,443		

(d) Components of net periodic pension cost for the year ended March 31, 2020

	Millions of yen		Thousands of U.S. dollars	
	2020	2020	2020	2020
Service cost	¥1,282	\$11,782		
Interest cost.....	179	1,645		
Expected return on plan assets.....	(316)	(2,910)		
Amortization of actuarial gain or loss	37	344		
Unrecognized past service cost	(91)	(838)		
Total	¥1,091	\$10,023		

Service cost includes the retirement benefit obligation applying the simplified method are included in "service cost".

(e) Remeasurements of defined benefit plans

Details of items (before income tax excluded) of remeasurements of defined benefit plans were as follows:

	Millions of yen		Thousands of U.S. dollars	
	2020	2020	2020	2020
Past service cost.....	¥ (91)	\$ (839)		
Actuarial gain or loss	(1,024)	(9,410)		
Total	¥(1,115)	\$(10,249)		

(f) Cumulative remeasurements of defined benefit plans

Details of items (before income tax excluded) of cumulative remeasurements of defined benefit plans were as follows:

	Millions of yen		Thousands of U.S. dollars	
	2020	2020	2020	2020
Unrecognized past service cost	¥ —	\$ —		
Unrecognized actuarial gain or loss	1,643	15,093		
Total	¥1,643	\$15,093		

(g) Pension assets

Details of plan assets

Ratio of each major category for plan assets was as follows:

	2020
Bonds	46%
Securities.....	11%
General accounts	23%
Others	20%
Total	100%

Retirement benefits trust established for corporate pension plans accounts for 22% of total plan assets.

Method for long-term expected return on plan assets

Long-term expected return on plan assets is determined by current and future distribution of plan assets and long-term expected return consists of pension assets.

(h) Assumptions for actuarial calculations

	2020
Discount rate	0.7%
Expected return on plan assets	
Except pension trust.....	2.5%
Expected return on pension trust.....	0.0%

(i) Defined contribution

Amount payable for defined contribution of the Company and consolidated subsidiary was ¥198 million.

11. Income taxes

Composition of deferred tax assets and liabilities

(a) Deferred tax assets and liabilities at March 31, 2019 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars	
	2019	2020	2020	2020
Deferred tax assets:				
Net defined benefit liability.....	¥ 3,958	¥ 3,829	\$ 35,180	
Impairment loss of long-lived assets	2,695	2,660	24,444	
Allowance for doubtful accounts.....	1,406	76	701	
Provision for bonuses	1,124	1,226	11,263	
Carryforwards	955	919	8,441	
Provision for warranties for completed construction...	234	244	2,240	
Loss on valuation of real estate	261	253	2,327	
Provision for allowance for loss on construction projects ...	307	322	2,958	
Valuation loss on investment securities.....	189	176	1,618	
Others.....	2,379	2,089	19,199	
Subtotal deferred tax assets.....	13,508	11,794	108,371	
Valuation allowance for net operating loss carryforwards (*1).....	(932)	(897)	(8,244)	
Valuation allowance for the sum of deductible temporary differences	(5,712)	(4,383)	(40,276)	
Valuation allowance	(6,644)	(5,280)	(48,520)	
Gross deferred tax assets	¥ 6,864	¥ 6,514	\$ 59,851	
Deferred tax liabilities:				
Unrealized gain on available-for-sale securities	(11,381)	(5,792)	(53,224)	
Reserve for reduction entry of replaced property...	(485)	(483)	(4,440)	
Others.....	(577)	(606)	(5,561)	
Gross deferred tax liabilities.....	¥(12,443)	¥(6,881)	\$(63,225)	
Net deferred tax assets (liabilities)	¥ (5,578)	¥ (367)	\$ (3,374)	

(*1) Valuation allowance decreased by ¥1,363 million. The main reason for this decrease is that the Company deducted the depreciation due to accounting because it met the requirements.

(*2) The amounts of net operating loss carryforwards and corresponding deferred tax assets by due period.

Previous fiscal year (As of March 31, 2019)

	Millions of yen						Total
	2019	2019	2019	2019	2019	2019	
	Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years	
Net operating loss carryforwards (a).....	¥19	¥240	¥138	¥21	¥19	¥518	¥955
Valuation allowance.....	(6)	(240)	(138)	(10)	(19)	(518)	(932)
Deferred tax assets	12	—	—	10	—	—	22

(a) The net operating loss carryforwards represent the amounts after being multiplied by the statutory tax rate.

Current fiscal year (As of March 31, 2020)

	Millions of yen						Total
	2020	2020	2020	2020	2020	2020	
	Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years	
Net operating loss carryforwards (a).....	¥ 231	¥ 138	¥ 5	¥ 16	¥ 325	¥ 203	¥ 918
Valuation allowance.....	(210)	(138)	(5)	(16)	(325)	(203)	(897)
Deferred tax assets	21	—	—	—	—	—	21

(a) The net operating loss carryforwards represent the amounts after being multiplied by the statutory tax rate.

	Thousands of U.S. dollars						Total
	2020	2020	2020	2020	2020	2020	
	Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years	
Net operating loss carryforwards (a).....	\$2,122	\$1,270	\$44	\$151	\$2,984	\$1,869	\$8,441
Valuation allowance.....	(1,925)	(1,270)	(44)	(151)	(2,984)	(1,869)	(8,244)
Deferred tax assets	197	—	—	—	—	—	197

(a) The net operating loss carryforwards represent the amounts after being multiplied by the statutory tax rate.

(b) Reconciliation between the statutory tax rate and the effective tax rate was as follows:

	2019	2020
Statutory tax rate	30.6%	30.6%
(Adjustment)		
Permanent non-deductible items.....	1.6%	1.0%
Permanent non-taxable items	(0.8)%	(0.3)%
Inhabitant taxes on per capita levy	0.5%	0.6%
Valuation allowance.....	(0.6)%	(5.4)%
Tax credit.....	(1.3)%	(1.4)%
Others.....	(0.1)%	0.6%
Effective tax rate	29.9%	25.7%

12. Lease transactions

Finance lease transactions that do not transfer ownership

1. Leased assets consist of the following types of assets

Tangible assets
Mainly computer system and equipment for the Company.

2. Depreciation method for lease assets

- i) Method Straight - line method
- ii) Term Lease term
- iii) Residual value Zero

13. Notes to Consolidated Balance Sheet

(a) Investments in non-consolidated subsidiaries and affiliates as of March 31, 2019 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Investment securities.....	¥745	¥751	\$6,896

(b) Collateral assets and secured liabilities:

Pledged assets for construction contracts, loans on subsidiaries, affiliates and other obligations as of March 31, 2019 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Pledged assets for loans on subsidiaries and affiliates:			
Building and structures.....	¥285	¥275	\$2,531
Land.....	37	37	338
Investment securities.....	98	104	951
Total.....	¥420	¥416	\$3,820

Pledged assets for housing latent defects:

	Millions of yen	Thousands of U.S. dollars
Securities	¥128	\$ —
Total.....	¥128	\$ —

(c) Loan guarantee:

The Company provides guarantee for employees' housing loans from banks.

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
	¥24	¥19	\$171

Debt guarantees are provided for debt obligations from financial institutions, etc. of affiliated companies.

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
MUL Nishimatsu Property (Thailand) Co., Ltd.....	¥85	¥117	\$1,072

(d) Matured notes are settled on the bank clearance date.

Since March 31, 2019 and March 31, 2020 were a holiday for financial institutions, the following matured notes due on that date are included in the consolidated balance sheet as of March 31, 2019 and 2020.

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Notes-receivable	¥712	¥—	\$—

(e) Due to have ready working capital efficiently, the Company and its subsidiaries conclude rental commitment contracts:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Total amount of loan commitment	¥35,000	¥10,000	\$91,886
Loans outstanding.....	35,000	10,000	91,886

(f) The Company transfer property and equipment to assets for sale of estate included in Inventories due to purpose of possession:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Building and structures	¥—	¥ 28	\$ 256
Land.....	—	503	4,627
Total.....	¥—	¥531	\$4,883

(g) The amounts of reduction entry that was conducted in the current fiscal year are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Building and structures	¥—	¥55	\$508
Total.....	¥—	¥55	\$508

14. Notes to Consolidated Statement of income

(a) Provision for loss on construction contracts included in the cost of completed construction contracts was as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
	¥331	¥351	\$3,229

(b) Major items and amounts under selling, general and administrative expenses are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Employees' salary and allowances	¥9,430	¥9,150	\$8,074
Retirement benefit expenses	604	490	4,501
Provision for bonuses.....	510	400	3,671

(c) Research and development expenses for the years ended March 31, 2019 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
	¥1,378	¥1,506	\$13,842

(d) Gains on sales of fixed assets were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Land.....	¥—	¥81	\$742
Machinery.....	0	2	19
Other.....	—	0	0
Total.....	¥ 0	¥83	\$761

(e) Loss on sales of fixed assets was as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Buildings and structures.....	¥84	¥56	\$514
Land.....	0	0	0
Machinery.....	0	1	8
Total.....	¥84	¥57	\$522

(f) Loss on retirement of non-current assets was as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Buildings and structures.....	¥26	¥4	\$40
Machinery.....	1	0	0
Fixtures.....	1	1	8
Other.....	3	1	4
Total.....	¥31	¥6	\$52

15. Notes to Consolidated Comprehensive Income

Other comprehensive income for the year ended March 31, 2019 and 2020 was as follows:

1. Reclassification adjustments of each component of other comprehensive income (loss) were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Unrealized gain on available for sale securities			
Amount arising during the year.....	¥2,663	¥(18,587)	\$(170,792)
Reclassification adjustments.....	(1,208)	324	2,974
Equity adjustment from foreign currency translation			
Amount arising during the year.....	(78)	247	2,274
Remeasurements of defined benefit plans			
Amount arising during the year.....	(995)	(1,062)	(9,755)
Reclassification adjustments.....	333	(54)	(494)
Amount before income tax effect	715	(19,132)	(175,793)
Income tax effect	(243)	5,930	54,489
Total.....	¥ 472	¥(13,202)	\$(121,304)

2. Tax effects for each component of other comprehensive income (loss) were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Unrealized gain on available for sale securities			
Amount before income tax effect	¥1,455	¥(18,264)	\$(167,818)
Income tax effect.....	(445)	5,589	51,352
Amount after adjustment of income tax effect.....	¥1,010	¥(12,675)	\$(116,466)
Foreign currency translation adjustment			
Amount before income tax effect	¥ (78)	¥ 247	\$ 2,274
Income tax effect.....	—	—	—
Amount after adjustment of income tax effect.....	¥ (78)	¥ 247	\$ 2,274
Remeasurements of defined benefit plans			
Amount before income tax effect	¥ (662)	¥ (1,115)	\$ (10,249)
Income tax effect.....	203	341	3,136
Amount after adjustment of income tax effect.....	¥ (459)	¥ (774)	\$ (7,113)
Other comprehensive income			
Amount total of other comprehensive income	¥ 715	¥(19,132)	\$(175,793)
Income tax effect.....	(243)	5,930	54,489
Amount after adjustment of income tax effect.....	¥ 472	¥(13,202)	\$(121,305)

16. Notes to Consolidated Statement of Changes in Net Assets

(a) Class and total number of shares issued were as follows:

