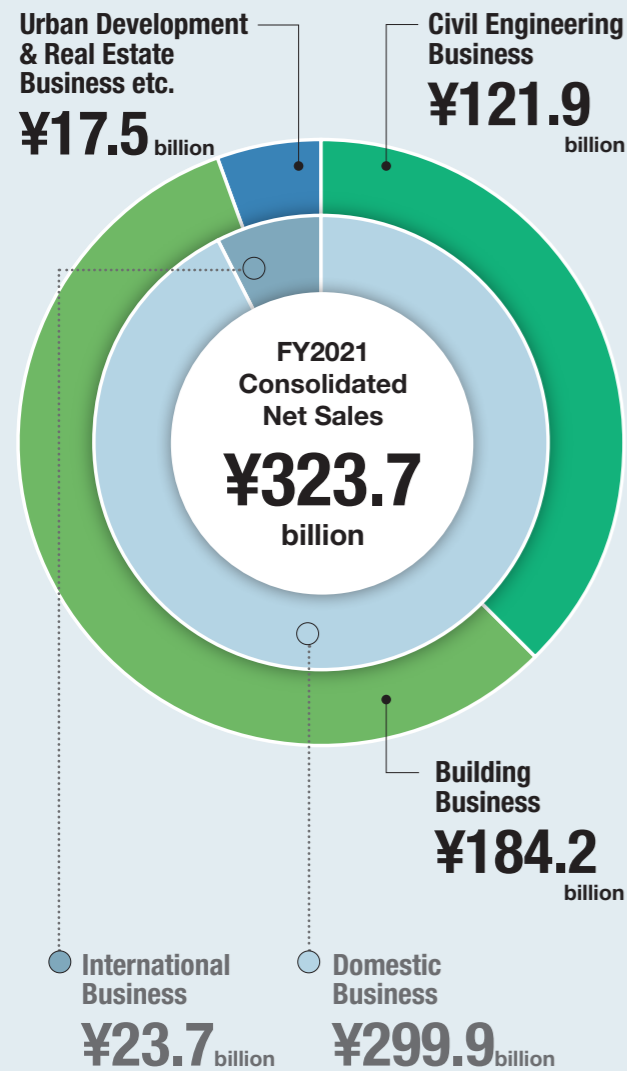


At a Glance

Consolidated Net Sales



Consolidated Operating Income



ROE

8.5%

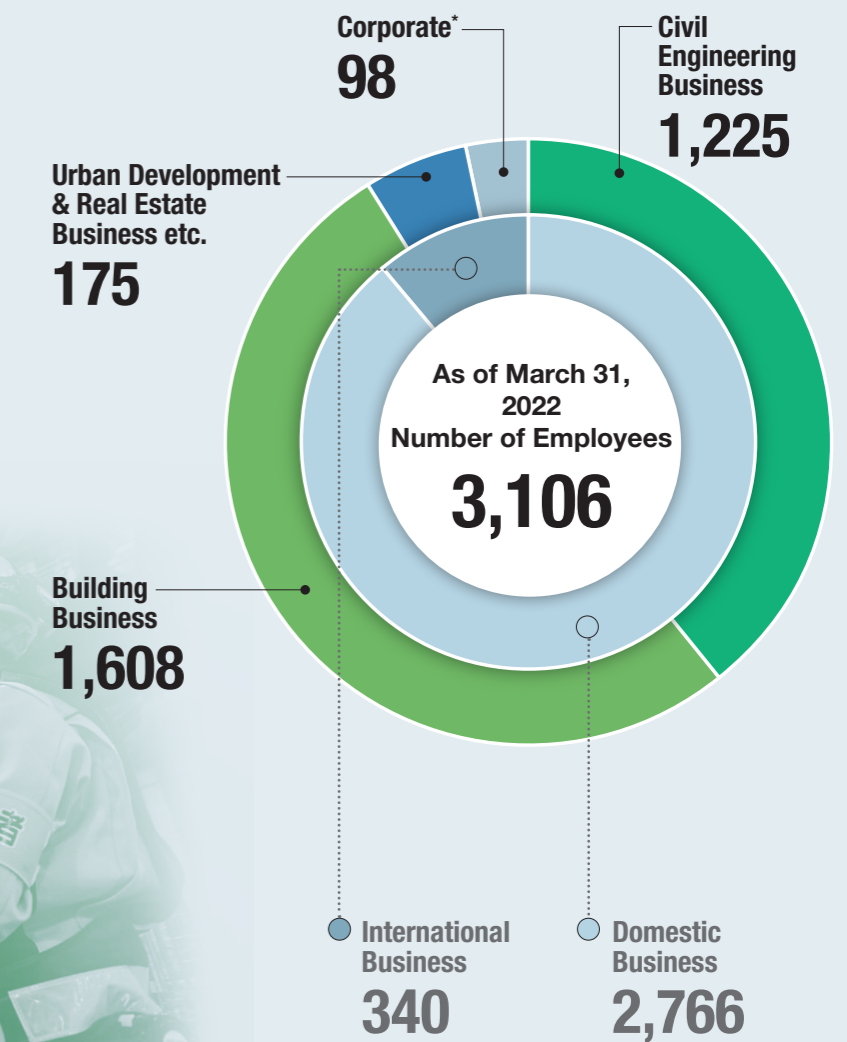
Capital to Assets Ratio

31.7%

D/E Ratio

1.1 times

Number of Employees



* Corporate: The number of employees in the administration division of Nishimatsu Construction Co., Ltd. Headquarters

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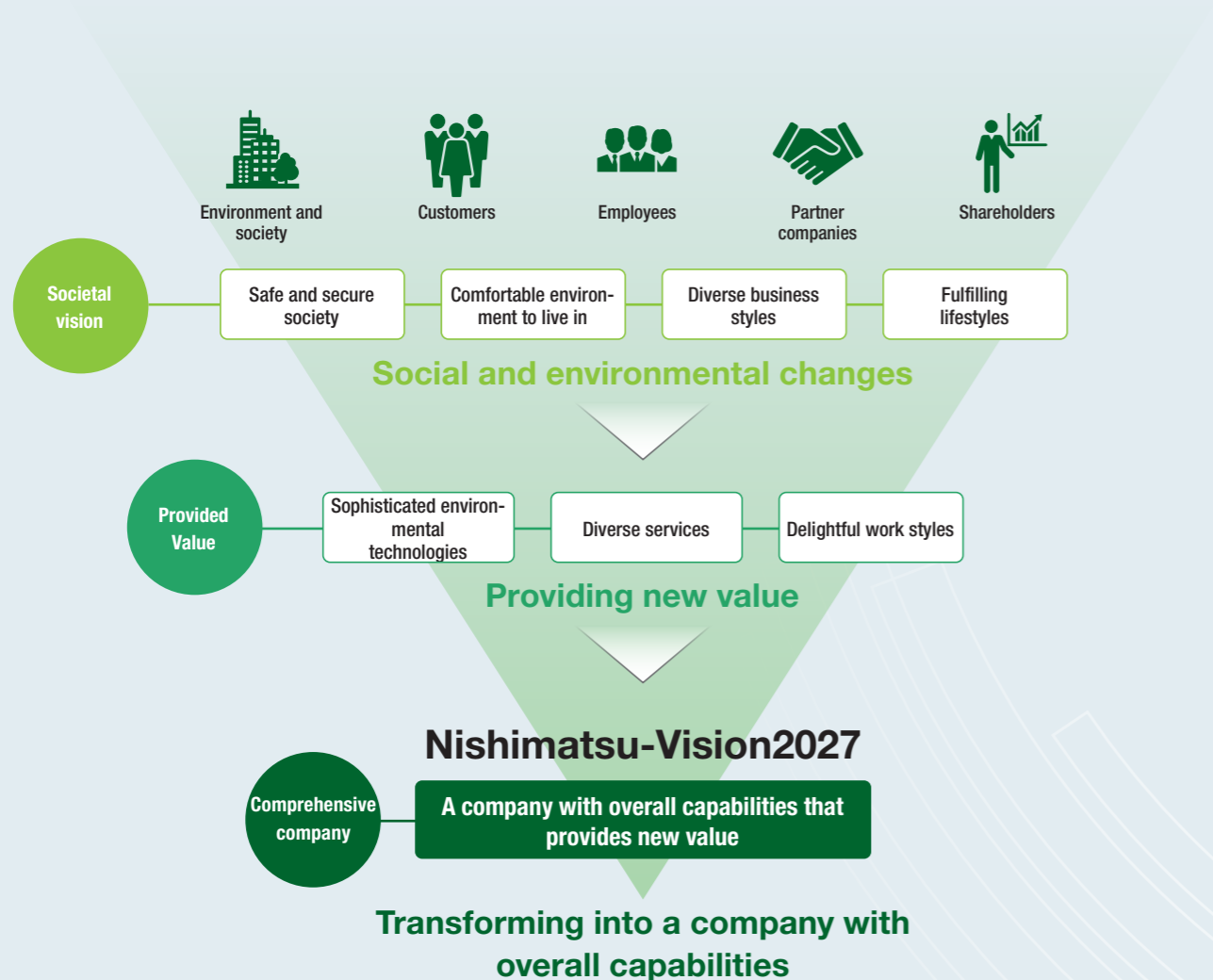
Nishimatsu Construction's Corporate Philosophy

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.**

Vision



Company Motto

Courage, Courtesy, and Justice

An enterprising spirit, a feeling of gratitude, and a righteous attitude

Code of Conduct

~Values consistent with Courage, Courtesy, and Justice~

An enterprising spirit

- As a group of construction specialists, we will hone our skills every day in a continual effort to attain a high level of customer satisfaction and build a better society and environment.
- We will take positive steps to create advanced technologies, attractive workplaces, and safe working environments in an effort to develop the Company's business and the construction industry.
- We will always take social and environmental issues seriously in order to build a sustainable world and hand it down to the next generation.

A feeling of gratitude

- We will respect all people and proactively support the realization of their dreams.
- We will always consider our stakeholders, respect communications, and forge connections between people through our construction business.
- We will always thank our community and society, and regularly communicate with them.

A righteous attitude

- We will always be aware of our corporate social responsibility and conduct our corporate activities with a high level of ethics and transparency.
- We will respect free and fair economic activities and engage in sound corporate activities from a global perspective to earn the trust of our stakeholders.
- We will anticipate foreseeable risks and opportunities, keeping an eye on the future in an effort to build our responsive capabilities.

History of Co-Value Creation

Nishimatsu Construction has contributed to the realization of a safe and secure society since its establishment in 1874 by constructing social infrastructure, including railroads, dams and roads, as well as office, residential and commercial facilities in Japan and overseas.

Our spirit of “contributing to the creation of a sustainable society and environment where people can live with peace of mind” with consideration for everyone living on this planet has remained unchanged to this day. In a constantly changing society, we are taking on the challenge of establishing a new way of working in the construction industry. We will continue to create new value together with our stakeholders.



Sanyo-Onoda Green Energy

Environment and Energy



NCRE Keio University Hiyoshi International Dormitory



Hotel JAL City Toyama

Urban Development & Real Estate



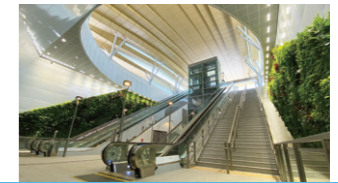
Lower Shing Mun Dam, Hong Kong



UOB Plaza, Singapore



Aldrich Bay Residential Building, Phase 4, Hong Kong



Contract T228 Construction of Gardens By The Bay Station and Tunnels for Thomson Line, Singapore

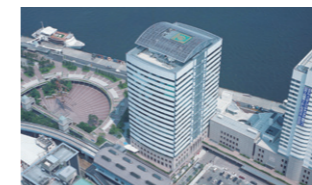
International



Otemachi Joint Government Building



Geihinkan's Japanese Style Annex (Yushintei)



New Pier Takeshiba South Tower



Jimbocho 1-chome Southern Area Type 1 Urban Area Redevelopment Project

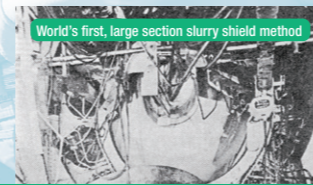


Yanagawa Civic Cultural Center

Building



Hisatsu Line Construction Area No. 2



Keiyo Line Haneda Tunnel



Seikan Tunnel (Sengen Construction Area)



Gassan Dam (Yamagata Prefecture)



Chubu Centrai International Airport



Biratori Dam

Civil Engineering

1874

1900

1945

1980

2000

2020

History of Nishimatsu

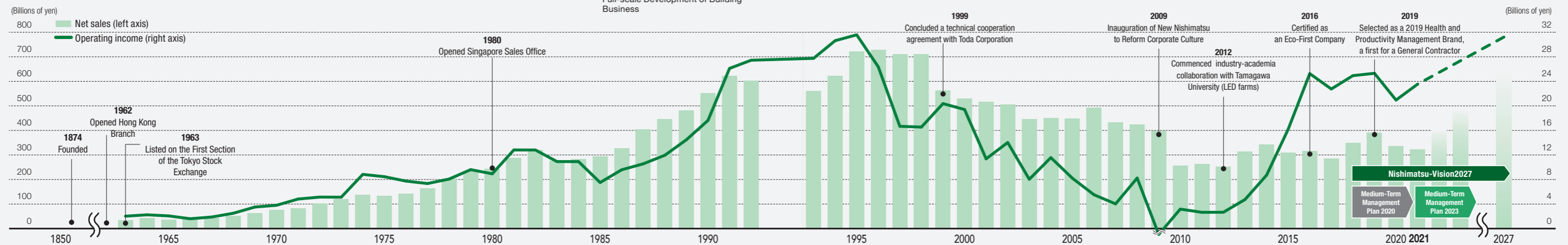
Expansion of Civil Engineering Business

Advancement in Civil Engineering Business (Introduction of Mechanized Construction)

Full-scale Development of Building Business

Domestic Expansion of Business
Rapid International Expansion

Urban Development & Real Estate Business Started
Environment and Energy Business Started



Major Events

1872 Japan's first railroad opens (Shinbashi to Yokohama)

1945 End of WW2

1960s Period of high economic growth

1973 Oil shock

Late 1980s Trade friction

Early 1990s Collapse of Japan's economic bubble

1995 Great Hanshin Earthquake

2008 Bankruptcy of Lehman Brothers (2008 financial crisis)

2011 Great East Japan Earthquake

2020 COVID-19 Pandemic

Message from the President



Nobutoshi Takase
Representative Director and President

The society and environment surrounding us are becoming increasingly uncertain, as we can see from the increase in global warming and natural disasters, acceptance of diversity, advancement of digital technology and changes in international affairs. We hope to co-create “new value” with our stakeholders by responding to risks and opportunities amid rapid changes. We will address sustainability and contribute to the realization of the SDGs through each of our business activities and ESG initiatives that we are undertaking under our “Medium-Term Management Plan 2023”.

Review of the First Year of “Medium-Term Management Plan 2023”

In FY2021, the first year of our “Medium-Term Management Plan 2023”, which is the second stage toward achieving our long-term vision, “Nishimatsu-Vision 2027”, we embarked on “transformation into a company with overall capabilities”. With no end to the COVID-19 infection, global changes have continued to occur in the last year, as evidenced by the invasion of Ukraine. Amid such social conditions, our net sales declined 3.7% year on year to 323.7 billion yen, and operating income increased 12.4% year on year to 23.5 billion yen in FY2021, thus showing a decrease in sales and an increase in income.

The pandemic situation and the impact on our business from the soaring oil and commodity prices due to the situation in Ukraine would be concerns for us in the future. I believe we will be in a tough situation finding the middle ground where our customers and businesses can be mutually viable.

■ Four Pillars of the Medium-Term Management Plan

We have framed our “Medium-Term Management Plan 2023” based on our corporate philosophy as a management strategy to “establish a sustainable society and environment where people can live with peace of mind” to

“create a sustainable society and environment where people can live with peace of mind”.

The plan has four main pillars. The first is “‘Organic collaborations’ with each business”, the second is “full-scale initiatives to realize a decarbonized society, centered around our environment and energy business”, the third is “enhancement of corporate value through collaboration with partner companies from different industries”, and the fourth is “striving for the enhancement of corporate value through capital-efficient investments in growth areas while maintaining financial soundness, and providing robust returns to shareholders”. In our financial policy, which is the fourth pillar, we are more committed to thinking from the perspective of our shareholders and other stakeholders. We have set a goal of continuously maintaining a consolidated dividend payout ratio of 70% or higher for three years from FY2021 to FY2023 and acquiring our company shares worth 20 billion yen or higher over three years. In FY2021, our share acquisition exceeded the planned amount. I believe that over the next 2 to 3 years, we will have a capital structure suitable for a company with the overall capabilities we aspire to become.

Progress and Results of “‘Organic Collaboration’ with Each Business”

The first pillar of our “Medium-Term Management Plan 2023, “‘Organic Collaboration’ with each business”, is to review the roles of each business and establish and permeate a system of cooperative initiatives so that Nishimatsu Group can demonstrate its maximum strength.

The “Organic Collaborations” mainly cover urban redevelopment projects and land readjustment projects, which are implemented through cooperation between the urban development & real estate business, which is responsible for business planning, and the construction business, which is responsible for construction work. In FY2021, Nishimatsu Construction first began reviewing this system of cooperate initiatives. In individual projects, the company is working to create projects that will bring greater satisfaction to business operators and our end users. We expect the number of projects to increase in the future. Similarly, we are pursuing PPP* business initiatives through

cooperation between the environment and energy business, which is responsible for planning, and the construction business, which is responsible for construction.

In our overseas building business, the company is currently receiving orders in Thailand, mainly for construction work with capital investment by Japanese companies. We also have a growing number of new clients in Vietnam. These orders are due to sharing information and collaboration in sales activities by the domestic and overseas sales departments and sales representatives. There are several other patterns of “Organic Collaboration”, but as we promote joint initiatives, our management team, including myself, each business, each department, and each personnel, will reconfirm their roles to achieve overall optimization and demonstrate their strength as the Nishimatsu Group.