	Thousand shares	
	2019	2020
Common stock		
Number of shares at the beginning of year.....	55,591	55,591
Number of shares increased.....	—	—
Number of shares decreased	—	—
Number of shares at the end of year	55,591	55,591

(b) Class and number of shares of treasury stock were as follows:

Common stock	Thousand shares	
	2019	2020
Number of shares at the beginning of year	888	889
Number of shares increased.....	1	1
Number of shares decreased	—	—
Number of shares at the end of year	889	890

**(c) Dividends
FY2018 (April 1, 2018 to March 31, 2019)**

1. Dividends paid

Resolution	Class of shares	Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars	Record date	Effective date
		Total dividend	Dividend per share				
Ordinary general meeting of shareholders on June 28, 2018	Common stock	¥5,197	\$48,623	¥95	\$0.856	March 31, 2018	June 29, 2018

2. Dividend whose record date falls during the fiscal year and whose effective date falls in the following fiscal year

Resolution	Class of shares	Source of dividend	Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars	Record date	Effective date
			Total dividend	Dividend per share				
Ordinary general meeting of shareholders on June 27, 2019	Common stock	Retained earnings	¥5,744	\$51,751	¥105	\$0.946	March 31, 2019	June 28, 2019

FY2019 (April 1, 2019 to March 31, 2020)

1. Dividends paid

Resolution	Class of shares	Source of dividend	Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars	Record date	Effective date
			Total dividend	Dividend per share				
Ordinary general meeting of shareholders on June 27, 2019	Common stock	Retained earnings	¥5,744	\$52,778	¥105	\$0.965	March 31, 2019	June 28, 2019

2. Dividend whose record date falls during the fiscal year and whose effective date falls in the following fiscal year

Resolution	Class of shares	Source of dividend	Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars	Record date	Effective date
			Total dividend	Dividend per share				
Ordinary general meeting of shareholders on June 26, 2020	Common stock	Retained earnings	¥5,744	\$52,777	¥105	\$0.965	March 31, 2020	June 29, 2020

17. Financial instruments

(a) Disclosure on financial instruments

(1) Policy on financial instruments

Funds are limited to short-term deposits, and methods of raising funds are debt from banks, commercial papers and bond issuance.

The Group utilizes derivatives to hedge risks against the fluctuation of foreign exchange rate and interest rate related to debt, and does not engage in speculative financial transactions.

(2) Types of financial instruments, related risks, and financial risk management

Notes receivable, accounts receivable from completed construction contracts and other are subject to customer credit risk.

The Group evaluates each customer's credit before receiving an order, and monitors due dates and outstanding balances after receiving an order to find out and reduce the risk of uncollectibility.

Investment securities, mainly held-to-maturity securities or equity of the Company related in business, are subject to the risk derived from future changes in market prices.

The Group monitors fair value and financial position periodically and reviewed the status of its holdings in instruments on an ongoing basis.

Loans, mainly provided to business partners, are subject to customer credit risk.

The Group evaluates each customer's credit in advance.

The Group monitors due dates and outstanding balances, and

a) FY2018 (April 1, 2018 to March 31, 2019)

1. The increase of shares was due to the purchase of shares below one unit.

a) FY2019 (April 1, 2019 to March 31, 2020)

1. The increase of shares was due to the purchase of shares below one unit.

2. The decrease of shares was due to the sale of shares below one unit based on their demand to purchase of shares.

confirms the credibility of the client periodically.

Due dates of notes payable, accounts payable for construction contracts and other come mostly within one year.

Short-term debt and commercial papers are mainly for business operations, and long-term debt, for investment in facilities. Floating interest debt is subject to interest-rate risk, therefore, the Group utilizes derivatives for some long-term floating interest debt in each transaction (interest rate swap) as a hedging instrument to fix the payment interest.

Evaluating hedge effectiveness is omitted because requirements for an exceptional accounting treatment in interest rate swap are satisfied.

The Group reviews derivative transactions in advance, and regularly confirms the conditions and details in conformity with the policy on risk management.

The Group enters into derivative contracts only with financial institutions of high credit to reduce credit risks.

Operating liabilities, debt, commercial papers and bond are subject to liquidity risks.

The Group manages these risks with monthly cash report and so on.

The internal control committee makes each department responsible for a specific risk, and establishes control systems of preventive risk management and heuristic risk management.

(3) Supplemental explanation for fair value of financial instruments

The fair value of financial instruments includes either the value determined based on market prices or the value based on a reasonable calculation if no market price is available.

However, as certain variables are used for these calculations, the result of such calculations may vary if different assumptions are used.

The contract amounts of derivatives do not measure the market risk in derivative transactions.

(b) Fair value of financial instruments

The book value, fair value, and difference of the financial instruments on the consolidated balance sheet as of March 31, 2019 and 2020 were as follows.

This table does not include financial instruments for which it is extremely difficult to determine the fair value.

	Millions of yen		
	2019		
	Book value	Fair value	Difference
Cash and deposits.....	¥ 31,474	¥ 31,474	¥ —
Notes receivable, accounts receivable from completed construction contracts and other	197,729	197,669	(60)
Investment in securities.....	66,878	66,880	2
Long-term loans	439	—	—
Allowance for doubtful accounts *	(86)	—	—
	353	345	(8)
Assets.....	¥296,434	¥296,368	¥ (66)
Notes payable, accounts payable for construction contracts and other	¥108,645	¥108,645	¥ —
Short-term debt	61,168	61,168	—
Commercial papers	—	—	—
Current portion of bond.....	—	—	—
Bond.....	25,000	25,159	159
Long-term debt.....	—	—	—
Liabilities	¥194,813	¥194,972	¥159
Derivative	—	—	—

	Millions of yen		
	2020		
	Book value	Fair value	Difference
Cash and deposits.....	¥ 46,459	¥ 46,459	¥ —
Notes receivable, accounts receivable from completed construction contracts and other	220,311	220,171	(140)
Investment in securities.....	47,334	47,334	—
Long-term loans	597	—	—
Allowance for doubtful accounts *	(81)	—	—
	516	504	(12)
Assets.....	¥314,620	¥314,469	¥(152)
Notes payable, accounts payable for construction contracts and other	¥ 93,144	¥ 93,144	¥ —
Short-term debt	41,909	41,909	—
Commercial papers	35,000	35,000	—
Current portion of bond.....	15,000	15,000	—
Bond.....	30,000	29,972	(28)
Long-term debt.....	—	—	—
Liabilities	¥215,053	¥215,025	¥ (28)
Derivative	—	—	—

	Thousands of U.S. dollars		
	2020		
	Book value	Fair value	Difference
Cash and deposits.....	\$ 426,896	\$ 426,896	\$ —
Notes receivable, accounts receivable from completed construction contracts and other	2,024,356	2,023,064	(1,291)
Investment in securities.....	434,939	434,939	—
Long-term loans	5,484	—	—
Allowance for doubtful accounts *	(746)	—	—
	4,738	4,630	(108)
Assets.....	\$2,890,929	\$2,889,529	\$(1,399)
Notes payable, accounts payable for construction contracts and other.....	\$ 855,868	\$ 855,868	\$ —
Short-term debt	385,087	385,087	—
Commercial papers	321,602	321,602	—
Current portion of bond.....	137,830	137,830	—
Bond.....	275,659	275,397	(262)
Long-term debt.....	—	—	—
Liabilities	\$1,976,046	\$1,975,784	\$ (262)
Derivative	—	—	—

* Allowance for doubtful accounts individually accrued to long-term loan are omitted.

1. Methods to determine the fair value of financial instruments and other matters related to securities and derivative transactions.

Assets

1) Cash and deposits

The book value approximates fair value because it is settled in short-term.

2) Notes receivable, accounts receivable from completed construction contracts and other
The fair value of notes receivable and accounts receivable is based on the present value of a periodically divided the amount, discounted by the rate assumed based on its maturity and credit risk.

3) Investment in securities

The fair value of equity securities is based on quoted market prices. The fair value of debt securities is based on either quoted market prices or prices provided by the financial institutions making markets in these securities.

4) Long-term loan

The fair value of long-term loan is based on the present value of a periodically divided cash flows, discounted by the rate assumed based on credit risk.

Liabilities

1) Notes payable, accounts payable for construction contracts and other, short-term debt and commercial papers, and current portion of bond.

As the book value approximates fair value because it is settled in short-term, the relevant book value is used.

2) Bond

The fair value of bond is determined by discounting cash flows related to the bond at the rate assumed based on bond's maturity and credit risk.

3) Long-term debt

The fair value of long-term debt is based on the present value of the total amount including principal and interest, discounted by the expected interest rate to be applied to similar loans.

2. Financial instruments for which it is extremely difficult to determine the fair value at March 31, 2019 and 2020 were as follows:

Classification	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Unlisted securities	¥6,212	¥4,013	\$36,876
Silent partnerships	3,369	3,237	29,743
Stock for non-consolidated subsidiaries and affiliates	745	751	6,896

3. Redemption schedule for receivable and securities to maturity at March 31, 2019 and 2020.

	Millions of yen			
	2019			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash and deposits	¥ 31,474	¥ —	¥ —	¥ —
Notes receivable, accounts receivable from completed construction contracts and other	188,696	8,501	532	0
Investment in securities				
Debt security held to maturity (government bonds)	128	—	—	—
Long-term loan	—	374	27	39
Total	¥220,298	¥8,875	¥559	¥39

	Millions of yen			
	2020			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash and deposits	¥ 46,459	¥ —	¥ —	¥ —
Notes receivable, accounts receivable from completed construction contracts and other	200,943	18,836	532	—
Investment in securities				
Debt security held to maturity (government bonds)	—	—	—	—
Long-term loan	—	492	71	33
Total	¥247,402	¥19,328	¥603	¥33

	Thousands of U.S. dollars			
	2020			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash and deposits	\$ 426,896	\$ —	\$ —	\$ —
Notes receivable, accounts receivable from completed construction contracts and other	1,846,394	173,073	4,889	—
Investment in securities				
Debt security held to maturity (government bonds)	—	—	—	—
Long-term loan	—	4,527	655	302
Total	\$2,273,290	\$177,600	\$5,544	\$302

4. Redemption schedule for bond, long-term debt, and lease liability as of March 31, 2019 and 2020.

	Millions of yen					
	2019					
	Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years
Bond	¥ —	¥15,000	¥ —	¥10,000	¥ —	¥ —
Long-term debt	100	—	—	—	—	—
Lease liability	26	15	4	3	1	—
Total	¥126	¥15,015	¥ 4	¥10,003	¥ 1	¥ —

	Millions of yen					
	2020					
	Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years
Bond	¥15,000	¥ —	¥10,000	¥ —	¥20,000	¥ —
Long-term debt	—	—	—	—	—	—
Lease liability	32	21	18	15	5	1
Total	¥15,032	¥21	¥10,018	¥15	¥20,005	¥ 1

	Thousands of U.S. dollars					
	2020					
	Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years
Bond	\$137,830	\$ —	\$91,886	\$ —	\$183,772	\$ —
Long-term debt	—	—	—	—	—	—
Lease liability	291	189	168	134	48	12
Total	\$138,121	\$189	\$92,054	\$134	\$183,820	\$12

18. Investment and rental properties

The Company and some subsidiaries have office buildings (including land) for rent in Tokyo district and other area.

Profit for investment and rental properties in 2019 was ¥2,179 million, in 2020 was ¥2,598 million (\$23,874 thousand).

Balance sheet amount, change in this and preceding fiscal years, and fair value for properties were as follows:

Millions of yen			
	Carrying amount		Fair value
April 1, 2018	Increased (decreased)	March 31, 2019	March 31, 2019
¥60,634	¥6,804	¥67,438	¥75,838

Millions of yen			
	Carrying amount		Fair value
April 1, 2019	Increased (decreased)	March 31, 2020	March 31, 2020
¥67,438	¥42,803	¥110,241	¥148,127

Thousands of U.S. dollars			
	Carrying amount		Fair value
April 1, 2019	Increased (decreased)	March 31, 2020	March 31, 2020
\$619,666	\$393,299	\$1,012,965	\$1,361,084

- Carrying amount is net of accumulated depreciation and accumulated impairment losses from acquisition cost.
- The main reason of increase in 2019 was the purchase, ¥8,226 million (\$74,112 thousand), those of decrease were the depreciation ¥1,038 million (\$9,348 thousand), selling ¥389 million (\$3,507 thousand).

The main reason of increase in 2020 was the purchase, ¥43,846 million (\$402,892 thousand), those of decrease were the depreciation ¥1,379 million (\$12,669 thousand).

3. Fair value at the end of fiscal year is assessed by the Company mainly based on "real-estate appraisal criterion".

19. Asset retirement obligations

The asset retirement obligations included in financial statement for the years ended March 31, 2019 and 2020 were as follows:

(a) Outline of asset retirement obligations and methods used to calculate asset retirement obligations

1. Obligation to remove asbestos based on 'Act on Asbestos Health Damage Relief'

The estimated period of service of the building is 6 to 31 years from acquisition and the discount rate has calculated the adjustment amount of asset retirement obligations by having used 0.000 to 2.308%.

2. Obligation to soil investigation based on Soil Contamination Countermeasures Act

The estimated period of service of the building is 8 to 17 years from acquisition and the discount rate has calculated the adjustment amount of asset retirement obligation by having used 1.035 to 1.989%.

3. Rationally estimated cost of obligation to restore to original state based on real estate rental contract

The estimated period of service of rental stores owned by the Group is from 19 years to 47 years based on periodical lease contract and the discount rate has calculated the adjustment amount of asset retirement obligations by having used 0.189 to 2.155%.

The estimated period of service of the offices which the Group rents is from 2 years to 42 years based on periodical lease contract and the discount rate has calculated the adjustment amount of asset retirement obligations by having used from 0.000% to 0.889%.

(b) Increase (decrease) of asset retirement obligations as of March 31, 2019 and 2020 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Balance at beginning of year	¥378	¥424	\$3,892
New obligations by acquisition of fixed assets	48	54	496
Increase because of reasonable estimate can be made	—	—	—
Adjustment for time's passage	3	3	27
Decrease because of executed obligation	(5)	—	—
Balance at end of year	¥424	¥481	\$4,415

20. Segment information

(a) Decision of reportable segments

The Groups' reportable business segments are components of the units for which separate financial information is available and such information is used regularly by the board of directors in deciding how to allocate resources and in assessing results of performance.

The Company has management divisions for each operating segment such as civil engineering, building construction, and Development and Real Estate, and develop their domestic and overseas business.

Therefore, the Group consists of three reportable business segments according to the business based on each management division as follows:

Civil Engineering	Contract for civil engineering project
Building Construction	Contract for architecture construction project
Development and Real Estate	Lease and sale of real estate, sale of material, and asset management

(b) Methods used to calculate net sales, profit (loss), assets, liabilities, and other items for each reportable business segment

The accounting policies of the reportable business segments are mostly the same as those disclosed in "Summary of significant accounting policies".

And the internal profit between segments and amount transfer to other segment are based on market price.

(c) Net sales, profit or loss, assets and liabilities by reportable business segments for the years ended March 31, 2019 and 2020.

	Millions of yen				
	2019				
	Civil Engineering	Building Construction	Development and Real Estate	Elimination	Consolidated
Net sales:					
Customers	¥117,983	¥221,997	¥9,339	¥ —	¥349,319
Intersegment or transfer	—	129	225	(354)	—
Total	¥117,983	¥222,126	¥9,564	¥(354)	¥349,319
Operating income (loss)	9,389	13,743	1,813	(16)	24,928
Depreciation and amortization	581	571	1,057	—	2,209

- "Adjustments" of negative ¥16 million in "Operating income" is due to the deletion with which segments transact.
- Adjustments are made between "Segment profit" and "Operating income" reported in the consolidated statement of income.
- Assets of each segment are not mentioned because of not distribution to the business segment.

	Millions of yen				
	2020				
	Civil Engineering	Building Construction	Development and Real Estate	Elimination	Consolidated
Net sales:					
Customers	¥141,178	¥240,857	¥9,587	¥ —	¥391,622
Intersegment or transfer	—	—	275	(275)	—
Total	¥141,178	¥240,857	¥9,862	¥(275)	¥391,621
Operating income (loss)	15,526	7,832	1,965	(10)	25,313
Depreciation and amortization	694	535	1,388	—	2,617

- "Adjustments" of negative ¥10 million in "Operating income" is due to the deletion with which segments transact.
- Adjustments are made between "Segment profit" and "Operating income" reported in the consolidated statement of income.
- Assets of each segment are not mentioned because of not distribution to the business segment.

	Thousands of U.S. dollars				
	2020				
	Civil Engineering	Building Construction	Development and Real Estate	Elimination	Consolidated
Net sales:					
Customers	\$1,297,230	\$2,213,146	\$88,091	\$ —	\$3,598,467
Intersegment or transfer	—	—	2,528	(2,528)	—
Total	\$1,297,230	\$2,213,146	\$90,619	\$(2,528)	\$3,598,467
Operating income (loss)	142,663	71,969	18,052	(91)	232,593
Depreciation and amortization	6,378	4,916	12,754	—	24,048

Related information

(1) Products and services

Information about products and services is included in (c) Net sales, profit or loss, assets and liabilities by reportable business segments for the years ended March 31, 2019 and 2020.

(2) Geographical areas

Information by geographical segment for the years ended March 31, 2019 and 2020 were summarized as follows:

	Millions of yen			
	2019			
	Domestic	Southeast Asia	Other area	Consolidated
Net sales:				
Customers.....	¥327,955	¥21,364	¥—	¥349,319

	Millions of yen			
	2020			
	Domestic	Southeast Asia	Other area	Consolidated
Net sales:				
Customers.....	¥361,839	¥29,782	¥—	¥391,621

	Thousands of U.S. dollars			
	2020			
	Domestic	Southeast Asia	Other area	Consolidated
Net sales:				
Customers.....	\$3,324,810	\$273,657	\$—	\$3,598,467

Information about tangible assets

This item is omitted because the tangible assets located in Japan represented over 90% of the tangible assets on the consolidated balance sheet.

(3) Major customers

Net sales to single customer represented 10% or more of total net sales of the consolidated statement of income for the years ended March 31, 2020 was as follows:

	Millions of yen	
	2020	
	Sales	Segments
Ministry of Land, Infrastructure, Transport and Tourism	¥39,278	Civil Engineering, Building Construction

	Thousands of U.S. dollars	
	2020	
	Sales	Segments
Ministry of Land, Infrastructure, Transport and Tourism	\$360,910	Civil Engineering, Building Construction

(4) Loss on impairment of long-lived assets
Not applicable.

(5) Information on Amortization of Goodwill and Unamortized Balance by Reported Segment
Not applicable.

(6) Information on Gains on Negative Goodwill by Reported Segment
Not applicable.

(7) Information on Related Parties
Not applicable.

21. Per share information

Basic net income per share shown below is computed based on the weighted average number of shares of common stock outstanding during each year.

Diluted net income per share is not disclosed as the Group had no dilutive potential of common shares as of March 31, 2019 and 2020.

(a) Per share information

	Yen		U.S. dollars
	2019	2020	2020
Net income:			
Basic.....	¥ 343.39	¥ 342.24	\$ 3.145
Net assets.....	3,605.62	3,599.01	33.070

1. Diluted net income per share for the years ended March 31, 2019 and 2020 were not presented because the Company had no shares with dilutive effects.

(b) The basis of calculating net income per share was as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Profit attributable to owners of parent.....	¥18,743	¥18,721	\$172,024
Amount that does not belong to general shareholders.....	—	—	—
Profit attributable to owners of parent.....	18,785	18,721	172,024
Average number of shares of common stock during the year (Unit:1000)	54,703	54,702	

(c) The basis of calculating net assets per share was as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Total amount under net assets.....	¥199,331	¥199,287	\$1,831,180
Amount deducted from the total amount under net assets	2,093	2,415	22,191
(Of which non - controlling interests)	(2,093)	(2,415)	(22,191)
Net assets at the end of the year related to common stock	197,238	196,872	1,808,989
Number of shares of common stock at the end of the year used in the calculation of net assets per share (Unit:1000)	54,703	54,702	

22. Quarterly information for FY2019 (April 1, 2019 to March 31, 2020)

(a) Accumulated period

	Millions of yen			
	Three months ended	Six months ended	Nine months ended	Year ended
	Apr 1, 2019 Jun 30, 2019	Jul 1, 2019 Sep 30, 2019	Oct 1, 2019 Dec 31, 2019	Jan 1, 2020 Mar 31, 2020
Net sales.....	¥77,733	¥169,548	¥268,775	¥391,621
Profit before income taxes.....	4,468	9,067	18,425	25,435
Profit attributable to owners of parent	3,039	7,595	14,030	18,721
Per share of net income (Yen).....	55.55	138.85	256.48	342.24

	Thousands of U.S. dollars			
	Three months ended	Six months ended	Nine months ended	Year ended
	Apr 1, 2019 Jun 30, 2019	Jul 1, 2019 Sep 30, 2019	Oct 1, 2019 Dec 31, 2019	Jan 1, 2020 Mar 31, 2020
Net sales.....	\$714,261	\$1,557,917	\$2,469,682	\$3,598,467
Profit before income taxes.....	41,058	83,309	169,296	233,713
Profit attributable to owners of parent	27,920	69,791	128,917	172,024
Per share of net income (U.S. dollars).....	0.510	1.276	2.357	3.145

(b) Each period

	Yen			
	1st quarter	2nd quarter	3rd quarter	4th quarter
	Apr 1, 2019 Jun 30, 2019	Jul 1, 2019 Sep 30, 2019	Oct 1, 2019 Dec 31, 2019	Jan 1, 2020 Mar 31, 2020
Per share of net income	¥55.55	¥83.30	¥117.63	¥85.76

	U.S. dollars			
	1st quarter	2nd quarter	3rd quarter	4th quarter
	Apr 1, 2019 Jun 30, 2019	Jul 1, 2019 Sep 30, 2019	Oct 1, 2019 Dec 31, 2019	Jan 1, 2020 Mar 31, 2020
Per share of net income	\$0.510	\$0.765	\$1.081	\$0.788

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Nishimatsu Construction Co., Ltd.