* Refer to P. 62 “Terminologies”

Message from the President

What We Have Observed from Collaboration with Partner Companies from Different Industries

■ Gaining a Broader Perspective Can Make a Difference

In December 2021, Nishimatsu Construction entered into a capital and business alliance agreement with ITOCHU Corporation (hereinafter referred to as "ITOCHU"). This alliance was the highlight of the "Collaboration with Partner Companies from Different Industries", the third pillar of our "Medium-Term Management Plan 2023". As ITOCHU works on PPP projects for local governments across Japan, we are beginning to see tangible results, such as getting contracts for construction work utilizing our nationwide network.

The most significant advantage of working with partner companies from different industries is that it allows us to have a broader perspective. Since we have been in the construction industry for 150 years, we tend to be biased toward the thinking and behavior patterns cultivated in the construction industry. I realize that the capital and business alliance with ITOCHU has broadened our business base and perspective. I hope our interaction with partners from different industries will bring more changes to our entire company.

■ Toward "Intangible" Business from the Perspective of Users

Local municipalities are also our partners. In April 2022, Nishimatsu Construction concluded a "Comprehensive Partnership Agreement for the Realization of a Decarbonized Society" with Oki-Town, Fukuoka Prefecture. In March

2021, Oki-Town formulated the "Oki-Town Road Map for Net Zero Greenhouse Gas Emissions by 2050" and is promoting initiatives for decarbonization. We share the same vision of a "zero emission city" to achieve decarbonized urban development and were selected as a partner for further decarbonization. In the future, we plan to jointly establish a company with the specified purpose of building a micro-grid (small-scale power grid) and supplying electricity generated from renewable energy sources such as solar power to public facilities.

The agreement with Oki-town has led to inquiries from several local governments. These initiatives contribute to the region's revitalization and enable us to provide not only "tangible things", but also something "intangible" from the user's perspective. In the future, we intend to expand our business to urban development that enriches people's lives by combining digital technology with towns and buildings through cooperation and collaboration with partners from different industries.



Toward the Realization of a Decarbonized and Recycling-Oriented Society

Nishimatsu Construction is committed to "net zero CO₂ emissions by 2030" as an Eco-first company. Based on the "Zero 30 Road Map" formulated in FY2021, we strive for net zero CO₂ emissions through contribution to the environment through our energy generation business, in addition to promoting the introduction of renewable energy and energy conservation in our business activities.

In the field of energy generation, "full-scale initiatives to realize a decarbonized society, centered around our environment and energy business" form a key element of our "Medium-Term Management Plan 2023", and in April 2021, we reorganized our New Business Management Department as the Environment and Energy Business Management Department to take on the challenge of

commercializing renewable energy power generation. We are currently working on small-scale hydroelectric power generation, woody biomass power generation, methane fermentation biogas, and geothermal power generation projects. The power generation business also has the aspect of employment creation, and we would like to use this as a gateway to get involved in regional revitalization along with the residents.

As a construction company, we consider "zero emission of construction waste" an important issue. Our annual target for the percentage of construction waste sent for final landfill disposal is 3% or less, and we have maintained the percentage at 3% or less since 2016.

Transform into a Company with Overall Capabilities

■ Changing Mindsets for Transformation

I believe that changing the mindset of each employee who implements our measures is most important for sustainable growth and transformation into a company with overall capabilities. This is evidenced by the fact that our employees and staff mutually interact through collaboration with partner companies in different industries, changing our company's thinking and behavior patterns, which has enabled a broader range of businesses. As the General Manager of the Human Resource Strategy Unit, although I implemented the "Flexible Mindset Training" * at "Nishimatsu Employees' University" * to develop human resources with a broad perspective, I still felt the need for a practical approach. In the future, apart from rotation within the company, we will continue to change mindsets by further promotion of collaboration with partners from different industries and create opportunities for young employees to gain experience as presidents of subsidiaries to develop a managerial perspective.

* See page 44 for Nishimatsu Employees' University
* See page 44 for Flexible Mindset Training

■ Utilizing Digital Technology

In the field of digital transformation (DX), in June 2022, Nishimatsu Construction formulated "Nishimatsu DX Vision: Innovate Space Digitally", and in July, the company was certified as a "DX Certified Business Operator" by the Ministry of Economy, Trade and Industry. I look forward to co-creating spaces for "Worksites, Workstyles and Businesses" along with our stakeholders using digital technology. The most important issue to be addressed now is to reduce overtime work through "Smart Worksites". We will also use this information to respond to the regulations limiting overtime work that will apply to the construction industry from FY2024.

■ Measures and Issues to Ensure the Effectiveness of the Board of Directors

Nishimatsu Construction needs corporate governance that incorporates the characteristics of its business activities and responds to the demands of society for carrying out the above business activities. In particular, the role of the Board of Directors is significant. Evaluating the effectiveness of the Board of Directors indicates opinions that expect more active discussions over the medium to long term at the Board of Directors meetings. Our company will address this point with a significant directionality for the corporate strategy and further reform of the Board of Directors. Although there have been some restrictions on travel during the past two years due to the outbreak of the COVID-19 pandemic, the Audit Committee members, who are outside directors, were requested to visit each branch or office once every few months and report on their visit to the Board of Directors as an initiative to share information. In 2019, Nishimatsu Construction established the President and General Managers' Council with the president and general managers as members to organize what should be decided by the executives. The decision-making authority was transferred from the Board of Directors to the President and General Managers' Council, reducing the number of agenda items at Board of Directors meetings and allowing for more substantive discussions. However, the role of each council constantly changes, as the society and the business of our company change. We will review the role of each council as required, and the Board of Directors will engage in high-quality discussions on medium- to long-term themes.

Fulfill our Mission as a Member of the Society

Nishimatsu Construction will celebrate its 150th anniversary in 2023. Over the years, Nishimatsu Construction has been able to function as a member of society with the support of our stakeholders. As we move forward, Nishimatsu Construction will continue to respond to risks and opportunities and co-create new value with our stakeholders. To achieve this, I believe that our company has to change itself and transform its business model.

In FY2021, our company took a significant step forward

in collaboration with partners from different industries. This step has led to a change in the mindset of human resources and is beginning to bring about a change in the business model. We are determined to change ourselves to astutely grasp changes in society and the environment, establish new ways for the construction industry, and provide services that exceed the expectations of our stakeholders.

I look forward to your continued support.

Nishimatsu Construction's Co-Value Creation Model

Inputs

Human Capital

- Marketing human resources
- Training investment costs per employee ¥140,000
- Number of employees globally 3,106

Intellectual Capital

- Research and development costs ¥1.74 billion
- Technical human resources

Manufactured Capital

- Number of offices Japan 52 Overseas 10
- Number of construction sites 252 (As of March 31, 2022)
- Construction track record

Social and Relationship Capital

- N-NET (Nishimatsu Subcontractor's Network) 1,026 companies
- Trusting relationships with customers and end users
- Nishimatsu's brand power

Natural Capital

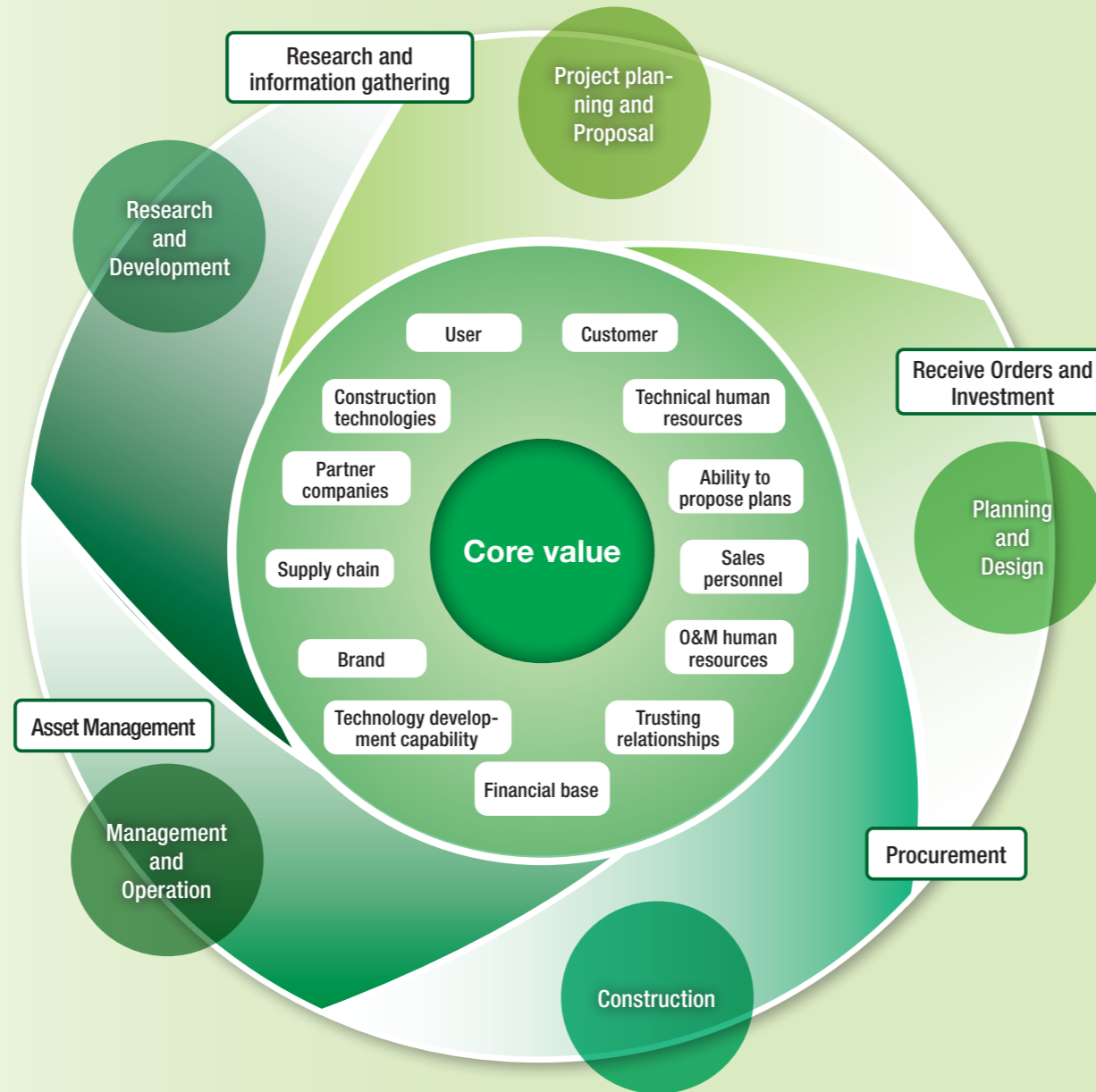
- Energy usage 1,652,194GJ

Financial Capital

- Total capital ¥ 157.7 billion
- Interest-bearing debt ¥ 160.0 billion

Business Model

ESG/SDGs management



Outputs

Domestic Civil Engineering Business

- ▶ P.24
- Mountain and shield tunneling
- Infrastructure renovation

Domestic Building Business

- ▶ P.26
- Logistics facilities
- Urban redevelopment projects

International Business

- ▶ P.28
- ODA
- Building projects

Urban Development & Real Estate Business

- ▶ P.30
- Our own development projects
- Value improvement business
- Urban redevelopment projects
- Land readjustment projects
- International Business

Environment and Energy Business

- ▶ P.32
- Renewable energy business
- Infrastructure-related services

Outcomes

Human Capital ▶ P.44

- Number of training participants (non-consolidated) 3,907 (total)
- Employee satisfaction (non-consolidated) 74.2%

Intellectual Capital

- Number of patents owned 281

Manufactured Capital

- Number of new projects started 199 (Contract amount of ¥50 million or more)

Social and Relationship Capital ▶ P.47

- Number of occupational injuries requiring four or more days of absence from work 19 (±0 year-on-year)
- Number of certified Nishimatsu meisters 103
- Ministry of Land, Infrastructure, Transport and Tourism construction evaluation Score (average) 78.1
- Percentage of A ratings in customer surveys 89.8%

Natural Capital ▶ P.39

- Reduction of CO₂ emissions 2,513t-CO₂ (Renewable energy, K-S1, BDF, N-TEMS, Solar power generation)

Financial Capital ▶ P.16

- Dividend payout ratio 70.8%
- TSR +57% (5 years)

External Environment Material Issues ▶P.14

Nishimatsu-Vision 2027 ▶P.2

Medium-Term Management Plan 2023 ▶P.13

Corporate Philosophy ▶P.2

Looking Back on the Previous Medium-Term Management Plan and FY2021

Medium-Term Management Plan 2023 (FY2021-2023)

Medium-Term Management Plan 2020 (FY2018-2020)

FY2021

Medium-Term Management Plan 2023 (FY2021-2023)

Period for establishment of the foundations of a company with overall capabilities

Basic Policy

1. Evolve the construction business
2. Expand our business fields with growth in New Businesses and the Urban Development & Real Estate Business

Results (Consolidated)

Targets	Net sales	¥380 billion		
	Operating income	¥25 billion		
End Result		FY2018	FY2019	FY2020
	Net sales	¥349.3 billion	¥391.6 billion	¥336.2 billion
	Operating income	¥24.9 billion	¥25.3 billion	¥20.9 billion

Initial Performance Targets

Net sales	¥337 billion
Operating income	¥21 billion

End Result

	FY2021
Net sales	¥323.7 billion
Operating income	¥23.5 billion

Finance (Consolidated)

Targets	ROE	8% or higher		
	Capital to assets ratio	Approx. 50%		
	D/E ratio	Approx. 0.3		
	Dividend payout ratio	30% or higher		
	Annual dividend per share	¥100 or higher		
End Result		FY2018	FY2019	FY2020
	ROE	9.9%	9.5%	8.5%
	Capital to assets ratio	42.3%	39.6%	43.6%
	D/E ratio	0.4	0.6	0.6
	Dividend payout ratio	30.6%	30.7%	33.5%
	Annual dividend per share	¥105	¥105	¥105

End Result

	FY2021
ROE	8.5%
Capital to assets ratio	31.7%
D/E ratio	1.1
Dividend payout ratio	70.8%
Annual dividend per share	¥221

Building our foundation for transforming into a company with overall capabilities

1. Evolve the construction business
 - Domestic Civil Engineering Business
 - Aggressive adoption of CIM and ICT on worksites
 - Increase in the ratio of private-sector construction in construction of completion
 - Domestic Building Business
 - Introduce design BIM into design and construction projects for logistics facilities
 - Orders received for logistics facilities averaged ¥66.9 billion over three years
 - International Business
 - Launched a market survey in six countries in Southeast Asia
2. Expand our business domains
 - Urban Development & Real Estate Business
 - Steadily grew our in-house development and operations business, such as student dormitories.
 - New Businesses
 - Strive to create business in the renewable energy field

Steady start to "Medium-Term Management Plan 2023"

1. "Organic Collaboration" of businesses
 - Start of organic collaboration scheme operation
2. Initiatives to achieve a decarbonized society
 - The renewable energy generation business has progressed
3. Collaboration with partner companies in different industries
 - Establishment of collaboration scheme has progressed
4. Growth investment with high capital efficiency and provide strong shareholder returns
 - Growth investments are in line with plans
 - Dividends paid out as planned
 - Repurchased more shares than planned

Transition period for becoming a company with overall capabilities

Four pillars of the Medium-Term Management Plan

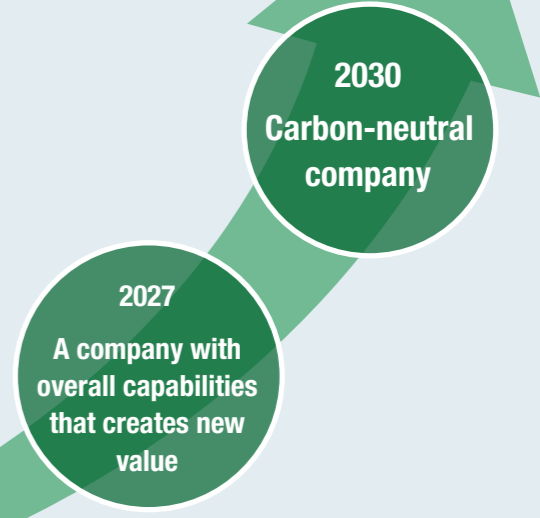
- 1 "Organic Collaboration" of businesses
- 2 Launch to achieve a decarbonized society, focusing on the Environment and Energy Business
- 3 Improve corporate value via collaboration with partner companies in different industries
- 4 Improve corporate value through growth investment with high capital efficiency while maintaining a robust financial constitution, and provide strong shareholder returns

Performance Targets	Consolidated Net Sales	¥400 billion
	Consolidated Operating Income	¥32 billion
Financial Targets	ROE	12% or higher
	Capital to assets ratio	Approx. 40%
	D/E ratio	0.8
	Dividend payout ratio	Continuously 70% or higher
	Share repurchases	¥20 billion or higher over 3 years

Investments for growth that are highly efficient
→ expand business profit
Timely replacement of real estate
→ improve speed of recouping profit