Opinion

We have audited the consolidated financial statements of Nishimatsu Construction Co., Ltd. and its subsidiaries (the Group) which comprise the consolidated balance sheet as of March 31, 2020, and the consolidated statement of income, comprehensive income, changes in net assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with ethical requirements regarding independence in Japan, and we have fulfilled our other 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 opinion.

Responsibilities of Management and Audit and Supervisory Committee for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, including whether the use of the disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Audit and Supervisory Committee are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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 economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The procedures selected and applied depend on the auditor's judgment.
- In making these risk assessments, consider internal control relevant to the audit 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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 related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation, in addition, evaluate whether the presentation of consolidated financial statements and notes to the consolidated financial statements are in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit and Supervisory Committee 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.

We also provide Audit and Supervisory Committee with a statement that we have complied with relevant ethical requirements regarding independence in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Convenience Translation

The United States dollar amounts shown in the consolidated financial statements referred to above have been translated solely for convenience. We have recomputed the translation and, in our opinion, the consolidated financial statements expressed in Japanese yen have been translated into United States dollars on the basis described in Note7.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Gyosei & Co.

GYOSEI & Co.

Tokyo, Japan
June 26, 2020

Non-Consolidated Five-Year Summary

Nishimatsu Construction Co., Ltd.

	Millions of yen				
	2016	2017	2018	2019	2020
Orders received.....	¥298,758	¥355,488	¥369,972	¥340,302	¥361,014
Orders received from overseas.....	11,160	18,317	37,925	11,088	(1,384)
Percentage of orders received from overseas.....	3.7%	5.2%	10.3%	3.3%	(0.4%)
Net sales.....	297,850	307,045	276,157	336,854	377,167
Cost of sales.....	269,494	266,004	236,503	294,629	334,773
Selling, general and administrative expenses.....	14,381	16,186	16,842	17,688	17,742
Profit before income taxes.....	12,706	27,283	24,814	26,659	25,510
Profit.....	14,618	19,336	17,126	18,626	19,143
Percentage of income against net sales.....	4.9%	6.3%	6.2%	5.5%	5.1%
Total assets *2.....	337,242	373,539	369,265	452,214	483,112
Net assets *2.....	150,410	163,564	178,404	192,845	193,587
Percentage of net assets against total assets.....	44.6%	43.8%	48.3%	42.6%	40.1%
Common stock.....	23,514	23,514	23,514	23,514	23,514
Per share of common stock (in yen): *1					
Net income.....	¥ 52.78	¥ 350.42	¥ 312.39	¥ 340.48	¥ 349.94
Cash dividends applicable to the year.....	16.00	21.00	95.00	105.00	105.00
Net assets.....	543.12	2980.09	3261.27	3525.31	3538.96
Number of shareholders.....	23,290	18,599	17,816	17,535	17,854
Number of employees.....	2,467	2,504	2,536	2,606	2,684

*1 Profit per share of common stock is based upon the weighted average number of common stock outstanding during each year.

As of October 1, 2017, a 5:1 share consolidation of common stock was implemented. Accordingly, net income per share and net assets per share have been calculated on the assumption that this consolidation of shares was carried out at the beginning of the year ending March 2018.

*2 Effective beginning the March 31, 2019 fiscal year, the Company has adopted the "Partial Amendments to Accounting Standard for Tax Effect Accounting, etc. (Accounting Standards Board of Japan (ASBJ) Guidance No. 28 of February 16, 2018)."

The accounting standard has been retrospectively applied to the major management indicators for the March 31, 2018 fiscal year and earlier.

Non-Consolidated Balance Sheet

Nishimatsu Construction Co., Ltd.
March 31, 2019 and 2020

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Assets			
Current assets:			
Cash and time deposits (Note 15).....	¥ 24,623	¥ 32,237	\$ 296,212
Notes and accounts receivable, trade:			
Notes (Note 15).....	10,001	4,007	36,822
Accounts (Note 15).....	185,058	215,086	1,976,352
Allowance for doubtful accounts (Notes 2 and 14).....	(163)	(164)	(1,503)
Inventories (Notes 2 and 7).....	11,164	13,018	119,616
Short-term loans to subsidiaries and affiliates.....	1	80	735
Advance paid.....	17,551	12,937	118,874
Other current assets.....	10,693	7,760	71,295
Total current assets	258,928	284,961	2,618,403
Investments and other assets:			
Investment securities (Notes 2 and 12).....	71,951	52,511	482,509
Investments in subsidiaries and affiliates (Notes 2 and 8).....	4,347	8,798	80,845
Investments in capital of subsidiaries and affiliates.....	—	4,955	45,533
Long-term loans to subsidiaries and affiliates.....	511	785	7,217
Others.....	4,870	5,811	53,380
Allowance for doubtful accounts (Notes 2, 9 and 14).....	(91)	(86)	(789)
Total investments and other assets	81,588	72,774	668,695
Property and equipment (Notes 2 and 13):			
Land.....	56,272	75,367	692,516
Buildings.....	81,887	78,010	716,804
Machinery and equipment.....	9,875	10,031	92,168
Accumulated depreciation.....	(36,336)	(38,031)	(349,440)
Total property and equipment	111,698	125,377	1,152,048
Total assets	¥452,214	¥483,112	\$4,439,146

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Liabilities and Net assets			
Current liabilities:			
Short-term debt from banks (Note 15).....	¥ 58,909	¥ 41,909	\$ 385,087
Current portion of bonds payable.....	—	15,000	137,830
Commercial papers (Note 15).....	—	35,000	321,602
Notes and accounts payable, trade:			
Notes (Note 15).....	5,580	28,655	263,301
Accounts (Note 15).....	100,165	60,218	553,323
Advances received on uncompleted contracts (Note 15).....	8,555	16,150	148,400
Provision for warranties for completed construction (Notes 2 and 14)....	763	797	7,321
Provision for bonuses (Notes 2 and 14).....	3,578	3,908	35,905
Provision for loss on construction contracts (Notes 2 and 14).....	1,002	1,052	9,666
Accrued income taxes.....	4,261	4,425	40,656
Provision for loss on real estate business and other (Notes 2 and 14)....	24	25	230
Deposits received.....	23,101	36,039	331,149
Other current liabilities.....	11,663	3,967	36,458
Total current liabilities	217,601	247,145	2,270,928
Long-term liabilities:			
Bonds payable.....	25,000	30,000	275,659
Accrued retirement benefits.....	7,781	6,143	56,446
Deferred income taxes (Notes 2 and 9).....	5,406	550	5,051
Provision for environmental measures (Notes 2 and 14).....	246	97	890
Asset retirement obligations.....	415	457	4,204
Other long-term liabilities.....	2,920	5,133	47,163
Total long-term liabilities	41,768	42,380	389,413
Total liabilities	259,369	289,525	2,660,341
Net assets:			
Common stock:			
Authorized - 160,000,000 shares			
Issued and outstanding - 55,591,502 shares.....	23,514	23,514	216,058
Capital surplus.....	20,780	20,780	190,944
Legal reserve.....	5,878	5,878	54,013
Retained earnings.....	119,054	132,453	1,217,064
Treasury stock, at cost.....	(2,172)	(2,175)	(19,984)
Unrealized gain on available-for-sale securities.....	25,791	13,137	120,710
Total net assets	192,845	193,587	1,778,805
Total liabilities and net assets	¥452,214	¥483,112	\$4,439,146

Non-Consolidated Statement of Income

Nishimatsu Construction Co., Ltd.
For the years ended March 31, 2019 and 2020

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Net sales (Note 2):			
Completed construction contract.....	¥327,515	¥367,167	\$3,373,764
Real estate business and other.....	9,338	10,000	91,886
	336,853	377,167	3,465,650
Cost of sales (Notes 2 and 16):			
Cost of completed construction contract.....	287,886	327,781	3,011,859
Cost of real estate business and other.....	6,742	6,993	64,253
	294,628	334,774	3,076,112
Gross profit.....	42,225	42,393	389,538
Selling, general and administrative expenses	17,688	17,742	163,026
Income from operations.....	24,537	24,651	226,512
Other income (expenses):			
Interest and dividend income.....	1,194	1,820	16,725
Interest expenses.....	(439)	(473)	(4,344)
Financing expenses.....	(72)	(107)	(981)
Gain on sales of investment securities.....	1,208	883	8,115
Gain on investments in silent partnerships.....	254	82	749
Gain on sales of non-current assets.....	—	25	230
Loss on retirement of non-current assets.....	(31)	(6)	(52)
Loss on valuation of investment securities.....	—	(1,236)	(11,356)
Foreign currency exchange gain.....	53	(212)	(1,948)
Compensation income.....	15	187	1,719
Head office relocation expenses.....	—	(219)	(2,013)
Other-net.....	(60)	115	1,045
	2,122	859	7,889
Profit before income taxes	26,659	25,510	234,401
Income taxes (Note 2):			
Current.....	7,586	5,644	51,860
Deferred.....	448	723	6,646
	8,034	6,367	58,506
Profit	¥ 18,625	¥ 19,143	\$175,896

	Yen		U.S. dollars
	2019	2020	2020
Per share of common stock			
Net income (loss).....	¥340.48	¥349.94	\$3.215
Cash dividends applicable to the year.....	105.00	105.00	0.965

The accompanying notes are an integral part of this statement.

Non-Consolidated Statement of Changes in Net Assets

Nishimatsu Construction Co., Ltd.
For the years ended March 31, 2019 and 2020

	Millions of yen						
	Common stock	Capital surplus	Legal reserve	Retained earnings	Treasury stock, at cost	Unrealized gain on available-for-sale securities	Total net assets
Balance at April 1, 2018	¥23,514	¥20,780	¥5,878	¥105,625	¥(2,170)	¥ 24,777	¥178,404
Dividends declared.....				(5,196)			(5,196)
Profit.....				18,625			18,625
Purchase of treasury stock.....					(2)		(2)
Net changes of items other than shareholder's equity.....						1,014	1,014
Balance at April 1, 2019	¥23,514	¥20,780	¥5,878	¥119,054	¥(2,172)	¥ 25,791	¥192,845
Dividends declared.....				(5,744)			(5,744)
Profit.....				19,143			19,143
Purchase of treasury stock.....					(3)		(3)
Disposal of treasury shares.....		(0)					(0)
Net changes of items other than shareholder's equity.....						(12,654)	(12,654)
Balance at March 31, 2020	¥23,514	¥20,780	¥5,878	¥132,453	¥(2,175)	¥ 13,137	¥193,587

	Thousands of U.S. dollars						
	Common stock	Capital surplus	Legal reserve	Retained earnings	Treasury stock, at cost	Unrealized gain on available-for-sale securities	Total net assets
Balance at April 1, 2019	\$216,058	\$190,944	\$54,013	\$1,093,947	\$(19,960)	\$236,980	\$1,771,982
Dividends declared.....				(52,778)			(52,778)
Profit.....				175,895			175,895
Purchase of treasury stock.....					(24)		(24)
Disposal of treasury shares.....		(0)					(0)
Net changes of items other than shareholder's equity.....						(116,270)	(116,270)
Balance at March 31, 2020	\$216,058	\$190,944	\$54,013	\$1,217,064	\$(19,984)	\$120,710	\$1,778,805

The accompanying notes are an integral part of these statements.