Actively utilize interest-bearing debt while maintaining financial soundness

Strong shareholder returns
• Pay a stable dividend
• Flexibly repurchase shares



Policy of approaching ESG

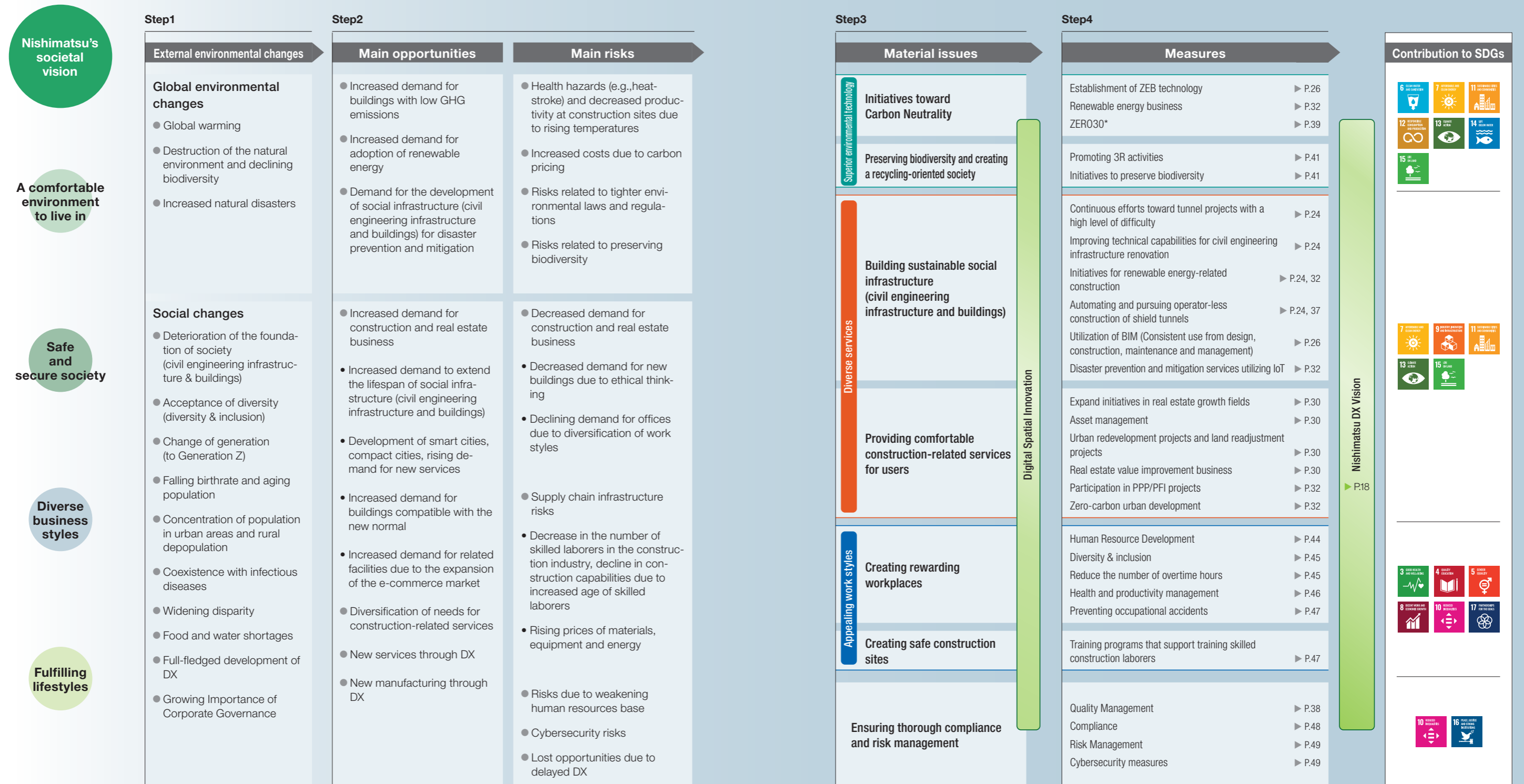
- Environment**
 - Commit to net zero CO₂ emissions by 2030 to achieve a decarbonized society
- Social**
 - Provide a satisfying work environment for every single employee
 - Establish a collaborative system with supply chains
- Governance**
 - Exercise corporate governance that contributes to improving sustainable growth and medium- to long-term corporate value

Progress of Investment for growth

Area	Medium-Term Management Plan 2020 results	Medium-Term Management Plan 2023		6-year plan (FY2018-2023)
		FY2021 results	3-year plan	
Construction	¥6.0 billion	¥2.8 billion	¥10.0 billion	¥16.0 billion
Urban Development & Real Estate	¥52.0 billion (+10.0 billion substitution)	¥18.6 billion (+7.8 billion substitution)	¥51.0 billion (+35.0 billion substitution)	¥103.0 billion (+45.0 billion substitution)
Environment and Energy	¥1.5 billion	¥0.4 billion	¥7.0 billion	¥8.5 billion
Human resources	¥2.5 billion	¥1.0 billion	¥3.0 billion	¥5.5 billion
Total Investment	¥62.0 billion	¥22.8 billion	¥71.0 billion	¥133.0 billion

Material Issues, Opportunities and Risks

Nishimatsu Construction has recognized changes in the external environment surrounding the Company and our stakeholders, and has identified the material business challenges that we should address based on an understanding of both opportunities and risks. We are formulating and implementing specific measures to address the identified materiality while contributing to the SDGs and creating business and social value.



Message from the General Manager of Management Division



We will promote investment in growth sectors to improve capital efficiency and financial soundness

Yuichi Kono

Representative Director and Executive Vice President, General Manager of Management Division, in charge of Investor Relations

Review of the First Year of the “Medium-Term Management Plan 2023”

FY2021 was the first year of the “Medium-Term Management Plan 2023”. As of the end of FY2021, total assets were 477.6 billion yen, net assets were 157.7 billion yen, equity ratio was 31.7%, interest-bearing debt was 160 billion yen, and D/E ratio was 1.1 times. This was due to the acquisition of 54.3 billion yen of treasury stock through a tender offer and the fact that investment in the urban development & real estate business has been increasing each year. The financial indicator targets set for the final fiscal year (FY2023) of the current medium-term management plan are an ROE of 12% or higher, an equity ratio of approximately 40%, a D/E ratio of 0.8 times, and a payout ratio of 70% or higher for 3 years continuously, and we

were halfway to our targets, except for the payout ratio, in the first fiscal year of the plan.

Among construction orders that we received, orders for domestic civil engineering projects amounted to 102.4 billion yen (110.0 billion yen planned) and those for domestic building projects amounted to 183.3 billion yen (200.0 billion yen planned), both of which fell short of the plan. Although net sales declined 3.7% year on year to 323.7 billion yen due to the impact of fewer orders, operating income increased 12.4% to 23.5 billion yen year on year due to higher gross profit from domestic civil engineering business and the urban development & real estate business, among others.

Investment in Urban Development & Real Estate Business

The year 2023 marks the 150th anniversary of our company's founding. Looking back at our history of 150 years, the highest operating income of the company was recorded twenty-seven years ago in the fiscal year ended March 31, 1996, when our mainstay business was domestic and

overseas construction contracts. Meanwhile, in FY2021, the segment profit of the urban development & real estate business is 4.7 billion yen, catching up with the segment profit of 6.4 billion yen of the building business. While the orders received by our construction business during the

Financial indices		FY2021 results	Medium-Term Management Plan 2023
Capital efficiency	ROE	8.5%	12% or higher
	Capital to assets ratio	31.7%	Approx. 40%
Financial stability	D/E ratio	1.1	0.8
	Payout ratio	70.8%	Continuously 70% or higher
Shareholder returns	Dividend per share	¥221	—
	Share repurchase	¥54.3 billion	¥20.0 billion or higher over 3 years

(Billions of yen)

Investment for growth		FY2021 results	Medium-Term Management Plan 2023
Construction	Domestic Civil Engineering	2.8	10.0
	Domestic Building		
	International		
Urban Development & Real Estate		18.6 (+7.8 substitution)	51.0 (+35.0 substitution)
Environment and Energy		0.4	7.0
Human resources		1.0	3.0
Total investment		22.8	71.0

last two years have fallen short of their target due to intensified competition for orders after the construction rush for the Tokyo 2020 Olympic Games, high-quality real estate investment in the urban development & real estate business and collaboration with the construction business are essential for our sustainable growth and medium- to long-term corporate value enhancement.

Under the long-term vision “Nishimatsu-Vision 2027”, we plan to invest 120 billion yen in the urban development & real estate business, and under the “Medium-Term Management Plan 2023”, we plan to invest 86 billion yen and recover 35 billion yen over three years by developing a “Circular Reinvestment Model” to improve asset efficiency and

profitability. The urban development & real estate business is one of the business portfolios essential to achieving an operating income of 32 billion yen, which is the performance target for the final year of the “Medium-Term Management Plan 2023”. The business is expected to account for 10.5 billion yen out of the 52 billion yen gross profit target.

Last year, we entered into a capital and business alliance with ITOCHU Corporation, which has led to a significant increase in our information on urban development & real estate business. By utilizing this information content to establish a Circular Reinvestment Model and improve asset efficiency, we hope to cultivate our urban development & real estate business into a stronger pillar of our company.

Future Financial Strategy

As a result of these investments in the urban development & real estate business, the outstanding balance of rental real estate at the end of FY2021 is 129.5 billion yen, accounting for 27% of total assets (15.9% in FY2017). The percentage is expected to exceed 30% by FY2023.

In the construction business, we will maintain short-term interest-bearing debt while controlling working capital, to bring the net D/E ratio close to zero. On the other hand, in the urban development & real estate business, we can

achieve a D/E ratio of about 2 times, similar to that of major developers, by controlling investment and recovery while leveraging long-term financing. Based on this, I believe that the balance sheets of the construction business and the urban development & real estate business should be managed separately, with financial strategies and numerical targets set for each business.

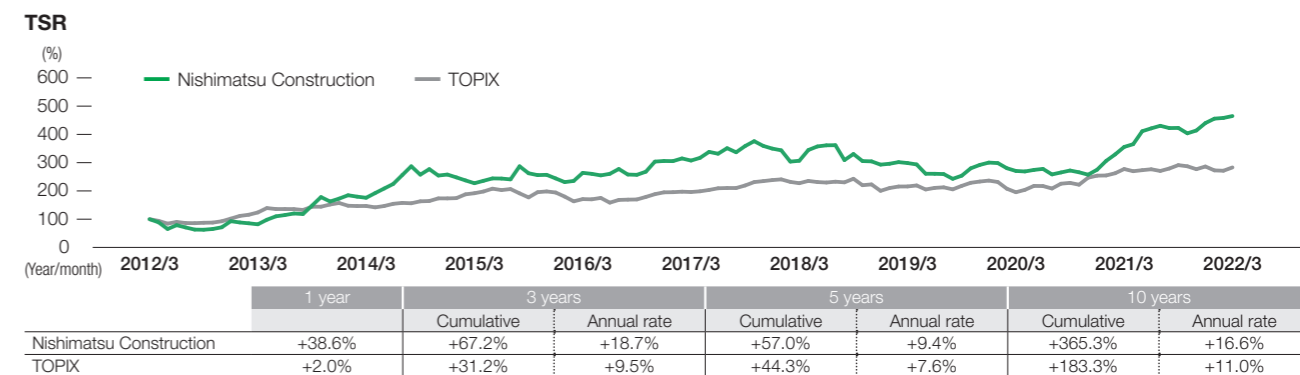
We aim to achieve a ROE of 12% by improving capital efficiency in both businesses.

Shareholder Return Policy

“A consolidated dividend payout ratio of 70% or higher on a continuous basis” and “own share acquisition of 20 billion yen or higher over three years” are listed under the shareholder return policy in the “Medium-Term Management Plan 2023”. As per the current medium-term management plan, the policy is to achieve a consolidated payout ratio of 70% or higher on a continuous basis and provide stable shareholder dividends. The disposal of own shares will be a key agenda item in the future, and by balancing retirement, investment in growth areas, and holding of own

shares, we will improve capital efficiency and financial soundness at the same time. Although the ratio of cross-shareholdings to net assets is currently around 20% due to a decrease in equity capital, we will continue to judiciously consider selling cross-shareholdings, taking into account the impact on orders received.

The total shareholder return (TSR) over the past ten years has been as follows, and our management will continue to focus on capital efficiency by achieving TSR that exceeds the cost of shareholders' equity.



Notes: 1. Total shareholder return (TSR): Total return on investment combined with capital gains and dividends.
 2. TSR for Nishimatsu Construction is calculated based on cumulative dividends and stock price fluctuations. TSR for TOPIX is calculated with a stock price index including dividends. (Created by Nishimatsu Construction using Bloomberg data and other sources.)
 3. TSR values in the graph are indexed to market prices as of March 31, 2012 as 100 (assuming the stock was held until March 31, 2022).

Nishimatsu DX Vision



The DX certification system certifies that a company is ready to transform its business digitally (DXReady), including the formulation of a vision and the development of a strategy and system for realization of DX.

2027 and Beyond “We will Innovate Spaces Digitally”

We will create unconventional “spaces” for worksites, work styles, buildings, and real estate, as well as “spaces” for the creation and use of energy.

In addition to providing these “spaces” to our employees, partner companies, and customers, we will also provide these “spaces” to society, communities, towns, and new customers together with “service providers” who co-create value.

A “Work style” Where Every Individual Can Play an Active Role in the Fusion of the Virtual and Reality

We aim to create an “I” that allows each individual to have a sense of fulfillment in their work through a work style that fuses the virtual with reality, demonstrating high performance while maintaining a good work-life balance.

- **Fusion of online and offline**
Realize a comfortable work environment for employees without limiting the place of work, whether at home, on-site, or a satellite office
- **High performance work styles on a digital twin or the Metaverse**
Create worksites or offices in the Metaverse and work with AI and bots

Smart “Worksites” with Synced/Integrated On-site Capabilities

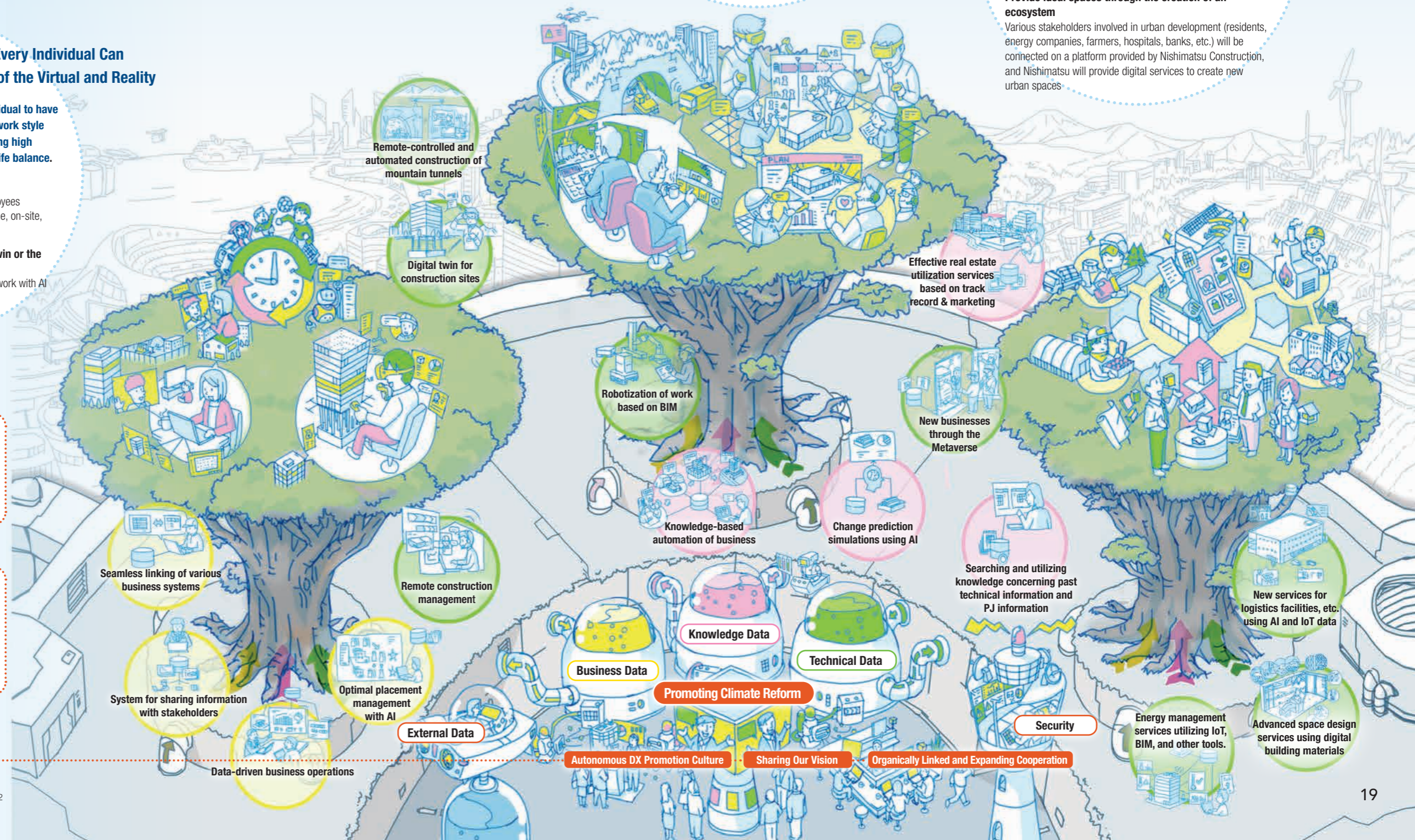
We aim to create “smart (highly efficient) worksites” that are able to correctly understand past and present conditions with data and technology, and predict the future (evolution), while further improving (deepening) on-site capabilities through the use of digital technologies.

- **Remote-controlled and automated construction**
Understand the situation using drones and sensors, and remotely monitor automated construction equipment to ensure safe and high precision construction
- **Predict the future in virtual space**
Analyze data from sources such as budgets and track record, BIM/CIM, etc. using AI to understand the situation on-site in virtual space, as well as to predict future risks at worksites

“Businesses” that Create New Services and Spaces in the Ecosystem

We will create an ecosystem that circulates data on construction, energy, real estate, etc., and create “new businesses” that provide customers and society with unconventional and ideal spaces.

- **Develop and provide new services through cooperation with partners and utilization of data**
- **Provide ideal spaces through the creation of an ecosystem**
Various stakeholders involved in urban development (residents, energy companies, farmers, hospitals, banks, etc.) will be connected on a platform provided by Nishimatsu Construction, and Nishimatsu will provide digital services to create new urban spaces



Climate that Promotes Autonomous DX

We will promote autonomous DX initiatives by improving transformation skills through individual transformation mindset and challenges

Organic Linkage and Expanding Cooperation

We will discover new opportunities for challenges through information cooperation across organizations and further expand our network through cross-organizational initiatives

Collaboration with Partner Companies in Different Industries

We will combine our management resources and know-how through collaboration with partner companies in different industries to provide customers with new value beyond the boundaries of construction

Collaboration Topics

Collaboration with ITOCHU Corporation

Nishimatsu Construction signed a capital and business alliance agreement with ITOCHU Corporation (hereinafter referred to as "ITOCHU"), a general trading company, on December 15, 2021. Even before the alliance, Nishimatsu and ITOCHU had built a good cooperative relationship

through the Real Estate Development Business, construction orders, materials and equipment procurement, etc. Through the capital and business alliance, we will further enhance our cooperation and create new and unprecedented synergies.

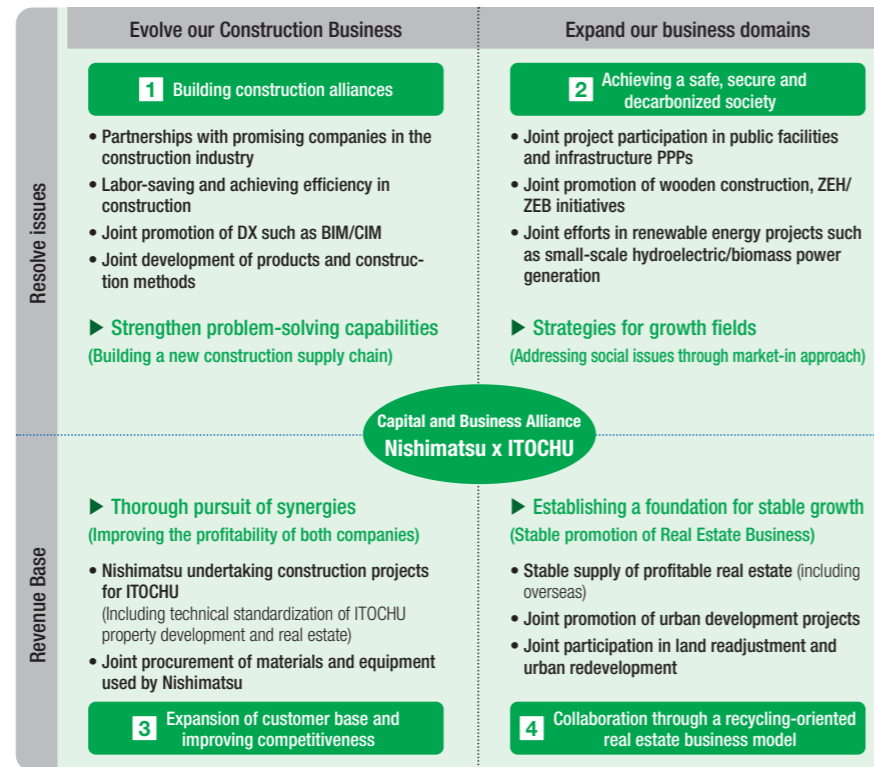
Basic policy for collaboration

Nishimatsu and ITOCHU, together with other partner companies, have gathered the management resources and know-how to solve social issues through a market-in approach by promoting the following measures:

- 1 Building construction alliances
- 2 Achieving a safe, secure and decarbonized society

In addition, to further strengthen the earnings base of both companies, we are promoting:

- 3 Expansion of customer base and improving competitiveness
- 4 Collaboration through a recycling-oriented real estate business model



Joint Participation in Public Facility Development Project ~ (Tentative name) Shibata General Gymnasium Development Project ~

Nishimatsu Construction and ITOCHU Group shall propose new ways to improve public facilities and promote businesses that contribute to the local community. While public facilities continue to deteriorate, local governments are required to respond to various regional issues such as development of evacuation shelters in response to increasingly severe disasters, regional revitalization, health promotion of residents, and other issues. On the other hand, in addition to the requirement of a large number of financial resources for maintaining public facilities, many local governments are facing structural issues such as lack of know-how and human resources.

This is our first project in collaboration with ITOCHU aimed at solving these problems. To replace the Shibata Municipal Gymnasium in Miyagi Prefecture, which was severely damaged by the Great East Japan Earthquake, we will develop a new general gymnasium through public-private partnership (building lease method). In a public call for proposals, a consortium represented by ITOCHU was selected as the preferred bidder. The Consortium member companies will plan, design, construct, maintain, operate and own the facility, — Nishimatsu will be responsible for its construction.



Collaboration Topics

Opening of Hotel JAL City Toyama

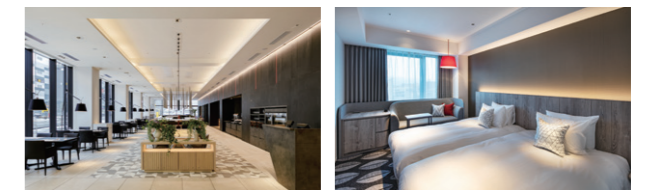
With an eye on its future prospects, Nishimatsu has been investing in the Tourism and Entertainment sector as a key asset and opened the Hotel JAL City Toyama in March 2022.

The hotel is managed by our subsidiary Nishimatsu Hotel Management Co., Ltd. We invited the Okura Hotel Group, which is involved in the development and operation of numerous hotels, including some of the oldest hotels in Japan, as a cooperative partner to serve as the main operator, making this our first entry into the hotel business.

By responding to customer needs in real time, we will provide our customers with services that exceed their expectations. These operational know-how is important assets of our company and will be utilized in our future business operations in the Tourism and Entertainment field.

Hotel JAL City Toyama Facility overview

Location	Toyama City, Toyama Prefecture (A 3-minute walk from JR Toyama Station)
Hotel type	High grade accommodation-oriented
Guest rooms	252 (spacious guest rooms, independent bathrooms) connecting rooms and triple rooms available
Ancillary facilities	Restaurants, bars, self-service convenience stores, and others.



Guests are welcomed by simple and functional spaces that incorporate local Toyama motifs, including the Tateyama Mountain range.

Collaboration Topics

Investment in methane fermentation biogas power generation* startup Archaea Energy Group

In February 2022, Nishimatsu Construction invested in the startup Archaea Energy Group.

In collaboration with Archaea Energy Group, which has a proven track record, we are aiming to accelerate the methane fermentation biogas power generation business and enter the market as soon as possible.

In addition, we will develop a resource recycling system through the methane fermentation biogas power generation project (shown on the right), and create a sustainable local recycling society through this power generation system.

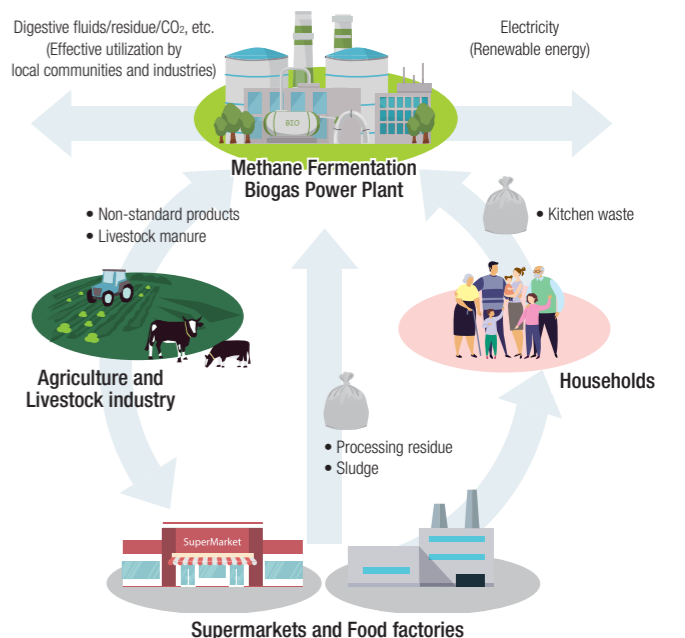
Archaea Energy Group Overview

Location	1-13-1 Toranomon, Minato-ku, Tokyo
Representative	Tetsuya Ueda, Representative Director and President
Paid-up Capital	¥123,000,000
Project contents	<ul style="list-style-type: none"> Planning, development and operation of methane fermentation biogas power generation facilities → 3 facilities in Japan so far (2 have already started operation) Currently 7 projects are under progress

* Methane fermentation biogas power generation
A method of generating electricity using the biogas generated through methane fermentation of organic matter like food waste, etc. to drive a gas engine.

Resource recycling system using methane fermentation biogas power generation

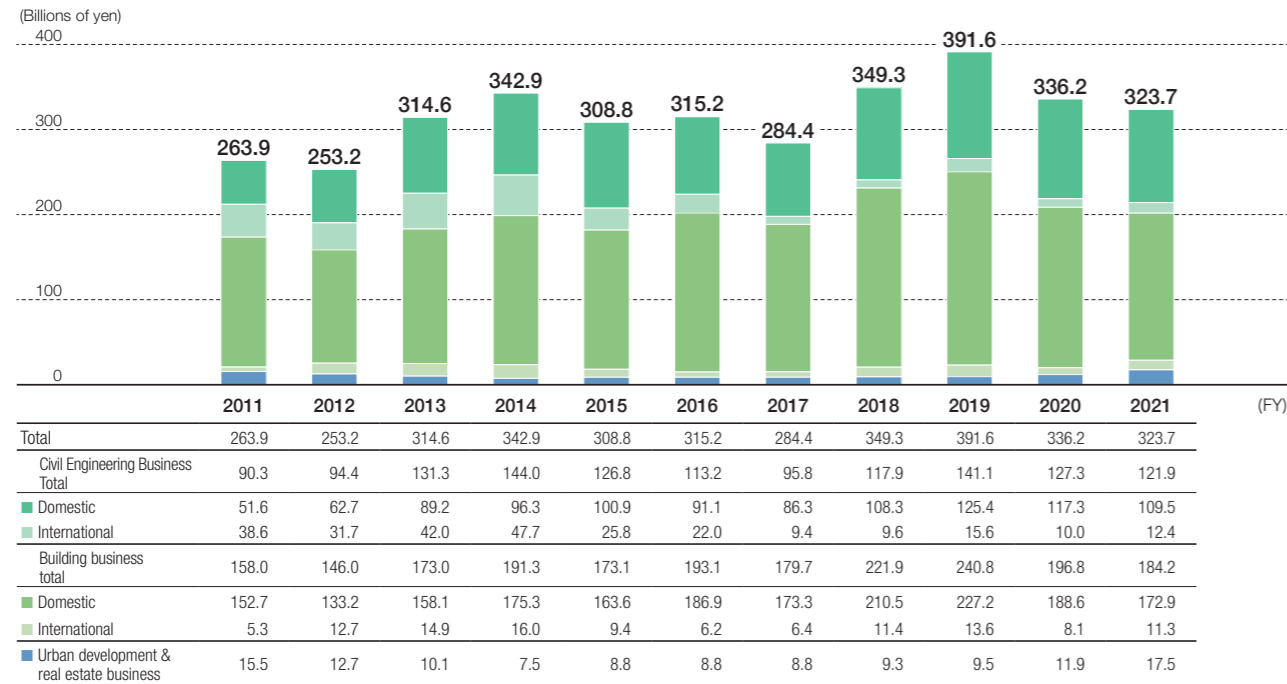
A resource recycling system that can also effectively utilize digestive fluids and CO₂ produced in the process of generating power from organic waste



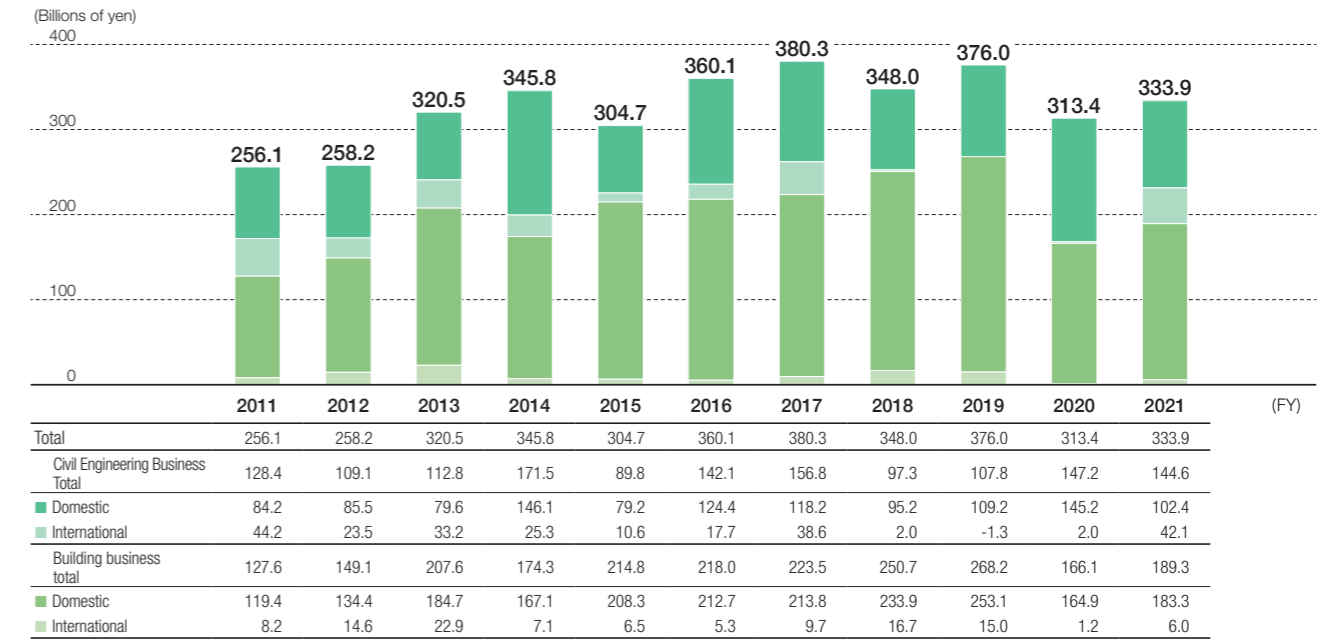
Business Strategy

Business Performance

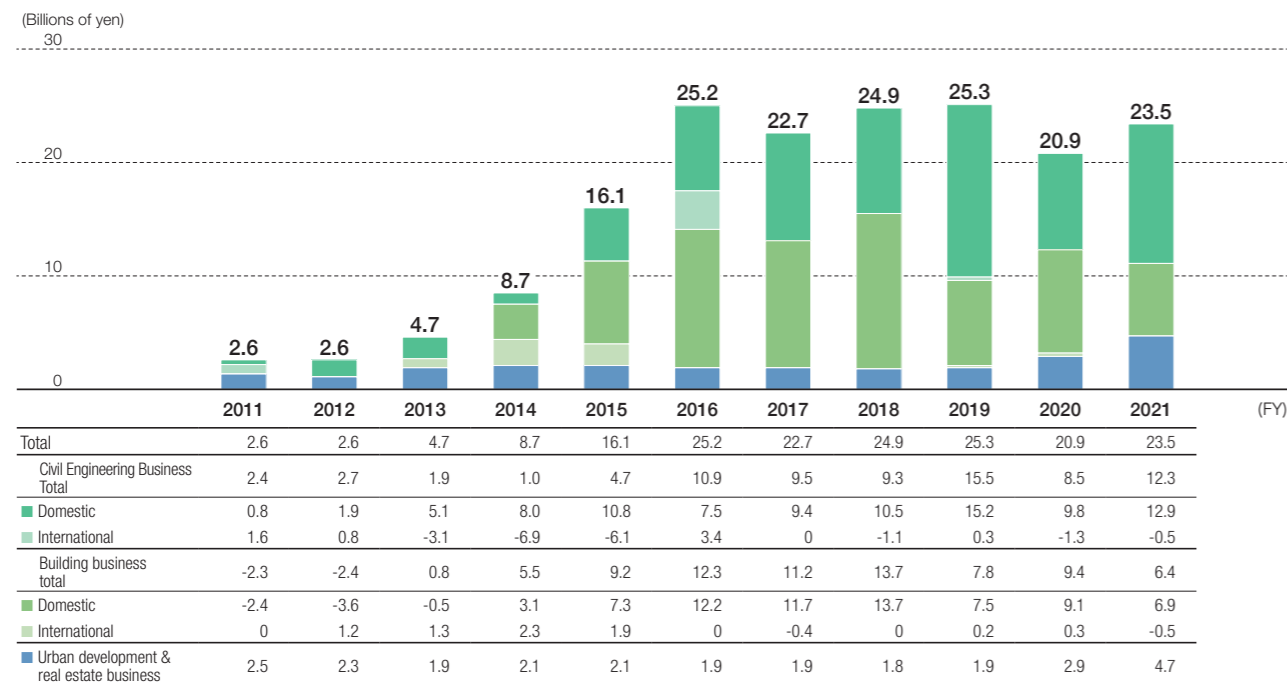
Consolidated Net Sales by Segment



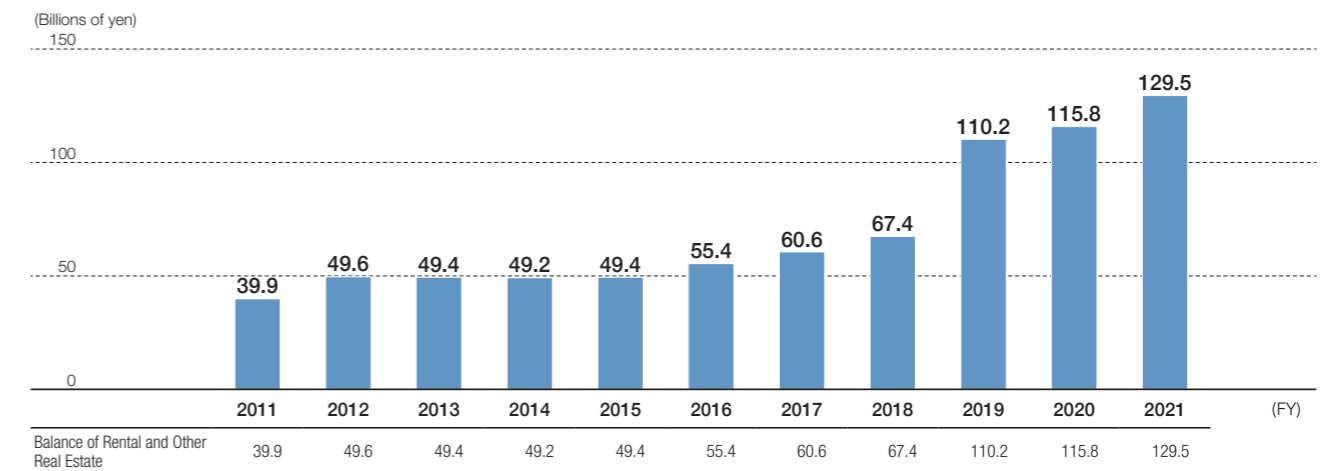
Consolidated Construction Orders Received by Segment