Notes to Non-Consolidated Financial Statements

1. Basis of presenting non-consolidated financial statements

The accompanying non-consolidated financial statements of Nishimatsu Construction Co., Ltd. (the "Company") have been prepared in accordance with the provisions set forth in the Japanese Corporation Law and in conformity with generally accepted accounting principles and practices in Japan.

Certain reclassification of the prior year's non-consolidated financial statements has been made to conform to the current year presentation.

In preparing the non-consolidated financial statements for the purpose of inclusion in this Corporate Report, certain reclassifications and rearrangements have been made to the non-consolidated financial statements issued domestically in Japan in order to present these statements in a form which is more familiar to readers of these statements outside Japan.

2. Summary of significant accounting policies

(a) Foreign currency transactions

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the non-consolidated statement of income to the extent that they are not hedged by foreign exchange derivatives.

(b) Investments in securities

Held-to-maturity securities are either amortized or accumulated to face value.

Other securities with quoted market prices are carried at market value.

The difference between the acquisition costs and the carrying value of other securities, including unrealized gains and losses, is recognized as a component of net assets and is reflected as "Unrealized gain on available-for-sale securities".

The cost of other securities sold is computed by the moving average method.

Other securities without quoted market prices are stated at cost based on the moving average method.

(c) Inventories

Inventories other than materials and supplies are stated at the accumulated construction cost for each project, which does not include selling, general and administrative expenses.

Materials and supplies are stated at cost determined by the moving average method.

Regarding real estate held for sale, cost of uncompleted real estate development projects and materials and supplies, when deterioration in profitability is recognized, their book values on balance sheets are devalued.

(d) Depreciation and amortization

Property and equipment (excluding lease assets):

Property and equipment, including significant renewals and additions, are carried at cost.

The cost of property and equipment retired or otherwise disposed of and accumulated depreciation in respect thereof are eliminated from the related accounts, and the resulting gain or loss is reflected in income.

Maintenance and repairs, including minor renewals and improvements, are charged to income as incurred.

Depreciation is computed generally by the declining balance method at rates based on the useful lives, which is determined under standards that conform to the methods provided for in the corporation tax act.

The straight-line method is applied to buildings acquired after April 1, 1998, and facilities attached to building and structures acquired after April 1, 2016.

Intangible assets (excluding lease assets):

Intangible assets are carried at cost.

Useful lives of assets are determined based on standards that conform to the methods provided for in the corporation tax act.

Software for internal use is amortized using the straight-line method based on an internal estimate of its useful life (five years).

Lease assets:

Lease assets associated with finance leases that do not transfer ownership are accounted for based on the straight-line method with the term of lease as the useful life and the residual value as zero.

Long-term prepaid expenses

The straight-line method is applied.

(e) Investments in subsidiaries and affiliates

Investments in subsidiaries and affiliates are stated at cost.

(f) Accrued retirement benefits

Accrued retirement benefits are calculated based on an estimate of the projected retirement benefit obligation and the plan assets.

Past service costs are amortized on the straight-line method over 10 years.

Actuarial gains or losses are amortized on the straight-line method over 10 years beginning immediately the following year.

(g) Recognition of sales and related costs

The Company applies the percentage of completion method to the projects which the percentage of completion can be reliably estimated, while the Company applies the completed contract method for other projects.

Estimation of construction progress at the end of fiscal year applies the proportional method.

Sales from the percentage of completion method is ¥360,033 million (\$3,308,216 thousand).

(h) Income taxes

Deferred income taxes are recognized applying the asset and liability method.

Under this method, deferred tax assets and liabilities are determined based on the difference between the financial reporting and tax basis of the assets and liabilities, and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

(i) Hedge accounting

Interest rate swaps are utilized to avoid interest volatility risk on debt.

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the net amount to be paid or received under the interest rate swap contracts are recognized and included in interest expense and income as incurred.

Forward foreign exchange contracts utilized as a hedging instrument against risk arising from exchange rate fluctuations which meet the required criteria are accounted for by the allocation method. In the allocation method, assets and liabilities subject to foreign forward contract are translated by the contracted rate of exchange.

(j) Appropriations of retained earnings

Appropriations of retained earnings are accounted for and reflected in the accompanying non-consolidated financial statements when approved by the shareholders.

(k) Accounting for net sales of estate business

Net sales of real estate business are posted on delivery basis. For large-

scale contracts with deferred payment terms, however, the Company applies the deferred payment standard under which the amount of net sales deferred and the corresponding deferred cost of sales are posted at every contracted collection date.

(l) Provision for warranties for completed construction

Provision for losses which are expected to occur in the future related to defects of completed work is provided based on the estimated amount calculated using an actual percentage of related losses during a certain past period and the estimate future warranty expense amount for the specific properties.

(m) Allowance for doubtful accounts

The Company provides for possible losses due to uncollectibility of notes, accounts, loans receivable and others based on the Company's past credit loss experience and management's estimate.

(n) Provision for loss on construction contracts

Provision for loss on construction contracts is provided with respect to construction projects for which the losses can be reasonably estimated.

(o) Provision for bonuses

Provision for bonuses based on the estimated value of the bonus to be paid to employees.

(p) Provision for loss on real estate business

Provision for losses which are expected to occur in the future related to real estate businesses is provided when the losses can be reasonably estimated.

(q) Provision for environmental measures

It is calculated based on a rational estimate and the Company recognized ¥97 million (\$890 thousand) subjected to the Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes.

(r) Other accounting policies on preparing non-consolidated financial statements

(1) Accounting for unrecognized actuarial gain or loss or unrecognized past service cost on non-consolidated balance sheet are different from the accounting on consolidated balance sheet.

(2) Process of the equivalent of consumption tax and local consumption tax
Consumption tax and local consumption tax are accounted for using the tax exclusion method.

3. Changes in presentation

(a) Notes to non-consolidated statement of Balance sheet

"Marketable securities" which was separated in the previous fiscal year, is included in "Other current assets" listed from the fiscal year ended March 31, 2020, because of less quantitative materiality.

The non-consolidated financial statement of the previous fiscal year has been reclassified to reflect this change in presentation.

As a result, ¥128 million of presented in "Marketable securities" under "Current assets" in the non-consolidated statement of balance sheet of the previous fiscal year has been reclassified as ¥128 million of "Other current assets".

"Current portion of long-term debt" and "Employee's deposits" which was separated in the previous fiscal year, is included in "Other current liabilities" listed from the fiscal year ended March 31, 2020, because of less quantitative materiality.

The non-consolidated financial statement of the previous fiscal year has been reclassified to reflect this change in presentation.

As a result, ¥100 million of presented in "Current portion of long-term debt" and ¥8,932 million of "Employee's deposits" under "Current liabilities" in the non-consolidated statement of balance sheet of the previous fiscal year has been reclassified as ¥9,032 million of "Other current liabilities".

(b) Notes to non-consolidated statement of income

"Loss of rebuilding", "Loss on liquidation of subsidiaries" and "Settlement package" which was separated in "Other income (expenses)" in the previous fiscal year, is included in "Other-net" listed from the fiscal year ended March 31, 2020, because of less quantitative materiality.

The non-consolidated financial statement of the previous fiscal year has been reclassified to reflect this change in presentation.

As a result, ¥(21) million of "Loss of rebuilding", ¥(51) million of "Loss on liquidation of subsidiaries" and ¥(7) million of "Settlement package" under "Other income (expenses)" in the non-consolidated statements of income of the previous fiscal year has been reclassified as ¥(60) million of "Other-net".

4. Additional information.

For accounting estimation of impairment of property and equipment, the Group has assumed that the impact of COVID-19 on operating revenue and other expenses for a portion of leased real estate is expected to occur over a period of about six months, based on information available at the time of preparation of the financial statements.

In addition, the effect of COVID-19 has not been taken into account in estimates under the percentage-of-completion method (total revenue, total cost of construction, and the degree of completion of construction work as of the balance sheet date) because it was difficult to reasonably estimate the extent of the effect after the balance sheet date.

In some cases, additional costs were incurred after the balance sheet date as a result of the temporary suspension of construction work due to the issuance of the declaration of a state of emergency. As of the date of submission, the suspended construction work has resumed sequentially, and the impact on the financial position and operating results in the following fiscal year is expected to be limited; however, if the period of suspension of construction work is prolonged or the number of suspended works increases due to the reemergence of the infection, the Company's business results may be significantly affected.

5. United States dollar amounts

The United States dollar amounts presented in the accompanying non-consolidated financial statements are included solely for convenience and are stated, as a matter of arithmetical computation only, at the rate of ¥108.83 = US\$1, which was the exchange rate prevailing as of March 31, 2020.

These conversions should not be construed as representations that the Japanese yen amounts actually represent, or have been or could be converted into, United States dollars at that rate.

6. Significant subsequent events (Issue of unsecured bonds)

At the board meeting held on June 25, 2020, the Company made the following comprehensive resolution regarding the issuance of unsecured bonds.

1. Corporate bond type	Domestic unsecured straight corporate bonds
2. The total amount of issued corporate bonds	30 billion yen (however, it can be issued once or divided into multiple times.)
3. Redemption deadline	5 years
4. Amount of each offered bond	100 million yen
5. The upper limit of interest rate of each offered bond	0.45% or less
6. Redemption method	Bullet maturity amortization
7. Amount paid for each offered bond	100 yen for every 100 yen offered
8. Redemption amount of each offered bond	100 yen for every 100 yen offered
9. Application period	From July 1, 2020 to September 30, 2020
10. Interest payment method and deadline	Every 6 months, deferred payment
11. Collateral/Guarantee	No collateral/guarantee.
12. Use of funds	Debt repayment and working capital.
13. Book-Entry bond system	The provisions of the Law Concerning Book-Entry Transfer of Corporate Bonds and Shares, etc. apply to the bonds.
14. Others	Determining the specific conditions for each issuance and all matters necessary for the issuance of corporate bonds are left to the General Manager of the Management Headquarters within the range specified above.

7. Inventories

Inventories comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Costs on uncompleted construction contracts	¥ 6,209	¥ 4,990	\$ 45,855
Real estate for sale	4,742	7,470	68,635
Raw materials and supplies	212	558	5,126
Total	¥11,163	¥13,018	\$119,616

8. Securities

As no quoted market prices are available and it is extremely difficult to determine the fair value, therefore the fair value of stocks of subsidiaries and affiliates are not mentioned.

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Stocks of subsidiaries	¥4,226	¥8,682	\$79,772
Stocks of affiliates	121	116	1,073
Total	¥4,347	¥8,798	\$80,845

9. Income taxes

Composition of deferred tax assets and liabilities

(a) Deferred tax assets and liabilities as of March 31, 2019 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Deferred tax assets:			
Accrued retirement obligations	¥ 3,758	¥ 3,279	\$ 30,126
Impairment loss of long-lived assets	2,478	2,446	22,472
Provision for allowance for loss on construction projects	307	322	2,958
Allowance for doubtful accounts	1,406	76	701
Provision for bonuses	1,095	1,196	10,987
Provision for warranties for completed construction	234	244	2,240
Valuation loss on investment securities	189	176	1,618
Loss on valuation of real estate	261	253	2,327
Other	2,071	1,752	16,101
Subtotal deferred tax assets	¥ 11,799	¥ 9,744	\$ 89,530
Valuation allowance	(5,295)	(3,962)	(36,403)
Gross deferred tax assets	¥ 6,504	¥ 5,782	\$ 53,127
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	¥(11,372)	¥(5,792)	\$(53,224)
Reserve for reduction entry of replaced property	(485)	(483)	(4,440)
Others	(53)	(57)	(514)
Gross deferred tax liabilities	¥(11,910)	¥(6,332)	\$(58,178)
Net deferred tax assets (liabilities)	¥ (5,406)	¥ (550)	\$ (5,051)

(b) Reconciliation between the statutory tax rate and the effective tax rate was as follows.