Consolidated Operating Income by Segment



Urban Development & Real Estate Business Balance of rental properties and other real estate



Domestic Civil Engineering Business

Business Significance

Constructing sustainable civil engineering infrastructure to realize a safe and secure society

Business Strengths

- Technologies and track record for high-difficulty construction projects
- Technologies for construction of mountain tunnels, shield tunnels, and dams
- Employees' ability to accomplish work at worksites and the organization's ability to provide support at worksites

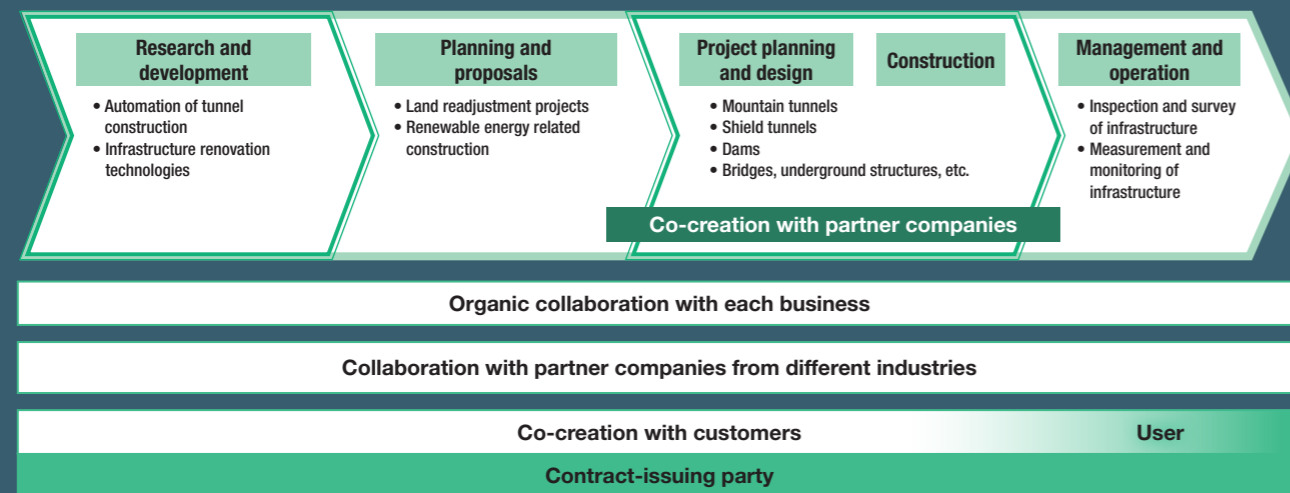


Makoto Isshiki
General Manager of Civil Engineering Division

Business Environment

- Increasing severity and frequency of natural disasters**
 - Increase in disaster prevention and mitigation measures, and increase in resilient national infrastructure projects
- Transition to a decarbonized society**
 - Increase in renewable energy-related construction and transportation infrastructure construction
- Deterioration of social infrastructure**
 - Increase in civil engineering infrastructure renovation
- Soaring resource and energy prices**
 - Sharp rise in prices of materials and equipment, impact on procurement
- Decrease in working-age population**
 - Labor shortage, automation, and operator-less construction

Value Chain



Progress of Priority Measures

Priority measures	FY2021 review	Initiatives going forward
High-difficulty construction projects	Construction of large-scale mountain and shield tunnels, as well as other construction projects with a high level of difficulty throughout Japan	QCDSSE construction in high-difficulty construction
Civil engineering infrastructure renovation	Numerous orders for expressway and tunnel renovation	Planned training of laborers Improve of technical skills for renovations
Renewable energy related construction	Construction of solar power generation facilities Orders for renovation of hydroelectric power generation facilities (5 orders)	Taking on the challenge of constructing offshore wind power generation facilities
Automation of tunnel construction	Developed 4 new technologies: • 3 technologies for tunnels (remote-controlled wheel loaders, automated tunnel lining, measuring truck) • 1 technology for shield tunnels (AI-based directional control)	Development goals Completion of underlying technologies: FY2023 Overall completion: FY2027

Contributing to SDGs (construction completed in FY2021)

Optimization of traffic flow with road and rail construction, contributing to reduction of CO₂ emissions and improving convenience in daily life



Construction of the Nanko Tunnel (Fukushima Prefecture)

Nishimatsu undertook the construction of a tunnel directly under the Nanko Forest Park in the Shirakawa Bypass Project on National Route 294. The automated tunnel lining technology introduced on a trial basis at this site received the "Michinoku i-Construction Encouragement Award" at the "Tohoku Reconstruction DX/i-Construction Liaison and Coordination Conference" of industry, academia, and government, including six Tohoku prefectures and Sendai City.



Nanko Tunnel

Construction of emergency exit and materials delivery entrance for the Linear Chuo Shinkansen Kajigaya (Kanagawa Prefecture)

Nishimatsu constructed the emergency exit and materials delivery entrance for the Linear Chūō Shinkansen at Kajigaya. This was the largest pneumatic caisson construction project in Japan.



Linear Chūō Shinkansen Kajigaya emergency exit and materials delivery entrance

Construction of new viaduct for the Hokuriku Trunk line No. 3 in South Fukui (Fukui Prefecture)

Nishimatsu undertook construction of an elevated bridge in Fukui City, part of the Hokuriku Shinkansen Line extension project between Kanazawa and Tsuruga. We received the Encouragement Award from the Minister of Health, Labor and Welfare as an excellent workplace for health and safety.



No. 3 South Fukui Viaduct

Renewable energy related construction



Building renovation and incidental construction at Tsuru Power Station (Kumamoto Prefecture)

Nishimatsu carried out renovation and reinforcement on all the hydroelectric power station's facilities: intake ports, headrace tunnels, settling basin, water tanks, steel conduits, foundation of the water turbine generator, discharge tunnels, and buildings.



Tsuru Power Station

Domestic Building Business

Business Significance

Creating spaces with our customers to realize users' diverse lifestyles and business styles

Business Strengths

- Close business collaboration from sales to construction, and after-sales services
- Technologies in priority areas (logistics facilities, urban redevelopment projects and incineration plants)

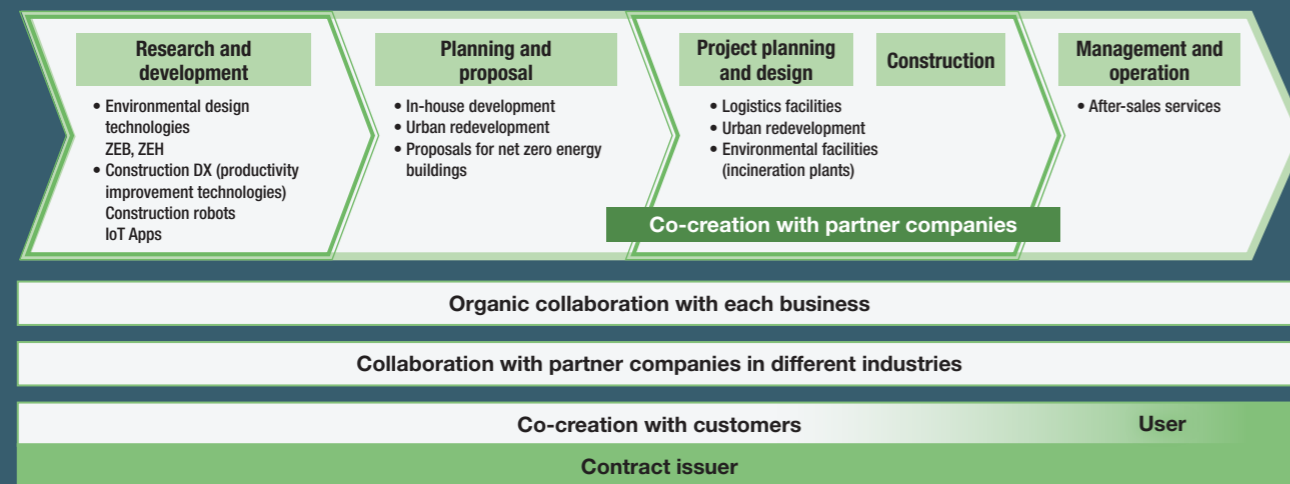


Kazutoyo Hamada
General Manager of Building Division

Business Environment

- Demand for EC continues**
 - There is a strong demand for construction of logistics facilities
- Urban development and redevelopment are steady**
 - Despite demand for urban redevelopment, we have had to review our projects due to a sharp rise in prices of materials and equipment
- Aging social infrastructure**
 - There is a demand for the renovation of environmental facilities (incineration plants)
- Transition to a decarbonized society**
 - Increase in medium and large-scale wooden buildings
- Soaring prices of resources and energy**
 - Soaring prices of materials and equipment, impact on procurement
- Decrease in working-age population**
 - Labor shortage, improvement of construction productivity

Value chain



Progress of Priority Measures

Priority measures	FY2021 review	Initiatives going forward
Initiatives for logistics facilities	Front loading of logistics facilities (utilization of BIM)	Utilization of BIM to connect design, production design and construction
Development of environmental design technologies	Preparation of ZEB Advanced Technology Testing Facility (At the Aikawa Technical Research Institute, Kanagawa Prefecture)	Preparation of start of testing at the ZEB Advanced Technology Testing Facility Joint R&D project for medium and large-scale wooden buildings
Construction DX	Utilization of worksite business applications	Construction DX in the Construction RX Consortium* (Testing of construction robot technologies)

* Construction RX Consortium: A consortium of Japanese general contractors that promotes technological cooperation in robot technologies and IoT-related applications required in the construction phase to improve the productivity and appeal of the construction industry as a whole, by increasing efficiency and reducing manpower at worksites.

Contributing to SDGs (construction completed in FY2021)

Reduction of construction by-products and the impact on the global environment by constructing large-scale logistics warehouses



Prologis Park Inagawa 2 Project (Hyogo Prefecture)

Nishimatsu constructed a five-story, steel structure logistics warehouse with a total floor area of 159,000m² near the Kawanishi IC on the Shin-Meishin Expressway. We have actively engaged in environmental preservation activities, including the 3Rs.

- Reduce:** Significant reduction of formwork materials (lumber)
Use of ICT construction equipment to reduce the amount of excavated soil
- Reuse:** Use most of the excavated soil as backfilling soil
- Recycle:** Use of recycled crushed stone for pathways on the premises



Use of 100% local renewable electricity for construction of Sukumo City Hall, reducing CO₂ emissions in business activities



Construction of new Sukumo City Hall building (Kochi prefecture)

Electricity generated by the Kochi Prefectural Hydroelectric Power Stations was used for the construction of Sukumo City Hall. As a result, Nishimatsu Construction has been certified as the first contract for the "100% Hydro Power Plan" of "Electricity Service Supported by Kochi Family", an electricity brand established by Kochi Prefecture and Shikoku Electric Power Company, Inc. In addition, we installed solar panels on the roof of the worksite office to generate energy.

The new Sukumo City Hall is not only a very convenient and pleasant facility for citizens, but it is also an important facility that will serve as a base for regional disaster prevention.



International Business

Business Significance

Working with people in every country and region to build social infrastructure that supports the lives of people around the world

Business Strengths

- Construction track record in Southeast Asian countries
 - Top-class track record for tunnel construction among Japanese general contractor companies
- Customer base in new countries
- Ability to carry out business operations in accordance with regional characteristics such as business practices



Yoshikuni Nakano
General Manager of International Division

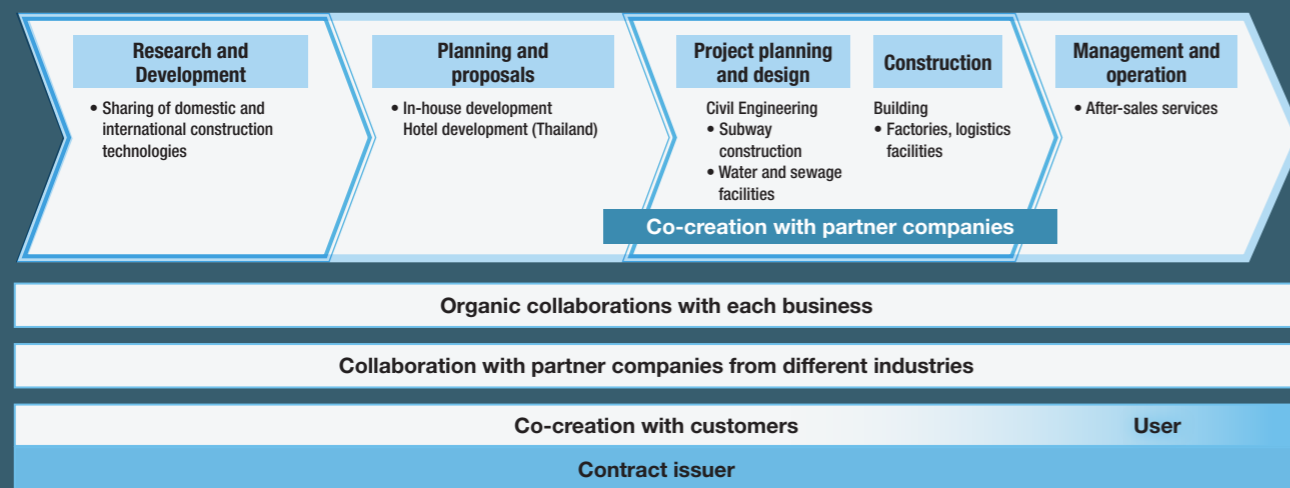
Region of origin

Areas of deployment Southeast Asia, South Asia, and Australia

Business Environment

- New Southeast Asia Transportation Infrastructure
 - Expansion of ODA market, international bidding market faces price competition
- Impact of COVID-19 in Thailand and Vietnam
 - Projects for local and foreign-affiliated clients are showing a recovery trend, while recovery of projects for Japanese clients is sluggish
- Soaring resource and energy prices
 - Sharp rise in prices of materials and equipment, impact on procurement

Value chain



Progress of Priority Measures

Priority measures	FY2021 review	Initiatives going forward
Civil Engineering	Initiatives at existing bases	Singapore: Received order for large section tunnel construction
	Initiatives for ODA Projects	Philippines: Activities to receive orders for subway construction Bangladesh: Started surveys for subway construction
	Developing new regions for expansion	Australia: Started market research after setting up Sydney office
Collaborations	In-house Overseas Development Business	Thailand: "Grand Nikko Bangkok Sathorn" Announced that opening will be in 2025
	Strengthen customer base	Thailand and Vietnam: Establishment of domestic and international sales collaboration system Building a foreign customer base

Contributing to SDGs (construction completed in FY2021)

Contributing to convenience of life with subway construction in Singapore, conserving precious drinking water during construction



Contract T228, Construction of Gardens By The Bay Station and Tunnels for Thomson Line, (Singapore)

Subways support the daily lives of people. In this project, Nishimatsu constructed a tunnel that passes directly under a reservoir for drinking water. In Singapore, where natural water resources are scarce, the conservation of drinking water is extremely important. Minimizing the impact on drinking water and ensuring safe construction were essential. A special ground improvement method was adopted to reinforce the ground under the reservoir, and construction was completed successfully. The project received the "Environmental Excellence Award" from the Land Transport Authority (LTA), which was the project executor.



Construction of a large-scale logistics facility in Thailand to meet growing logistics demand



All Now Complex Phase 2 Project (CP Group, Thailand)

Nishimatsu constructed a logistics facility with a total floor area of approximately 25,000m² equipped with AS/RS (Automated Storage and Retrieval System), which is a novel system in Thailand. Located in the heart of the Greater Mekong Subregion (GMS), Thailand is a logistics hub for ASEAN countries. The demand for logistics is increasing due to the growth of the logistics market in conjunction with the development of the retail and food service culture and e-commerce.



TOPIC Training Center in Thailand completed



"See, touch and remember" training

We constructed a Training Center in Thailand with the aim of improving the technical skills and safety awareness of local employees and workers. The training Center was opened in July 2022. Training is provided using mock-ups of concrete, reinforcement bars and formwork construction.



Training at the Thailand Training Center

Urban Development & Real Estate Business

Business Significance

Creation of exciting living spaces with overwhelming speed

Business Strengths

- Ability to create “living spaces that excite users” with a “customer-oriented approach”
- Strong relationship of trust with customers
- Circular reinvestment business model
- Each and every employee is a “professional”, and teams are “a group of experts receiving outstanding customer support”

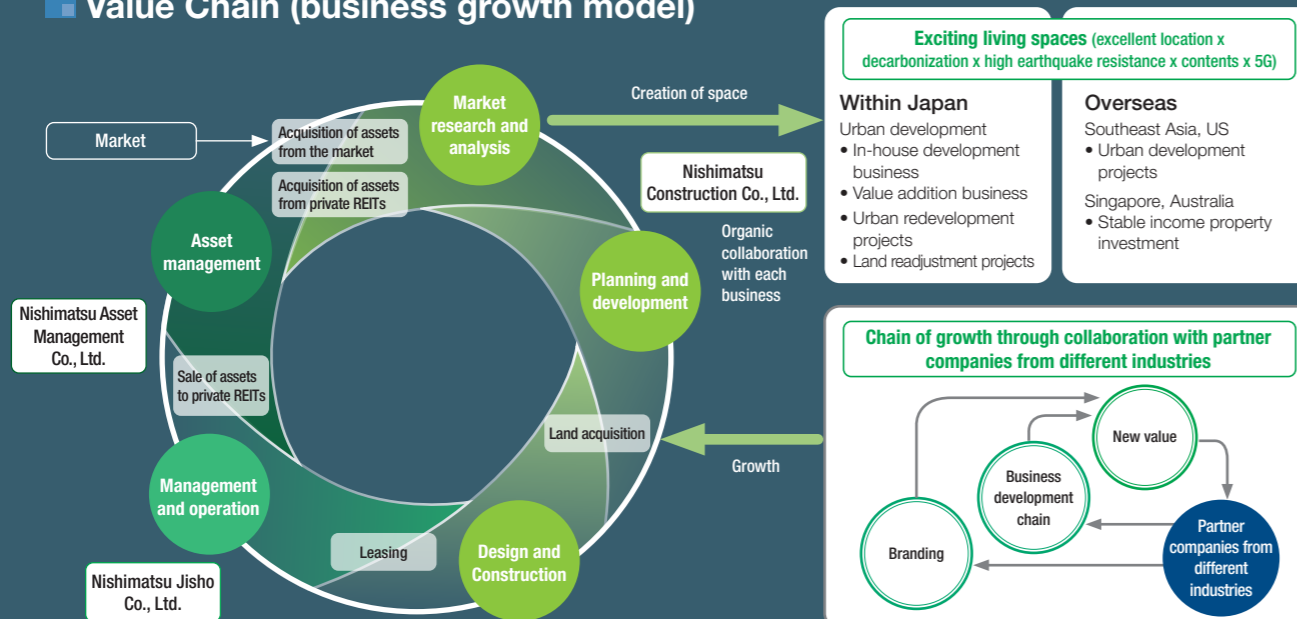


Yoshiyuki Sawai
General Manager of Urban Development & Real Estate Business Division

Priority Assets

- Working spaces (offices)
- Residences (dormitories, senior citizen facilities)
- Tourism, leisure (hotels and halls)
- Lifestyle support, health care (commercial facilities)
- Data centers, logistics

Value Chain (business growth model)



Progress of Priority Measures

Priority measures	FY2021 review	Initiatives going forward										
Asset strategies that place priority on growth areas	New acquisitions focused on key assets (16)	Efficient and effective use of funds by ascertaining market conditions, acquiring new projects focused on key assets, and sales and recovery of assets										
Evolution to a “Circular Reinvestment Model”	Started Nishimatsu Asset Management Co., Ltd. (October 2021)	Sequential formation of private placement funds Preparation to set up private REIT										
		Status of investment recovery										
		<table border="1"> <thead> <tr> <th></th> <th>FY2021 results</th> <th>Medium-Term Management Plan (FY2021 to 2023 plan)</th> </tr> </thead> <tbody> <tr> <td>Investment</td> <td>¥26.4 billion</td> <td>¥86.0 billion</td> </tr> <tr> <td>Recovered</td> <td>¥7.8 billion</td> <td>¥35.0 billion</td> </tr> <tr> <td>Net investment</td> <td>¥18.6 billion</td> <td>¥51.0 billion</td> </tr> </tbody> </table>		FY2021 results	Medium-Term Management Plan (FY2021 to 2023 plan)	Investment	¥26.4 billion	¥86.0 billion	Recovered	¥7.8 billion	¥35.0 billion	Net investment
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Recovered	¥7.8 billion	¥35.0 billion										
Net investment	¥18.6 billion	¥51.0 billion										
Increase Group earnings through collaboration with the Construction Business	Establishment of a strong cooperative system with the Construction Business	Expansion of contributions to the Construction Business Increasing business opportunities through start-up of our own projects										

Contribution to SDGs

Student dormitory where top global leaders are nurtured



Takanawa International Student Dormitory, Keio University (Tokyo)

As a proposal for effective use of land on Keio University’s campus, Nishimatsu Construction leased the land for a certain period of time, designed and constructed a dormitory exclusively for female students at Keio University, providing a place for female students from Japan and overseas to live in and engage in international exchange.



In consideration of the environment and energy conservation, solar panels have been installed on the roof of the building to supply electricity. In the event of a power outage, the building is equipped with storage batteries to enhance disaster preparedness.

Extending the life of buildings through seismic retrofitting



Boutique hotel “Korinkyo” with a distillery (Ishikawa Prefecture)

Nishimatsu was approached by the owner of a building in Kanazawa’s Korinbo district, which we designed and constructed in 1971, to consider how it could be utilized. We thus renovated the building with seismic retrofitting and converted it from an office building to a hotel. We were in charge of project management, construction and operations, collaborating with various involved parties. The intent was to create a space that incorporates conventionally designed arches so visiting guests can have a relaxing time.



Environment and Energy Business

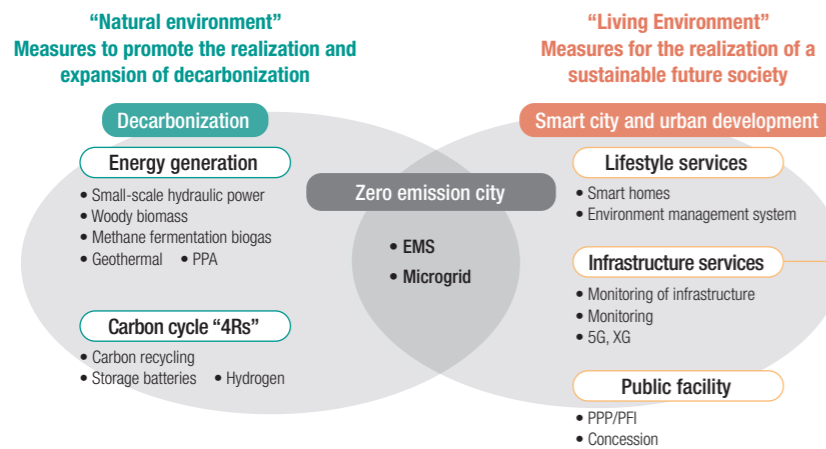
Business Significance

Resolving regional issues related to the “natural environment” and “living environment” to create a more livable planet

Business Strengths

- Connections with customers and local communities built through the Construction Business
- Coordination skills cultivated as a general contractor company (putting forward proposals/management capability/rapid response)

Business Domain/Targets



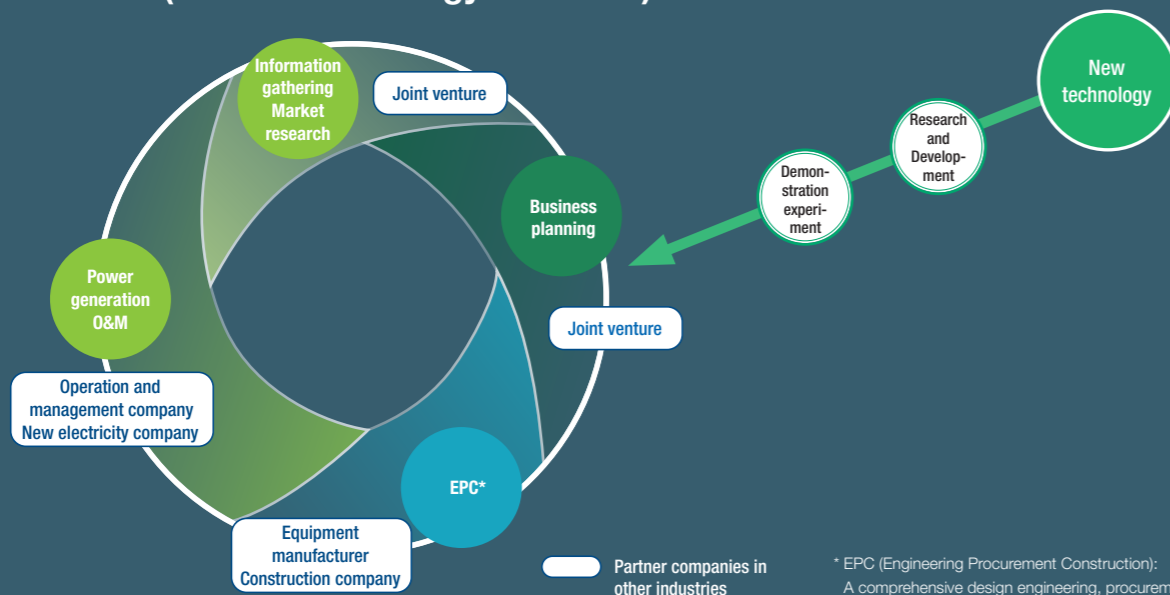
Masakazu Hosokawa
Division General Manager, Environment and Energy Business Management Division

Disaster prevention and mitigation

Infrastructure Inspection and Monitoring Service OKIPPA

An inclination monitoring system that can be started with only a Sensor Box. Inclination angle and other data can be constantly checked on a computer or smartphone, and in the case of hourly wireless communication (LPWA), the system can operate for two years on batteries. The system is in use on highways, railways, etc.

Value Chain (Renewable Energy Business)



Progress of Priority Measures

Important measures	FY2021 review	Initiatives going forward
Decarbonization initiatives	Methane fermentation biogas power generation Invested in startup “Archaea Energy Group” (February 2022)	Promote commercialization of renewable energy generation <ul style="list-style-type: none"> Small-scale hydraulic power generation Woody biomass power generation Methane fermentation biogas power generation Geothermal power generation
	Roof-installation solar power generation Started PPA business (February 2022)	
	Woody biomass power generation Established subsidiary company Sanyo-Onoda Green Energy Co., Ltd. to start business (April 2022)	
Smart city Urban development	Concluded a “Comprehensive Partnership Agreement for the Realization of a Decarbonized Society” with Oki-Town, Fukuoka Prefecture (April 2022)	“Renewable Energy x Regional Revitalization” Zero Carbon City Concept

Contribution to SDGs

Concluded a “Comprehensive Partnership Agreement for the Realization of a Decarbonized Society” with Oki-Town, Fukuoka Prefecture

Main matters of cooperation

- Promoting various measures toward the development of Oki-Town as a decarbonized town
- Promoting the introduction and utilization of renewable energy power generation facilities and energy-saving equipment in Oki-Town
- Improving regional resilience in Oki-Town
- Establishing a mechanism to create a virtuous circle between the environment and the economy that leads to regional revitalization and measures to address the declining birthrate and aging population in Oki-Town

In the future, we will jointly establish a special-purpose company to build a micro-grid (small-scale power grid) to provide electricity for public facilities by installing power lines and storage batteries, and further balance the supply and demand of electricity through an energy management system (EMS) that uses large storage batteries.



(Left) Mr. Sakai, Mayor of Oki-Town (Right) Mr. Takase, President of Nishimatsu Construction

Established subsidiary company “Sanyo-Onoda Green Energy Co., Ltd.”

Woody biomass power generation business

Established “Sanyo-Onoda Green Energy Co., Ltd.” as a subsidiary for the woody biomass power generation business. A 2MW-class woody biomass power plant will be constructed in the Onoda-Kusunoki Corporate Complex in Sanyo-Onoda, Yamaguchi Prefecture, and is scheduled to start commercial operation in the summer of 2024. We will contribute to the conservation of forests by using unused timber, such as thinned wood and forest residue collected in Yamaguchi Prefecture, as fuel for power generation. Our power generation business will contribute to the promotion of local industry.



Image of completed woody biomass power generation facility

Overseas Activities

Thailand and Laos

Due to the several waves of COVID-19 in 2021, the Thai economy shrank by 2.6 percent. However, the Thai economy has subsequently rebounded and is expected to grow by 1.0 percent in 2022. Amidst this situation and hardship in 2021, and along with the recovery of the Thai economy in 2022, Thai Nishimatsu Construction Co., Ltd. was able to complete several projects, such as Project BK6 Ready Build Warehouse and All New Complex Phase 2 Project.

The pandemic has made it clear that businesses that provide passive income, including maintenance & real estate, are vital to sustaining a stable profit. Thus, we are more eager than ever to expand our business into other

fields. At present, we are cooperating seamlessly with the Urban Development & Real Estate Business Division to develop high-rise properties and invest in hotels in Thailand. With that in mind, we have successfully acquired a new order for the Grand Nikko Bangkok Sathorn Hotel Project. We have also successfully acquired quite a few new orders in 2022. The new contracts are from existing clients and brand-new customers, such as the BTMT Phase 5 Project, Sanmina Project, and Panamera Project. In addition, we have not only taken over many projects for our customers but have also launched our property, the Training Center in Panthong, which will be used as a technical training center for Nishimatsu Construction Group

companies in the Southeast Asia Region.

Regarding Lao Nishimatsu Construction, COVID-19 is still having an impact on their economic activities. Pakse-Japan SME SEZ Development Co., Ltd. (PJSEZ), another of Nishimatsu Construction's businesses in Laos, is working tirelessly to fully support investment in Laos and assist revitalization of the Lao regional economy.

We believe that all these initiatives will contribute to Thai Nishimatsu Construction and Lao Nishimatsu Construction's swift recovery after the end of the pandemic and help us achieve goals set in the Medium-Term Management Plan 2023 and Nishimatsu Vision 2027.



All New Complex Phase 2 Project



BK6 Ready Build Warehouse

Singapore

The Building and Construction Authority (BCA) of Singapore reported in January 2021 a projected construction demand ranging between S\$27 billion to S\$32 billion for 2022. This is compared to approximately S\$30 billion that was awarded in 2021. There was a 42% increase in construction demand in 2021 compared to 2020, primarily driven by public housing and infrastructure projects. Public sector construction is expected to contribute to 60% of the total demand in 2022, with continued strong demand for public housing and infrastructure projects.

Land Transport Authority (LTA) T228, the Construction of Gardens by the Bay station and tunnels for Thomson Line, was awarded on July 25, 2014, to Nishimatsu in a joint venture with Messrs Bachy Soletanche Singapore Pte Ltd. This project was completed on August 8, 2021, with

close to 6.4 million accident-free person-hours. The project was also awarded the prestigious Land Transport Excellence Award in 2022 under the "Environmental Excellence – Civil Contractor (Mega Category)".

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. The work progressed well for this project, and all four tunnel drives were completed by July 2021, ahead of schedule. C882 has also been shortlisted as a finalist for LTA's Annual Safety Awards again in 2022 for the fourth consecutive year.

Public Utilities Board (PUB) T10 Contract for the Design and Construction of sewer tunnels for the Deep Tunnel

Sewerage System Phase 2 was awarded on November 17, 2017, to Nishimatsu. The first tunnel drive was completed in May 2021, with the other two TBMs expected to complete excavations in October and November 2022, respectively.

LTA CR110, the Design and Construction of a bored tunnel between Tampines North station and Defu station for the Cross Island Line, was awarded on November 8, 2021, to Nishimatsu. This tunnel is the second large-diameter TBM project for LTA and will go under a military airbase. Initial site clearance and design work for this project are currently in progress.

While Singapore is slowly moving out of Covid-19 restrictions, Nishimatsu Singapore is still facing challenges posed by the global pandemic and the Russia-Ukraine

conflict. These challenges are faced globally, and Nishimatsu Singapore will continue to work to fulfill its contractual obligations for all the Contracts while pursuing new opportunities in the upcoming LTA Cross Island Punggol Extension and Cross Island Line Phase 2, where tenders have been called progressively since December 2021. Nishimatsu will continue building its core professional and supervisory teams to embrace new challenges.



Contract 882, Construction of Keppel Station and Tunnels for Circle Line 6

Vietnam

In 2021, Vietnam implemented a widespread and swift rollout of its vaccination campaign of multiple vaccine doses for its population in response to the threat of COVID-19. The government decided to abandon its policy of "Zero-COVID" and move to "Living with COVID". Thanks to the government's strong leadership abilities in implementing measures, and the efforts and perseverance of every citizen, Vietnam's economy has almost recovered to pre-COVID times.

Vietnam recorded 2.6% economic growth in 2021. Although the growth rate was lower than the previous year's 2.9% due to a temporary economic slowdown

caused by COVID-19, mainly in the third quarter, the country has continued posting positive economic growth figures. With the subsequent success in controlling infections, Vietnam is expected to recover to pre-COVID levels in 2022.

With many Japanese companies expected to open factories in Vietnam, Nishimatsu Construction hopes to aggressively expand our operations through cooperation with local Vietnamese companies. Our goal is to acquire more projects for new construction without missing out on any business opportunities. We also value our relationships with existing customers and undertake renewal,

expansion, and renovation work, irrespective of scale, thus solidifying our position as a reliable construction company with a local presence.

Nishimatsu Construction intends to actively pursue Urban Development & Real Estate businesses overseas, focusing on Southeast Asian countries, and 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 researching and studying the market in Vietnam. Using these activities as a base, we will expand our existing capabilities from the construction of industrial facilities to

include the construction of commercial and residential facilities. By fully demonstrating our construction technologies, we intend to contribute to Vietnam's economic development for many years.



Kowa General Foods (Vietnam) Co., Ltd. Factory Project

Technology Development

We believe that the purpose of technology development is to bring about a revolution in the construction industry toward “creating a sustainable society and environment where people can live with peace of mind”. Since digital transformation (DX) is a prerequisite for all businesses, the Technical Research Institute is creating “smart worksites” as part of Nishimatsu’s DX strategy. We will prioritize investment in developing technologies that can be used immediately, and will also take on the challenge of developing technologies that will be useful over the long term.



Smart Civil Engineering Sites

Labor-saving construction of shield tunnels (automated)

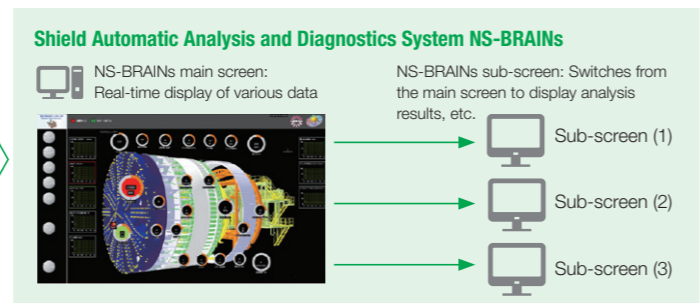
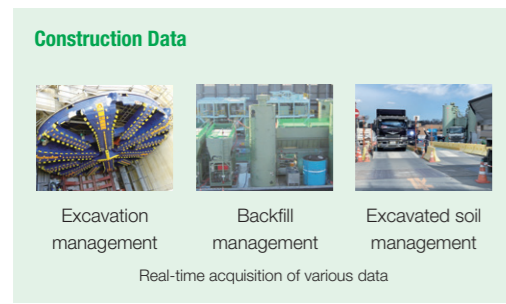


Development of automatic analysis and diagnostics system

Excavation management is performed for shield tunnel construction using construction data acquired from shield machines and other equipment. The key to the safe construction and quality improvement is to detect signs of problems, such as changes in soil quality, ground deformation and equipment abnormality, and to implement

measures without delay. There was a high reliance on the engineers’ rule of thumb in the past, which made it a challenge to identify risks quantitatively.