	2019	2020
Statutory tax rate	30.6%	30.6%
(Adjustment)		
Permanent non-deductible items	1.6%	1.0%
Permanent non-taxable items	(0.8)%	(1.2)%
Inhabitant taxes on per capita levy	0.5%	0.6%
Valuation allowance	(0.5)%	(5.2)%
Tax credit	(1.4)%	(1.4)%
Other	0.1%	0.6%
Effective tax rate	30.1%	25.0%

10. Notes to non-consolidated balance sheet

Collateral assets and secured liabilities

(a) Pledged assets for loans on subsidiaries, affiliates and other obligations as of March 31, 2019 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Pledged assets for loans on subsidiaries and affiliates:			
Buildings	¥285	¥275	\$2,531
Land	37	37	338
Investment securities	91	104	951
Total	¥413	¥416	\$3,820
Pledged assets for housing latent defects:			
Marketable securities	¥128	¥ —	\$ —
Total	¥128	¥ —	\$ —

(b) Loan guarantee

The Company provides guarantee for employees' housing loans from bank:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Notes-receivable	¥23	¥18	\$171

(c) Matured notes are settled on the bank clearance date.

Since March 31, 2019 were a holiday for financial institutions, the following matured notes due on that date are included in the non-consolidated balance sheet as of March 31, 2019.

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Notes-receivable	¥712	¥ —	\$ —

(d) Due to have ready working capital efficiently, the Company concludes rental commitment contracts.

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Total amount of loan commitment	¥35,000	¥10,000	\$91,886
Loans outstanding	35,000	—	—

(e) The Company transfer assets for property and equipment to sale of estate included in inventories due to purpose of possession.

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Buildings	¥ —	¥ 28	\$ 256
Land	—	503	4,627
Total	¥ —	¥531	\$4,883

(f) The amounts of reduction entry which was conducted in current fiscal year are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Buildings	¥ —	¥55	\$505

11. Notes to non-consolidated statements of income

(a) Gain on sales of fixed assets was as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Land	¥ —	¥80	\$733
Machinery	0	2	19
Total	¥ 0	¥82	\$752

(b) Loss on sales of fixed assets was as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Buildings and structures	¥94	¥56	\$514
Land	0	—	—
Machinery	0	1	8
Total	¥94	¥57	\$522

(c) Loss on retirement of non-current assets was as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Buildings and structures	¥26	¥4	\$40
Machinery	1	0	0
Fixtures	1	1	8
Others	3	1	4
Total	¥31	¥6	\$52

12. Details of securities

(a) Stock

Investment Securities - Available-for-sale securities

Issuer	Number of shares	Balance as of March 31, 2020 on balance sheets	
		Millions of yen	Thousands of U.S. dollars
SUMITOMO REALTY & DEVELOPMENT CO., LTD.	5,000,000	¥13,175	\$121,060
SHOCHIKU CO., LTD.	328,800	3,985	36,617
CENTRAL JAPAN RAILWAY COMPANY	137,500	2,382	21,883
TOKYO TATEMONO CO., LTD.	2,037,699	2,337	21,476
MITSUI FUDOSAN CO., LTD.	1,098,354	2,055	18,878
TEIKOKU SEN-I CO., LTD.	800,000	1,680	15,437
KEIKYU CORPORATION	342,169	1,642	15,092
HULIC CO., LTD.	1,405,500	1,543	14,180
KEIHAN ELECTRIC RAILWAY CO., LTD.	805,196	1,463	13,443
KYUSHU RAILWAY COMPANY	404,300	1,253	11,516
EAST JAPAN RAILWAY COMPANY	150,000	1,226	11,269
HANKYU HANSHIN HOLDINGS, INC.	334,994	1,218	11,189
ASAHI KASEI CORPORATION	1,557,759	1,191	10,947
TSURUYA DEPARTMENT STORE INC.	12,000	1,104	10,144
MIZUHO FINANCIAL GROUP, INC.	7,055,481	872	8,013
KYUSHU FINANCIAL GROUP, INC.	1,983,999	819	7,529
FUKUYAMA TRANSPORTING CO., LTD.	200,000	773	7,103
SAPPORO HOLDINGS LIMITED	373,774	745	6,845
WEST JAPAN RAILWAY COMPANY	100,000	740	6,796
JAPAN NUCLEAR FUEL LIMITED	66,664	667	6,126
KANSAI ELECTRIC POWER CO., INC.	467,107	562	5,166
SHIKOKU ELECTRIC POWER CO., INC.	625,055	534	4,905
ELECTRIC POWER DEVELOPMENT CO., LTD.	236,000	514	4,723
Tokyo Electric Power Company Holdings	1,159,375	437	4,016
KOBE STEEL, LTD.	1,224,125	409	3,757
KYUSHU ELECTRIC POWER COMPANY, INC.	437,788	380	3,496
CHUBU ELECTRIC POWER COMPANY, INC.	243,154	371	3,406
FUJI KYUKO CO., LTD.	125,000	348	3,201
TOKYO MARINE HOLDINGS, INC.	69,000	342	3,138
THE CHUGOKU ELECTRIC POWER COMPANY, INC.	217,898	329	3,019
KANSAI INTERNATIONAL AIRPORT LAND COMPANY, LTD.	6,300	315	2,894
METROPOLITAN INTERCITY RAILWAY COMPANY	6,000	300	2,757
KUBOTA CORPORATION	200,000	276	2,539
JFE HOLDINGS, INC.	375,786	264	2,427
AEON CO., LTD.	109,281	262	2,409
TAIHEIYO CEMENT CORPORATION	133,562	247	2,270
NANKAI ELECTRIC RAILWAY CO., LTD.	100,000	246	2,260
MITSUBOSHI BELTING LTD.	200,000	244	2,244
OTHER (103 ISSUES)	4,837,110	4,011	36,851
Total	30,129,620	¥47,251	\$434,171

(b) Other

Investment Securities—Available-for-sale securities

Type and issue	Number of investment units, etc.	Millions of yen	Thousands of U.S. dollars
Investment in anonymous association (Toranomon Ichigo Godokaiisha)	—	¥ 750	\$ 6,891
Mitsui Fudosan Private REIT Inc.	300	300	2,757
Investment in limited investment association (1 issue)	3	200	1,840
Investment in anonymous association (1 issue)	—	0	0
Total	—	¥1,250	\$11,488

13. Details of fixed assets

Type of assets	Millions of yen						
	Balance at April 1, 2019	Increase during the year	Decrease during the year	Balance at March 31, 2020	Accumulated depreciation or amortization at March 31, 2019	Depreciation for the year	Net balance at March 31, 2020
Tangible assets							
Buildings	¥ 54,527	¥19,922	¥ 294	¥ 74,155	¥27,757	¥1,619	¥ 46,398
Structures	2,938	437	2	3,373	1,834	77	1,539
Machinery and equipment	7,417	229	353	7,292	6,282	437	1,010
Vehicles	407	2	11	398	332	41	66
Tools, furniture, and supplies	1,653	301	74	1,879	1,452	114	427
Land	56,272	22,183	3,088	75,367	—	—	75,367
Lease assets	398	71	12	457	373	34	84
Construction in progress	24,422	7,882	31,818	486	—	—	486
Total tangible assets	¥148,034	¥51,027	¥35,653	¥163,407	¥38,030	¥2,322	¥125,377
Intangible assets							
Software	—	—	—	3,264	2,463	202	801
Others	—	—	—	463	273	2	190
Total intangible assets	—	—	—	3,727	2,736	204	991
Long-term prepaid expenses	31	4	5	30	16	7	14
Deferred assets	—	—	—	—	—	—	—
Total deferred assets	—	—	—	—	—	—	—

Type of assets	Thousands of U.S. dollars						
	Balance at April 1, 2019	Increase during the year	Decrease during the year	Balance at March 31, 2020	Accumulated depreciation or amortization at March 31, 2019	Depreciation for the year	Net balance at March 31, 2020
Tangible assets							
Buildings	\$ 501,032	\$183,060	\$ 2,705	\$ 681,387	\$255,048	\$14,878	\$ 426,339
Structures	26,996	4,015	21	30,991	16,852	709	14,139
Machinery and equipment	68,149	2,101	3,247	67,002	57,726	4,017	9,276
Vehicles	3,740	19	104	3,655	3,050	377	605
Tools, furniture, and supplies	15,188	2,764	682	17,270	13,343	1,042	3,927
Land	517,059	203,831	28,374	692,516	—	—	692,516
Lease assets	3,661	649	108	4,202	3,421	310	781
Construction in progress	224,402	72,427	292,364	4,465	—	—	4,465
Total tangible assets	\$1,360,227	\$468,866	\$327,605	\$1,501,488	\$349,440	\$21,333	\$1,152,048
Intangible assets							
Software	—	—	—	29,993	22,632	1,858	7,361
Others	—	—	—	4,256	2,514	14	1,742
Total intangible assets	—	—	—	34,249	25,146	1,872	9,103
Long-term prepaid expenses	282	40	42	280	151	63	129
Deferred assets	—	—	—	—	—	—	—
Total deferred assets	—	—	—	—	—	—	—

(a) Major increase during the year

Type of asset	Location	Purpose	Millions of yen	Thousands of U.S. dollars
Buildings	Minato-ku, Tokyo	For rent, business	¥15,988	\$146,906
Land	Minato-ku, Tokyo	For rent, business	13,434	123,438
Land	Fukuoka-shi, Hakata-ku Fukuoka	For rent	3,914	35,965
Land	Sapporo-shi, Kita-ku Hokkaido	For rent	1,904	17,496

(b) Major decrease during the year

Type of asset	Location	Purpose	Millions of yen	Thousands of U.S. dollars
Construction in progress	Minato-ku, Tokyo	For rent, business	¥30,483	\$280,101

(c) Descriptions on intangible assets, "Balance at the beginning of the year", "Increase during the year" and "Decrease during the year," are omitted, as the assets account for 1% or less of total assets.

14. Details on provisions

	Millions of yen				
	Balance at April 1, 2019	Increase during the year	Decrease during the year (used for purpose)	Decrease during the year (other)	Balance at March 31, 2020
Allowance for doubtful accounts.....	¥ 254	¥ 23	¥ —	¥ 28	¥ 249
Provision for warranties for completed construction	763	708	674	—	797
Provision for bonus	3,578	3,908	3,578	—	3,908
Provision for loss on construction contracts.....	1,002	351	48	253	1,052
Provision for loss on real estate business and other....	24	5	4	—	25
Provision for environmental measures.....	246	—	147	2	97

	Thousands of U.S. dollars				
	Balance at April 1, 2019	Increase during the year	Decrease during the year (used for purpose)	Decrease during the year (other)	Balance at March 31, 2020
Allowance for doubtful accounts.....	\$ 2,331	\$ 215	\$ —	\$ 254	\$ 2,291
Provision for warranties for completed construction	7,012	6,507	6,198	—	7,321
Provision for bonus	32,879	35,905	32,879	—	35,905
Provision for loss on construction contracts.....	9,207	3,229	440	2,330	9,666
Provision for loss on real estate business and other....	221	46	37	—	230
Provision for environmental measures.....	2,261	—	1,348	23	890

(a) "Decrease during the year (Other)" for allowance for doubtful accounts represents the reversal amount based on the actual ratio of bad debts in the past for general accounts receivables of 21 million yen and collect of loans receivable of 6 million yen.