We therefore developed “NS-BRAINS”, a system that automatically analyzes construction data, evaluates and diagnoses risks to further improve safety by preventing problems before they occur, and promotes labor-saving.



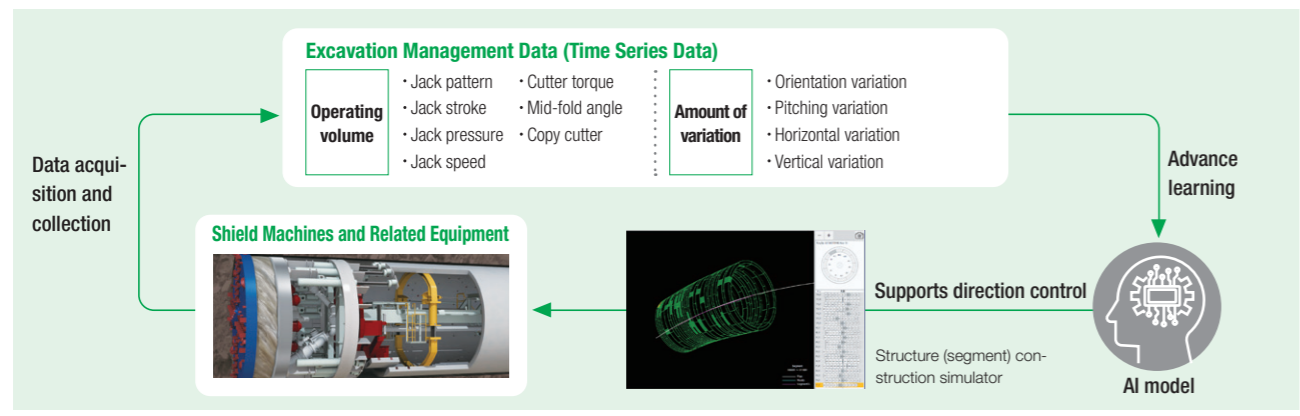
Development of a Drilling Direction Control Support System

We have also developed a system that uses AI models to assist in controlling the digging direction of shield machines by utilizing digging management data acquired and collected by “NS-BRAINS”.

The system is used to measure and calculate the shield machine’s position and posture (excavation direction and inclination), check the deviation from the planned alignment and uses AI models to support directional control

centered on the operator’s operations and overall monitoring of excavation parameters. AI models based on advanced learning using data from similar sites with the operating techniques of skilled technicians and construction conditions can be used to minimize deviations in the planned alignment of shield tunnels without relying on skilled technicians.

We will proceed with on-site verification for the full-scale operation of this system and aim to put each system into practical use in FY2027.



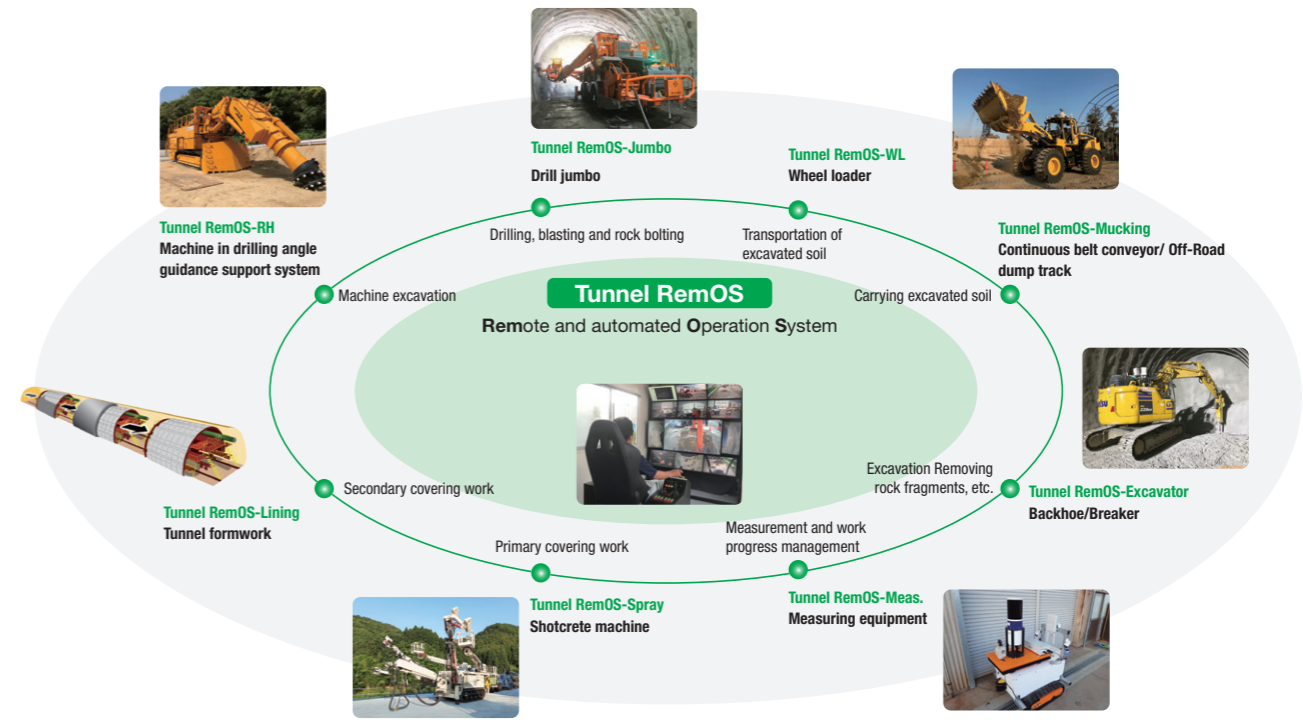
Smart Civil Engineering Sites

Development of underlying technologies for operator-less construction of mountain tunnels

Construction of mountain tunnels requires complex work performed by multiple construction machines in a confined space. We are developing “Tunnel RemOS”, an operator-less construction system for mountain tunnels, to improve the safety of underground operations and reduce labor.

Three new underlying technologies (wheel loader, tunnel lining and remote-control system for measuring equipment) were developed in FY2021.

In the second phase, these underlying technologies will be combined to make the entire construction operator-less and automated. We are aiming for practical application in FY2027.



Smart Building Sites

Reducing Environmental Impact and Improving Efficiency of Concrete Construction

Calculate concrete quantities using a software application to reduce leftover and returned concrete*

We developed a concrete pouring management application to decrease the environmental impact by reducing the quantity of leftover and returned concrete produced during the concrete pouring process.

By displaying a diagram on an iPad and drawing a line around the area where concrete has not been poured, the volume of the enclosed area can be automatically calculated. This volume is used for the automatic calculation of excess or shortage of concrete and is compared to the quantity of concrete ordered. The high accuracy of quantity calculation can be confirmed through on-site verification.

This method reduces environmental impact by controlling leftover and returned concrete and contributes to

more efficient concrete pouring management operations. *Leftover and returned concrete: Excess unused concrete disposed of at construction sites



Automatic calculations can be performed by drawing a line around the required area on diagrams that are displayed on the iPad

Quality Management

Initiatives to improve construction quality

As announced in our April 19, 2021 news release titled “Discovery of Construction Defects at a Condominium Constructed by Nishimatsu Construction,” there were construction defects in areas such as the interior finishing of a condominium in Tokyo that we completed and delivered in March 2019. We assure quality through a consistent work flow from design to construction and after-sales service following delivery. These construction defects were a result of inadequate quality control verification. In light of this, we are reviewing our quality control systems and methods, and are taking steps to improve construction quality.

Review of quality control systems and methods in construction projects

Construction stage

New initiatives are underlined

Previous quality control systems and methods	Current quality control systems and methods
1 Construction review meetings and quality patrols	
<ul style="list-style-type: none"> Construction review meetings and quality patrols conducted by the Quality Control Department and worksites with focus on structural construction 	<ul style="list-style-type: none"> Construction review meetings and quality patrols conducted by the Quality Control Department and worksites <u>are focused on the points of the quality control related to building use in addition to structural construction</u>
2 Instruction in construction technologies	
1. Instructions for staff in charge	
<ul style="list-style-type: none"> At construction review meetings conducted by the Quality Control Department and worksites, the Quality Control Department provides technical guidance and education, mainly to the supervising engineers and technicians in charge at the worksite 	<ul style="list-style-type: none"> At construction review meetings conducted by the Quality Control Department and worksites, the Quality Control Department <u>provides technical guidance and education to all workers, in addition to the supervising engineers and technicians in charge at the worksite, using actual products on site</u>
2. Instructions for workers	
<ul style="list-style-type: none"> Quality control points (key points) are confirmed by the supervising engineers, the technicians in charge, and the chief engineers of specialized construction companies The chief engineers of specialized construction companies instruct workers on key quality control points 	<ul style="list-style-type: none"> Quality control points (key points) are confirmed by the supervising engineers, the technicians in charge, the chief engineers of specialized construction companies and <u>workers at the same time, using actual products on site</u>
3 Supervising construction for in-house designs	
<ul style="list-style-type: none"> Audits are conducted by the Head Office Design Management Department for the construction of in-house designs 	<ul style="list-style-type: none"> In addition to audits conducted by the Head Office Design Management Department, <u>audits by a third-party organization are also conducted for the construction of in-house designs in order to strengthen auditing functions (starting with condominium construction projects)</u>

After sales service stage

New initiatives are underlined

Previous quality control systems and methods	Current quality control systems and methods
<ul style="list-style-type: none"> After-sales service department responds quickly When technical considerations are required, the Technology Department takes the lead and promptly makes decisions on specific response methods at the defect response meeting Provide feedback on defect cases to relevant departments on a case-by-case basis to reduce construction defects and provide services from the customer's perspective 	<ul style="list-style-type: none"> After-sales service department responds quickly When technical considerations are required, the Technology Department takes the lead and promptly makes decisions on specific response methods at the defect response meeting In addition to providing feedback on defect cases, <u>regular defect response liaison meetings are held with the participation of all departments at branch offices to strengthen the defect checking function and ensure prompt and accurate response from the customer's perspective</u>

Environmental Initiatives



Nishimatsu Construction's Environmental Management: Realization of a Sustainable Society and Improvement of Corporate Value

To pass on a healthy global environment to the next generation, we have established environmental policies such as “preventing global warming,” “building a recycling-oriented society,” and “biodiversity preservation,” and are promoting initiatives that are appropriate for an Eco-First Company certified by the Minister of the Environment. The world is now moving toward achieving carbon neutrality by 2050 to prevent global warming, and we believe that the period up to 2030 is the “critical decade”. We have thus formulated the “Zero 30 Road Map,”* a decarbonization target focused on energy conservation and energy generation, and have been implementing activities under it since last year.

As part of our activities, we also comply with global standards such as participating in the international initiative RE100, obtaining SBT certification, and disclosing financial information related to climate change in accordance with the TCFD. Nishimatsu Construction will continue to promote environmental management and meet the expectations of our stakeholders by pouring our efforts into realizing a sustainable society and improving our corporate value.



Nishimatsu Construction aims to achieve net zero CO₂ emissions by 2030.

* Zero 30 Road Map: A roadmap we formulated to achieve net zero CO₂ emissions from our domestic Construction Business by 2030. We will minimize our CO₂ emissions through energy conservation and the use of renewable energy, and the remaining CO₂ emissions will be reduced with our power generation business (renewable energy) under the Environment and Energy Division, which will be deemed an environmental contribution and thus offset the generated CO₂ to net zero.

Progress of Zero 30 Road Map

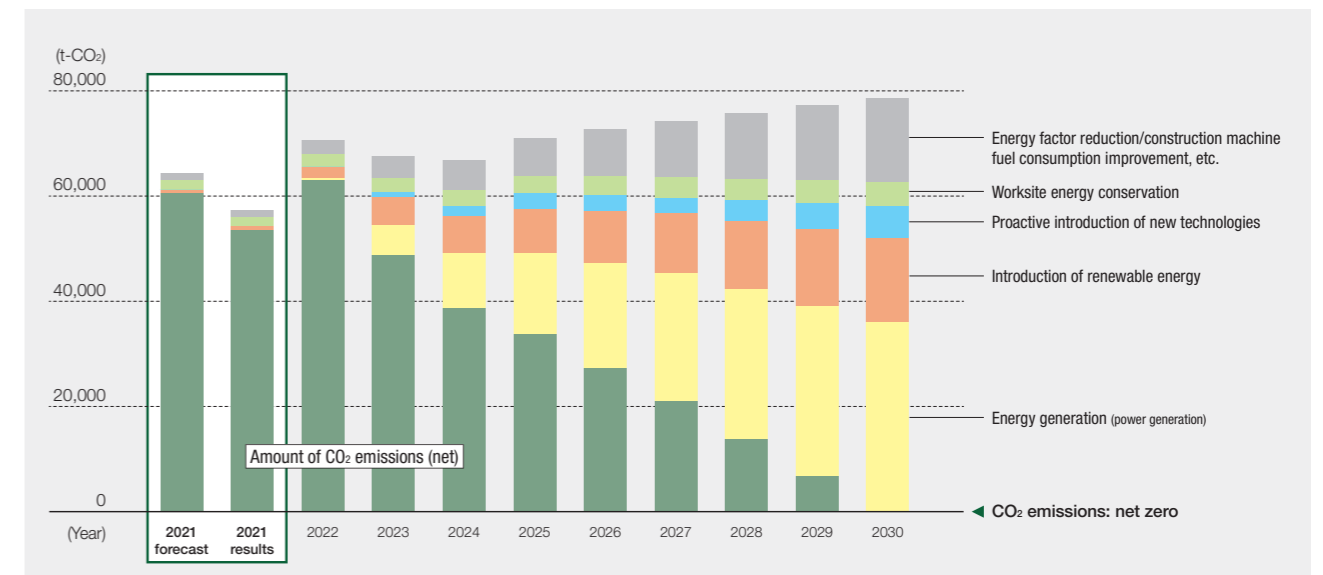
We started our “Zero 30 Road Map” in 2021. We showed solid results for the CO₂ emissions reduction target (-2,399 t-CO₂) achieved through the five major energy conservation measures (introduction of renewable energy, use of biodiesel fuel, introduction of diesel fuel combustion improvers, use of N-TEMS*, and use of solar panels), exceeding the target (-2,513 t-CO₂), despite a few issues with some of the measures. Although the amount of reduction is not large, it can be said that this is “the result of doing our utmost now.”

CO₂ emissions, which is a KPI, were 53,517t-CO₂, lower

than what was initially forecast, partly due to the difference between the roadmap's expected amount (341.5 billion yen) and the actual amount (290.2 billion yen). In addition to these energy conservation measures, 2022 will be an important year for accelerating our foundation for energy generation (renewable energy business).

* N-TEMS: Nishimatsu Tunnel Energy Management System. A system for keeping contra-rotating ventilation fans and dust collectors in an appropriate and efficient state in response to the air environment during mountain tunnel excavation, N-TEMS makes it possible to significantly conserve the amount of energy used in ventilation, a process which normally uses large amounts of energy during tunnel construction, contributing to the reduction of CO₂ emissions from construction.

Estimated Annual CO₂ Emissions and 2021 Accomplishments



Environmental Initiatives

Zero 30 Road Map

Major measures	Year	2021 target	2021 results	2022 target	2023 target	2027 target	2030 target	Notes
	Expected amount	¥341.5 billion	¥290.2 billion	Approx. ¥350.0 billion	Approx. ¥360.0 billion	Approx. ¥400.0 billion	Approx. ¥430.0 billion	
Introduction of renewable energy (RE100 compliant)	Reduction of CO ₂ emissions through renewable energy	-659 t-CO ₂	-748 t-CO ₂	-2,200 t-CO ₂	-5,300 t-CO ₂	-11,500 t-CO ₂	-16,000 t-CO ₂	
	Implementation rate in construction activities	2%	2%	8%	20%	43%	60%	
	Implementation rate in office and other non-construction activities	15%	16.84%	20%	25%	45%	60%	
Worksite environmental measures (energy conservation)	Reduction of CO ₂ emissions through energy conservation	-1,739 t-CO ₂	-1,765 t-CO ₂	-2,300 t-CO ₂	-2,700 t-CO ₂	-3,800 t-CO ₂	-4,600 t-CO ₂	
	Introduction of diesel fuel combustion improvers	30%	49.6%	50%	60%	85%	100%	
	Use of biodiesel fuel	200,000 ℓ	64,000 ℓ	210,000 ℓ	210,000 ℓ	240,000 ℓ	260,000 ℓ	
	Number of sites using N-TEMS	4	5	4	4	5	5	
Reduction of CO ₂ through technological innovation	0 t-CO ₂	0 t-CO ₂	0 t-CO ₂	-1,000 t-CO ₂	-3,000 t-CO ₂	-6,000 t-CO ₂		Develop, introduce, and apply new technologies which contribute to CO ₂ reductions in construction and other activities
CO ₂ emissions	60,522 t-CO ₂	53,517 t-CO ₂	Approx. 63,000 t-CO ₂	Approx. 54,000 t-CO ₂	Approx. 45,000 t-CO ₂	Approx. 36,000 t-CO ₂		
Amount of energy generated for net zero CO ₂ emissions	0 MWh	0 MWh	Approx. 700 MWh	Approx. 13,000 MWh	Approx. 61,000 MWh	Approx. 97,000 MWh		Develop renewable energy sale business under Environment and Energy Business Management Division. Consider the amount of CO ₂ emissions reduced for society overall as CO ₂ reductions.
Amount of CO ₂ emissions (net)	60,522 t-CO ₂	53,517 t-CO ₂	Approx. 63,000 t-CO ₂	Approx. 49,000 t-CO ₂	Approx. 21,000 t-CO ₂	0 t-CO ₂		

* Promote the "installation of solar panels" for offices and construction sites at the same level as before
 * Conversion of "temporary lighting and office lighting to LEDs" was implemented at all sites

Obtained SBT certification

In June 2022, Nishimatsu Construction obtained a certification from the Science Based Targets (SBT) Initiative (SBTi) for our greenhouse gas (GHG) reduction targets. Scope 1 and 2 are GHG (CO₂) reduction targets for 2030

for the entire Nishimatsu Group, including international businesses and affiliated companies, based on the "Zero 30 Road Map" for the domestic construction business. Scope 3 targets Category 11.