(b) "Decrease during the year (Other)" for provision for loss on construction contracts and provision for environmental measures represents the reversal amount due to the decrease in the expected loss amount.

15. Major assets and liabilities

(Assets)

1. Cash and deposits

	Millions of yen	Thousands of U.S. dollars
Cash and deposits		
Cash.....	¥ 34	\$ 313
Deposits		
Current deposits.....	9,727	89,382
Saving deposits	21,933	201,536
Time deposits	542	4,981
Total.....	¥32,236	\$296,212

2. Notes receivable

(a) Break down by payer

Payer	Millions of yen	Thousands of U.S. dollars
AEON MALL Co., Ltd.....	¥2,083	\$19,142
CHIYODA CORPORATION.....	610	5,601
KATO WORKS CO., LTD.....	584	5,370
JFE ENGINEERING CORPORATION.....	188	1,730
AEON RETAIL Co., Ltd.....	81	748
Others	461	4,231
Total.....	¥4,007	\$36,822

(b) Break down by settlement month

Settlement month	Millions of yen	Thousands of U.S. dollars
2020, April.....	¥1,531	\$14,070
May.....	1,399	12,859
June.....	337	3,095
July.....	430	3,948
August.....	175	1,611
September and beyond.....	135	1,239
Total.....	¥4,007	\$36,822

The figure for June includes items unsettled as of May 31 (worth ¥23 million) as May 31, 2020 was a bank holiday.

3. Accounts receivable from completed construction contracts

(a) Breakdown by payer

Payer	Millions of yen	Thousands of U.S. dollars
The Organization of the Ministry of Land, Infrastructure, Transport and Tourism.....	¥ 31,402	\$ 288,543
Central Nippon Expressway Company Limited	17,517	160,958
Sumitomo Realty & Development Co., Ltd.....	15,020	138,009
Aeon Mall Co., Ltd.....	12,670	116,424
Haneda Airport Urban Development Co., Ltd.....	7,468	68,625
Others	131,009	1,203,793
Total.....	¥215,086	\$1,976,352

(b) Stagnation

	Millions of yen	Thousands of U.S. dollars
Posted in fiscal year 2020.....	¥213,086	\$1,957,969
Posted in fiscal year 2019 or before	2,000	18,383
Total.....	¥215,086	\$1,976,352

4. Real estate for sale

Item	Millions of yen	Thousands of U.S. dollars
Land for sale.....	¥1,788	\$16,433
Building for sale.....	600	5,509
Total.....	¥2,388	\$21,942

Breakdown of land is as follows:

Region	Square meters	Millions of yen	Thousands of U.S. dollars
Tohoku region.....	38,690.34	¥1,325	\$12,174
Other region.....	7,658.51	463	4,259
Total.....	46,348.85	¥1,788	\$16,433

5. Cost on uncompleted construction contract

	Millions of yen			
	Balance at April 1, 2019	Cost for the year	Amount transferred to cost of completed construction contract	Balance at March 31, 2020
Work in progress.....	¥6,209	¥326,562	¥327,781	¥4,990

	Thousands of U.S. dollars			
	Balance at April 1, 2019	Cost for the year	Amount transferred to cost of completed construction contract	Balance at March 31, 2020
Work in progress.....	\$57,056	\$3,000,658	\$3,011,859	\$45,855

Breakdown of the balance at March 31, 2020 is as follows:

Item	Millions of yen	Thousands of U.S. dollars
Materials cost.....	¥3,802	\$34,940
Labor cost.....	7	64
Subcontracts cost.....	844	7,753
Other region.....	337	3,098
Total.....	¥4,990	\$45,855

6. Payment on estate trade

Item	Millions of yen	Thousands of U.S. dollars
Operation cost payment.....	¥2,509	\$23,058
Other part-time business disbursements.....	1,935	17,784
Others	637	5,850
Total.....	¥5,081	\$46,692

7. Raw materials & supplies

Item	Millions of yen	Thousands of U.S. dollars
Materials for sale.....	¥311	\$2,858
Raw materials & supplies	51	465
Others	196	1,803
Total.....	¥558	\$5,126

8. Advance paid

Item	Millions of yen	Thousands of U.S. dollars
JV, such as advances paid.....	¥12,738	\$117,041
Others	199	1,833
Total.....	¥12,937	\$118,874

(Liabilities)

1. Notes payable

(a) Breakdown by recipient

Recipient	Millions of yen	Thousands of U.S. dollars
Kyudenko Corporation, SAN-EI KOGYO CO., LTD., TECHNO KOGYO CO., LTD., Wako Kensetsu Kogyo Co., Ltd., Okinawa Water Quality Improvement Co., Ltd., Nagayama Gumi Co., Ltd. J.V.....	¥ 475	\$ 4,368
JR Kyushu Trading Co., Ltd.....	285	2,619
Nakai Ironworks Construction Co., Ltd.....	213	1,960
Fuji Pass Co., Ltd.	196	1,799
Kawasaki Heavy Industries, Ltd.	180	1,654
Others	2,289	21,027
Total.....	¥3,638	\$33,427

(b) Breakdown by settlement month

Settlement month	Millions of yen	Thousands of U.S. dollars
2020, April.....	¥1,600	\$14,697
May.....	2,038	18,730
Total.....	¥3,638	\$33,427

2. Electronically recorded obligation

(a) Breakdown by recipient

Recipient	Millions of yen	Thousands of U.S. dollars
KINDEN CORPORATION.....	¥ 1,513	\$ 13,898
TAKEHARA STEEL CONSTRUCTION CO., LTD.....	1,044	9,595
SANKEN SETSUBI KOGYO CO., LTD.....	975	8,963
Itochu-Marubeni-Sumisho Techno Steel Inc.	887	8,151
JFE shoji Trade Steel Construction Materials Corporation.	677	6,218
Others	19,921	183,049
Total.....	¥25,017	\$229,874

(b) Breakdown by settlement month

Settlement month	Millions of yen	Thousands of U.S. dollars
2020, April.....	¥11,376	\$104,530
May.....	13,641	125,344
Total.....	¥25,017	\$229,874

3. Accounts for payable for construction

Recipient	Millions of yen	Thousands of U.S. dollars
KINDEN CORPORATION.....	¥1,598	\$14,679
Itochu-Marubeni-Sumisho Techno Steel Inc.	1,243	11,420
JAPAN FOUNDATION ENGINEERING CO., LTD.....	776	7,130
SHINRYO CORPORATION.....	772	7,093
Kobayashi Industry Co., Ltd.	674	6,192
Others	55,155	506,809
Total.....	¥60,218	\$553,323

4. Short-term debt

Lender	Millions of yen	Thousands of U.S. dollars
Mizuho Bank, Ltd.	¥20,000	\$183,773
Sumitomo Mitsui Banking Corporation	11,850	108,885
Resona Bank, Ltd.	2,858	26,261
Higo Bank, Ltd.	1,870	17,183
Mizuho Trust & Banking Co., Ltd.	867	7,967
The Hyakujushi Bank, Ltd.	500	4,594
The 77 Bank, Ltd.	500	4,594
The Norinchukin Bank	500	4,594
Others	2,964	27,236
Long-term debt due within one year	¥ —	\$ —
Total	¥41,909	\$385,087

5. Commercial papers

Settlement month	Millions of yen	Thousands of U.S. dollars
2020, June	¥35,000	\$321,602

6. Advances received on uncompleted construction

Millions of yen			
Balance at April 1, 2019	Amount received for the year	Amount transferred to cost of completed construction contract	Balance at March 31, 2020
¥8,555	¥173,503	¥165,908	¥16,150

Thousands of U.S. dollars			
Balance at April 1, 2019	Amount received for the year	Amount transferred to cost of completed construction contract	Balance at March 31, 2020
\$78,609	\$1,594,257	\$1,524,466	\$148,400

The difference of ¥211,259 million between total sales of ¥377,167 million on the non-consolidated statement of income and the amount transferred to net sales of ¥165,908 million indicated above is equal to the sum of accounts receivable from completed construction contracts of ¥210,939 million for fiscal 2020 and the increase of ¥320 million as a result of making adjustment to the contract value of prior-period settled construction contracts.

7. Deposits received

Classification	Millions of yen	Thousands of U.S. dollars
JV deposits	¥22,893	\$210,353
Deposit consumption tax	12,518	115,027
Others	628	5,769
Total	¥36,039	\$331,149

8. Corporate bonds

Issued by	Millions of yen	Thousands of U.S. dollars
Corporation (6th unsecured straight bond)	¥15,000	\$137,830
Corporation (7th unsecured straight bond)	10,000	91,886
Corporation (8th unsecured straight bond)	20,000	183,773
Total	¥45,000	\$413,489

More details mentioned at FINANCIAL SECTION, 1 CONSOLIDATED FINANCIAL STATEMENTS

16. Cost of completed construction

1. Cost of completed construction

Item	Millions of yen		Millions of yen		Thousands of U.S. dollars
	2019	% to Total	2020	% to Total	
Raw materials	¥ 57,854	20.1%	¥ 61,048	18.6%	\$ 560,952
Labor	12,755	4.4%	14,331	4.4%	131,681
(of which, outsourced labor cost)	(12,755)	(4.4)%	(14,331)	(4.4)%	(131,681)
Outsourcing cost	174,971	60.8%	205,240	62.6%	1,885,878
Expenses	42,306	14.7%	47,162	14.4%	433,348
(of which personnel expenses)	(16,391)	(5.7)%	(17,641)	(5.4)%	(162,099)
Total	¥287,886	100.0%	¥327,781	100.0%	\$3,011,859

Cost is calculated under the job-order cost method.

2. Cost of sales on estate business and other

Item	Millions of yen		Millions of yen		Thousands of U.S. dollars
	2019	% to Total	2020	% to Total	
Land	¥1,301	19.3%	¥ 430	6.1%	\$ 3,947
Buildings	485	7.2%	515	7.4%	4,736
Expenses	3,328	49.3%	4,012	57.4%	36,869
Sub-total	5,114	75.8%	4,957	70.9%	45,552
Other	1,628	24.2%	2,036	29.1%	18,701
Total	¥6,742	100.0%	¥6,993	100.0%	\$64,253

Cost is calculated under the job-order cost method.

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Nishimatsu Construction Co., Ltd.

Opinion

We have audited the financial statements of Nishimatsu Construction Co., Ltd. (the Company) which comprise the balance sheet as of March 31, 2020, and the statement of income and changes in net assets for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2020, and its financial performance in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with ethical requirements regarding independence in Japan, and we have fulfilled our other 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 opinion.

Responsibilities of Management and Audit and Supervisory Committee for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, including whether the use of the disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Audit and Supervisory Committee are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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 economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The procedures selected and applied depend on the auditor's judgement.
- In making these risk assessments, consider internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. 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 Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation, in addition, evaluate whether the presentation of financial statements and notes to the financial statements are in accordance with accounting principles generally accepted in Japan.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with Audit and Supervisory Committee 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.

We also provide Audit and Supervisory Committee with a statement that we have complied with relevant ethical requirements regarding independence in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Convenience Translation

The United States dollar amounts shown in the financial statements referred to above have been translated solely for convenience. We have recomputed the translation and, in our opinion, the financial statements expressed in Japanese yen have been translated into United States dollars on the basis described in Note5.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Gyosei & Co.

GYOSEI & Co.

Tokyo, Japan
June 26, 2020

Corporate Outline (As of June 30, 2020)

Registered Name	Nishimatsu Construction Co., Ltd.	Founded	1874
Head Office	Toranomon Hills Business Tower 17-1, Toranomon 1-chome, Minato-ku, Tokyo, 105-6407 Japan	Established	September 20, 1937
Representative	Nobutoshi Takase, Representative Director and President	Paid-up Capital	¥23,513,643,819
		Number of Employees	2,684 (As of March 31, 2020)

Regional Headquarters and Branch Offices (As of June 30, 2020)

Domestic Offices

North Japan Regional Headquarters
8-33, Omachi 2-chome, Aoba-ku, Sendai, 980-0804
Japan
Phone: 81-22-261-8161

Sapporo Branch
20, 2-chome, Kita 7-jo Nishi, Kita-ku, Sapporo,
060-8575 Japan
Phone: 81-11-728-0211

Kanto Civil Engineering Regional Headquarters
1-18, Toranomon 1-chome, Minato-ku, Tokyo,
105-0001 Japan
Phone: 81-3-3502-7558

Hokuriku Branch
16-8, Kamitokorokami 1-chome, Chuo-ku, Niigata,
950-0992 Japan
Phone: 81-25-285-0661

Kanto Architectural Regional Headquarters
17-21, Shinbashi 6-chome, Minato-ku, Tokyo,
105-0004 Japan
Phone: 81-3-3502-0287

West Japan Regional Headquarters
4-7, Tsurigane-cho 2-chome, Chuo-ku, Osaka,
540-8515 Japan
Phone: 81-6-6942-1173

Chubu Branch
27-14, Izumi 2-chome, Higashi-ku, Nagoya, 461-8558
Japan
Phone: 81-52-931-8471

Chugoku Branch
2-28, Kokutajimachi 2-chome, Naka-ku, Hiroshima,
730-8589 Japan
Phone: 81-82-247-9281

Shikoku Branch
8-11, Ban-cho 3-chome, Takamatsu, 760-8503 Japan
Phone: 81-87-831-1471

Kyushu Regional Headquarters
14-5, Yakuin 1-chome, Chuo-ku, Fukuoka, 810-0022
Japan
Phone: 81-92-771-3120

Okinawa Branch
22-3, Nishi 1-chome, Naha, 900-0036 Japan
Phone: 81-98-851-3122

Overseas Offices

Hong Kong Branch
Room 508, Star House, Salisbury Road, Kowloon,
Hong Kong

Bangkok Office
19th Floor, Sino-Thai Tower 32/48 Sukhumvit 21 (Soi
Asoke), Klongtoey-Nua, Wattana, Bangkok 10110
Thailand

Singapore Office
70 Bendemeer Road #05-04 Luzerne, Singapore
339940

Malaysia Office
B-20-13 Summer Suites No.8, Jalan
Cendana Off Jalan Sultan Ismail 50250
Kuala Lumpur

Vietnam Offices

Hanoi Office
24th Floor, Ngoc Khanh Plaza, 1 Pham Huy
Thong Street, Ngoc Khanh Ward, Ba Dinh
District, Hanoi, Vietnam

Ho Chi Minh Office
8 Floor, Thien Phuoc 2 Building, 110 CMT 8
Street, Ward 7, District 3, Ho Chi Minh City,
Vietnam

Myanmar Office
Room No.B4-i, No.53/62, Myanma Gon Yi Street,
Tharkayta Industrial Zone, Tharkayta Township,
Yangon, Myanmar.

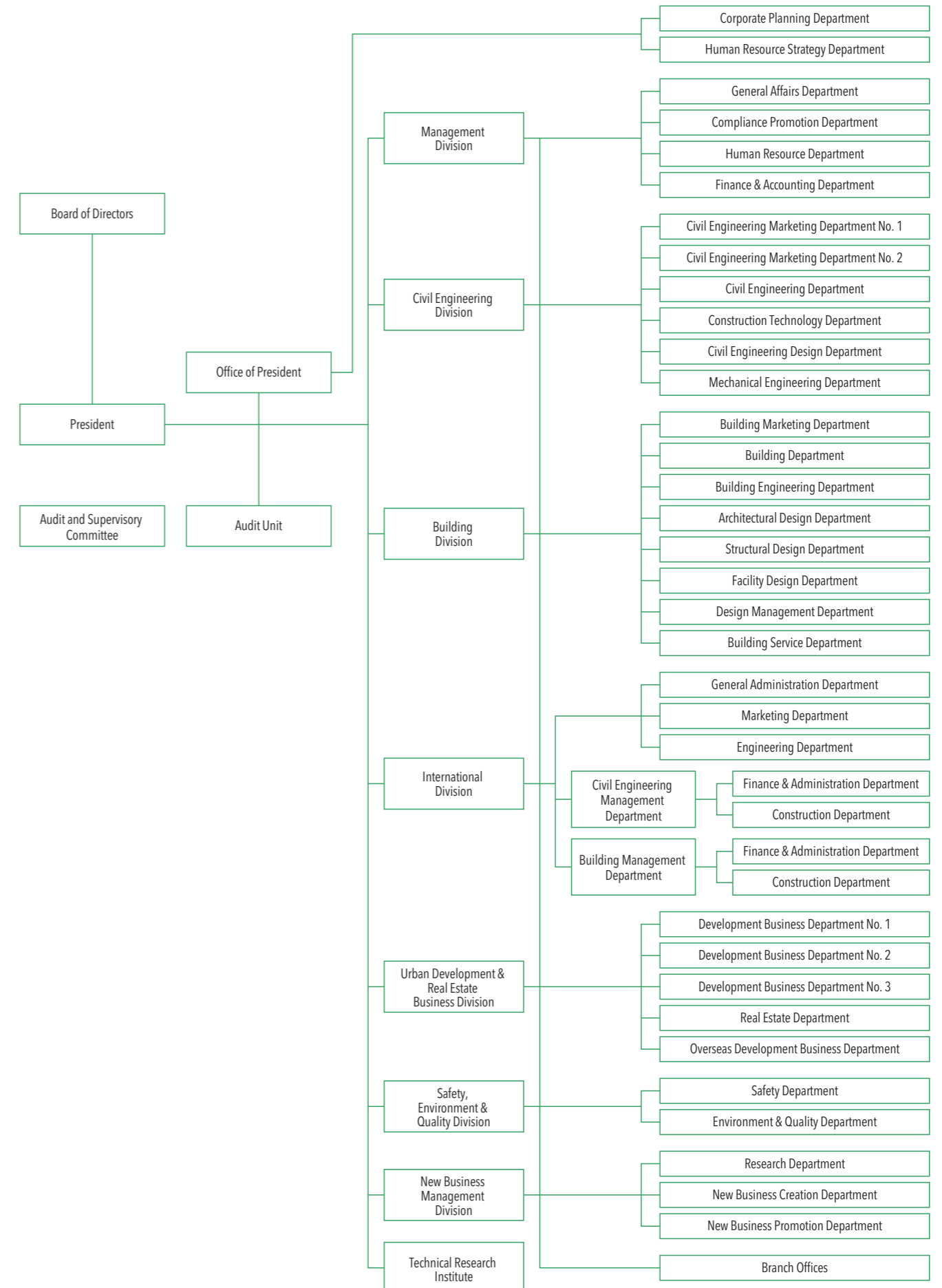
Philippines Office
Unit 303, GCCP Building, 150 Legaspi Street,
Legaspi Village, Makati 1229, Philippines

Thai Nishimatsu Construction Co., Ltd.
Note: Location and other information is the same as
the Bangkok Office of Nishimatsu
Construction Co., Ltd.

Lao Nishimatsu Construction Co., Ltd.
1st Floor Savan-SENO Special Economic Zone,
Authority's Office, No. 9 Phetsalad Road, Nakea
Village, Kaison Phomvihanh District, Savannakhet
Province, Lao PDR, P.O. Box 200

Nishimatsu Vietnam Co., Ltd.
Note: Location and other information is the same as
the Hanoi and Ho Chi Minh offices of
Nishimatsu Construction Co., Ltd.

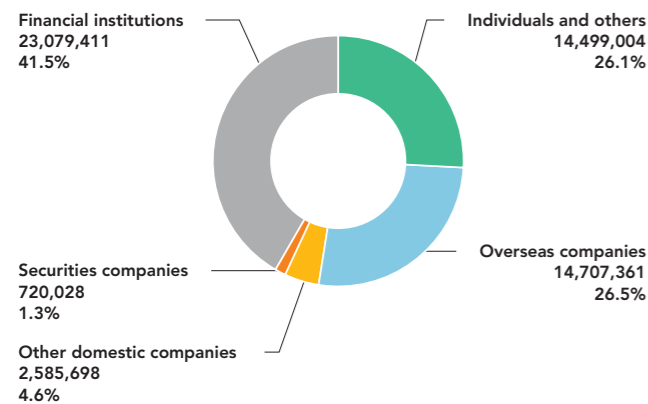
Organization Structure (As of April 1, 2020)



Stock Status (As of March 31, 2020)

Total number of authorized shares: 160,000,000
Total number of issued shares: 55,591,502
(including 889,742 shares of treasury stock)
Number of shareholders: 20,433

Shareholder Distribution



Major Shareholders

Shareholder	Shares held (Thousands)	Shareholding ratio (%)
The Master Trust Bank of Japan Ltd. (Trust account)	5,784	10.57
Japan Trustee Services Bank Ltd. (Trust account)	3,956	7.23
NOMURA AYA	2,426	4.44
Japan Trustee Services Bank Ltd. (Trust account 4)	2,243	4.10
Japan Trustee Services Bank Ltd. (Trust account 9)	1,372	2.51
DFA INTL SMALL CAP VALUE PORTFOLIO	1,076	1.97
JP MORGAN CHASE BANK 385151	1,024	1.87
Japan Trustee Services Bank Ltd. (Trust account 5)	980	1.79
Meiji Yasuda Life Insurance Company	915	1.67
Japan Trustee Services Bank Ltd. (Trust account 7)	860	1.57

Note: Treasury stock of 889,742 shares is excluded from the above list.
The shareholding ratio is calculated excluding treasury stock.



Inquiries:

Nishimatsu Construction Co., Ltd.
CSR Planning Section, Corporate Planning Department
Toranomon Hills Business Tower,
17-1, Toranomon 1-chome, Minato-ku, Tokyo,
105-6407 Japan
Phone: 81-3-3502-0222 Fax: 81-3-3502-7593



Certified as an
Eco-First Company
by the Minister of
the Environment



Nishimatsu Construction
supports COOL CHOICE