Nishimatsu Construction's SBT (Well below 2°C level)

Scope 1+2	Reduce greenhouse gas emissions by 25% from 2020 levels by 2030	
	Scope 1	Direct emissions from use of fuel in the domestic and international construction business as well as in non-construction activities undertaken by the Nishimatsu Group
	Scope 2	Indirect emissions from use of electricity in the domestic and international construction business as well as in non-construction activities undertaken by the Nishimatsu Group
Scope 3	Reduce greenhouse gas emissions by 13% from 2020 levels by 2030	
	Scope	Indirect emissions from energy use during the phase when the delivered building is in use



Participation in International Initiatives

	Overview	Participation fiscal year
RE100	An international corporate alliance committed to using 100% renewable energy by 2050	FY2021~
SBTi	A framework which encourages companies to set targets which conform to the standards required for the Paris Agreement's 2°C target (1.5°C target)	FY2022~
CDP (climate)	An organization in which institutional investors coordinate and request companies to disclose their strategies on climate change, water security, and forests	FY2018~
TCFD	An organization which encourages companies to disclose information on the financial impact they have on climate change based on four recommendations for governance, strategy, risk management, and metrics and targets	FY2021~

Building a Recycling-Oriented Society

3Rs (Reduce, Reuse, and Recycle) Promotion Merit Award

In order to create a recycling-oriented society, we are strongly promoting 3R activities, aiming for zero construction waste at all of our worksites. In FY2021, the West Japan Regional Headquarters Inagawa Construction Project received the Chairman's Award in the Reduce, Reuse, and Recycle (3R) Promotion Merit Award for its "efforts to reduce the environmental impact of large-scale distribution warehouse construction projects (reduction of absolute amount of construction by-product emissions)." We have been recipients of this award every year since FY2016, and have now received a total of 19 awards, including the Minister of Land, Infrastructure, Transport and Tourism Award.



Full view of West Japan Regional Headquarters Inagawa Construction Project

Biodiversity Preservation

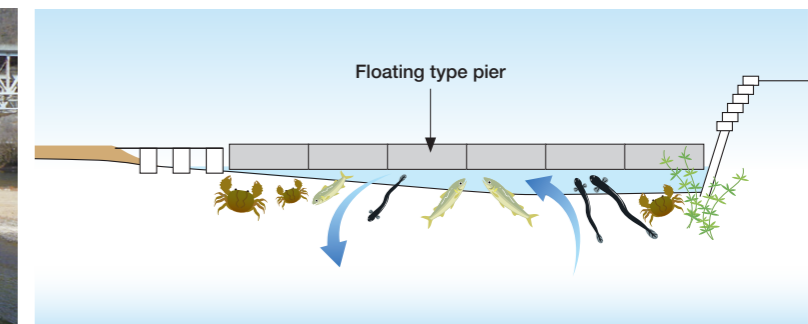
Construction in consideration of runoff of aquatic animals in river works

We understand the relationship between our business activities and the biodiversity at all of our worksites, and are engaged in activities that contribute to the conservation of biodiversity. In order to preserve the ecosystem, the Okayama Tamasu Branch Office of the West Japan

Regional Headquarters replaced the road for seismic reinforcement work in the river with a floating type pier that does not require piers at the bottom, thereby preventing pollution of the river water using an embankment and securing upstream and downstream routes for aquatic life (such as Japanese eels, Japanese mitten crabs, sweetfish).



Floating type pier (front)



Floating type pier (lower section)

Topic

Efforts by the Shikoku Branch toward 100% power generated through renewable energy

With the cooperation of Kochi Prefecture and Shikoku Electric Power Company, Inc., our Shikoku Branch is gradually switching to 100% power generated through renewable energy for construction projects under the Branch's jurisdiction. This power utilizes the "Electricity Service with 100% hydro power supported by Kochi Family", with which we were the first company to tie up with, and is a "local production for local consumption" model for power generation (Kochi Prefectural Hydroelectric Power Station) and consumption within the prefecture.



First contract certificate issued for the "Electricity Service with 100% hydro power supported by Kochi Family"

Environmental Initiatives

Disclosure of Financial Information Related to Climate Change in Accordance with the TCFD

Nishimatsu Construction recognizes that addressing climate change is an important management issue in promoting our business activities, and in accordance with the TCFD*, we have analyzed the risks and opportunities that climate change poses to our finances and are incorporating measures for the future into our business strategies. We will continue to pour our efforts into resolving social issues concerning climate change through our business activities.

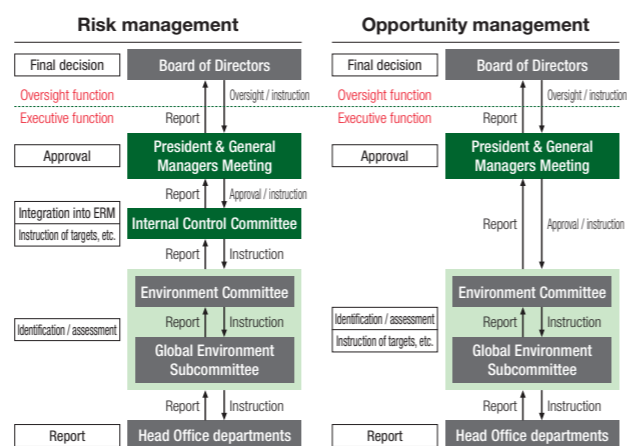
* TCFD = Task Force on Climate-related Financial Disclosures. The TCFD was established by the Financial Stability Board (FSB) at the request of the G20 for disclosure of financial information related to climate change, and encourages companies and others to understand and disclose the financial impact of climate change.



Governance System and Risk Management

Conference system and roles for issues related to climate change

Under the oversight of the "Board of Directors," the "President and General Managers Meeting" of Nishimatsu functions to make chief executive decisions in terms of measures and target management to address risks and opportunities related to climate change. Risks are integrated into the Enterprise Risk Management process (ERM) by the "Internal Control Committee," and opportunities are consolidated into companywide information by the "Environment Committee," so that both are reported to the "President and General Managers Meeting." The response measures and target management for these reports are approved, and the status of progress is monitored. The contents approved by the "President and General Managers Meeting" are reported to the "Board of Directors" twice a year.



* The Global Environment Subcommittee is a subcommittee of the Environment Committee and is responsible for reviewing risks and opportunities in accordance with the TCFD recommendations.

Process for Identification, Evaluation and Management of Risks and Opportunities Related to Climate Change

Climate-related risks and opportunities of Nishimatsu and its affiliate companies (hereafter collectively "Nishimatsu Group") are identified by Head Office departments, and the identified risks and opportunities are assessed by three scales: "likelihood of occurrence," and "quantitative

impact" and "qualitative impact" if they become manifest. We formulate "risk response measures" and "opportunity realization measures" for climate-related risks and opportunities that have significant impacts on the Group's strategies. The assessment and progress management of risks are carried out by the Internal Control Committee, while those of opportunities are done by the Environment Committee.

Strategy

Assumptions for scenario analysis

With an eye on the highly uncertain future that accompanies the transition to a decarbonized society, we conducted scenario analysis as recommended by the TCFD for both 2°C and 4°C scenarios to determine what business challenges may emerge. The scenario analysis covers our core "Construction Business," as well as our "Urban Development & Real Estate Business" and "Environment and Energy

Business", and takes into account the entire supply chain, including partner companies and material suppliers. Since risks related to climate change can have long-term impacts, in accordance with the TCFD, we have designated the period up to 2023, the term for the Medium-Term Management Plan, as "short-term," the period from 2023 to 2030 as "medium-term," and the period after 2030 as "long-term."

Estimated value	Scenario	Assumed environment	Analysis period
2°C	[Transition] IEA ¹ SDS ²	A scenario well below 2°C, assuming all energy-related SDGs and all current net zero pledges are achieved.	2030
	[Physical] SSP ³ 1-2.6	Under sustainable development, climate policies to limit the temperature rise to less than 2°C with respect to the pre-industrial level are introduced. Expected to achieve net zero CO ₂ emissions in the latter half of the 21st century. Low stabilization scenario.	
4°C	[Transition] IEA STEPS ⁴	A scenario that reflects specific policies announced by each country at this stage. The temperature rise exceeding 2°C is assumed.	2030
	[Physical] SSP5-8.5	No climate policy is introduced under fossil fuel dependent development. High-level reference scenario.	

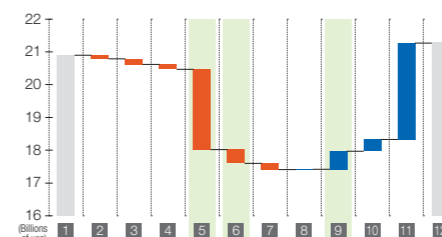
¹ IEA: International Energy Agency; ² SDS: Sustainable Development Scenario; ³ SSP: Shared Socioeconomic Pathways; ⁴ STEPS: Stated Policies Scenario

Scenario Analysis Results (verification of the impact of climate change factors on operating income)

The impact on operating income of the 2°C and 4°C scenarios for FY2030 were not significant when recovery with risk measures and response to opportunities are included.

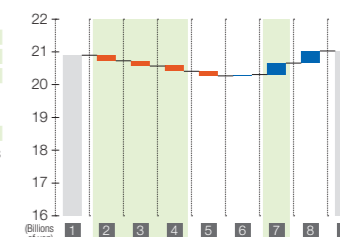
2°C Scenario

- 1 FY2020 operating income
- 2 Real estate business risk
- 3 Increase in procurement/labor costs
- 4 Lost orders due to labor shortage
- 5 Delayed response to new technology
- 6 Introduction of carbon tax
- 7 Risk response costs
- 8 Energy efficiency improvement
- 9 Green project response
- 10 Adaptation construction
- 11 Recovery through response measures
- 12 Estimated FY2030 operating income



4°C Scenario

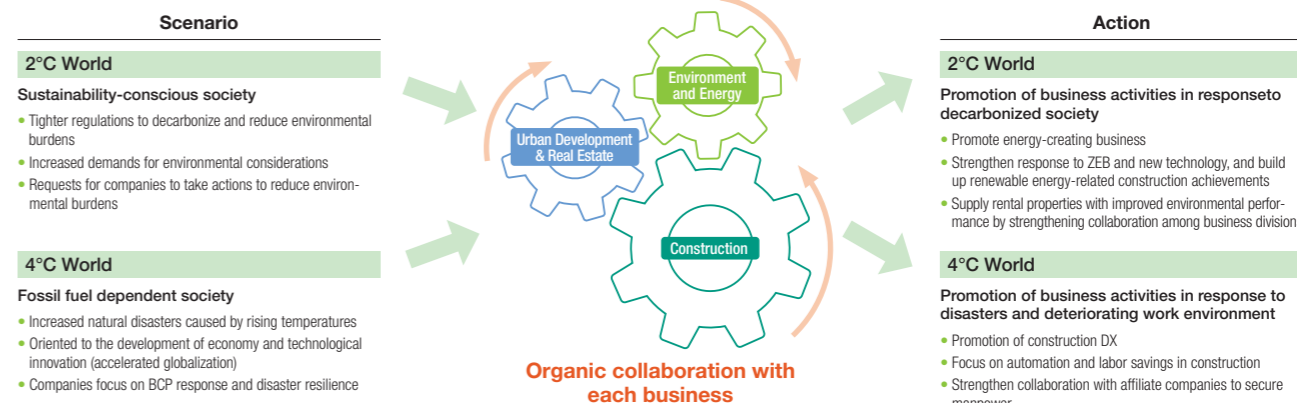
- 1 FY2020 operating income
- 2 Increase in procurement/labor costs
- 3 Lost orders due to labor shortage
- 4 Introduction of carbon tax
- 5 Risk response costs
- 6 Green project response
- 7 Adaptation construction
- 8 Recovery through response measures
- 9 Estimated FY2030 operating income



Addressing risks and opportunities related to climate change and relationship with the Medium-Term Management Plan 2023

	Business impact	Impact period	Applicable scenarios	Response	Relation to Medium-Term Management Plan 2023	Remarks
Construction Business	[Risk] Increase in business costs due to the introduction of carbon tax	Medium, long	2°C/4°C	• Introduce energy-saving / environmental technology, and promote renewable electricity	○	*Promotion of Net Zero CO ₂ Emissions in Business Activities* (promotion of the Zero 30 Road Map)
	[Risk] Failure to receive orders by not responding to wooden high-rise construction trends (sales decrease)	Short, medium, long	2°C	• Research and development of wooden high-rise buildings	—	Continued research at Technical Research Institute
	[Risk] Failure to receive orders due to increased costs for converting RC structures to PC (sales decrease)	Medium, long	2°C/4°C	• Strengthen collaboration with PC production companies	—	
	[Risk] Failure to receive orders due to labor shortage resulting from the deteriorating work environment (sales decrease)	Medium, long	2°C/4°C	• Industry co-development and trial of robotics	○	*Promotion of construction DX*
	[Risk] Failure to receive orders due to difficulty in securing construction equipment and subcontractors in connection with increased disaster restoration work (sales decrease)	Medium, long	2°C/4°C	• Promote unmanned and automated civil engineering works • Strengthen relationships with N-NET companies	○	*Completion of unmanned technology for mountain tunnels and automated construction technology for shields*
	[Opportunity] Increase in construction sales due to the needs to convert buildings to ZEB	Medium, long	2°C/4°C	• Promote ZEB and energy conservation in new and existing properties	○	Establishment of environmental design technology (ZEB) Promotion Office
	[Opportunity] Increase in sales of renewable energy-related constructions	Medium, long	2°C	• Accumulate renewable energy-related construction achievements	○	*Accumulation of construction achievements for renewable energy projects*
	[Opportunity] Sales increase due to the shift of housing to disaster-resistant concrete buildings	Medium, long	2°C/4°C	• Develop and study new housing needs	—	
	[Opportunity] Sales increase resulting from the increase in disaster restoration constructions	Medium, long	2°C/4°C	• Strengthen relationships with N-NET companies • Implement construction technology through application of unmanned construction technology	○	*Strengthen relationships with N-NET companies (member companies of Nishimatsu Construction Association) *Complete unmanned and automated technology*
	Urban Development & Real Estate Business	[Risk] Increase in business costs due to the introduction of new technology to real estate properties	Short, medium, long	2°C		—
[Opportunity] Cost reduction through decarbonization of real estate properties		Short, medium, long	2°C	• Promote ZEB and energy conservation in new and existing properties • Active use of renewable electricity menu	—	Construction of ZEB Ready rental buildings and development of Nearly ZEB Promotion of renewable electricity
[Opportunity] Sales increase due to the response to decarbonization needs		Short, medium, long	2°C		—	
Environment and Energy Business	[Opportunity] Sales increase due to promotion of energy-creation business	Medium, long	2°C	• Promote energy-creation business	○	*Development of energy creation business (renewable energy business)*
	[Opportunity] Increase in green business sales based on environmental technology	Medium, long	2°C	• Develop business partners	○	

Strategy / Direction of Actions



Indicators and Targets

See p. 39-40 for indicators and targets.

Visit our website for more details on disclosure of financial information based on the TCFD. https://www.nishimatsu.co.jp/csr/news/tcfid_202206.pdf

Human Resource Strategy



Human Resource Strategy Initiatives

The Human Resources Strategy Office, established in FY2021 and headed by the Company president, positions the company and its human resources as “partners that mutually enhance each other.” The core principles of the human resources strategy, under which we are endeavoring to plan and implement a variety of measures, are to “ensure quality and quantity of human resources necessary to achieve our business strategies,” “optimally assign personnel as per individual abilities,” “create an awareness and structure that boost organic collaboration between businesses,” “improve employee engagement,” and “foster a culture of diversity and inclusion and create individuals who take on challenges.”

In FY2022, we will continue to implement various measures with a sense of urgency while responding to changes in the environment surrounding our organization and human resources.

① Building a Talent Management System

We began building a talent management system in FY2021. Through this system, we will visualize the requirements for each position, the careers sought by individuals, their current abilities and skills, the experience they have cultivated and their level of engagement, and will use this information to develop prompt and accurate recruitment and training strategies, conduct evaluations, and ensure appropriate placement of employees.

② Building an optimal company-wide organizational structure and creating a system for assigning personnel

In FY2020, the “Organization and Human Resource Study Conference” was established to optimize the assignment of personnel, and is studying the company-wide organizational structure and assignment of personnel between organizations for the next fiscal year. In the future, we will utilize the Talent Management System to achieve a swifter and more strategic optimization of the organization and personnel assignment.

③ Human resource development (Nishimatsu Employees’ University)

The Nishimatsu Employees’ University was opened in FY2019 with the objectives of “maintaining reliable manufacturing at worksites in the future” and “raising the level of technical expertise of individual employees’ and the company as a whole through early employee training.” The university defines the abilities that Nishimatsu employees should possess as “resourcefulness,” “basic knowledge,” and “expertise.” Since its opening, the university has offered a series of courses to provide systematic learning opportunities in each of these areas. We will continue to incorporate courses on liberal arts and DX to develop human resources who can respond to changes in society.

Resourcefulness

In FY2019, we launched “Flexible Mindset Training” to enable employees to think from the perspective of the entire job in their respective positions, and more than 1,300 people, from executives to section managers, have taken the course to date. Going forward, we will implement new measures to improve human resources.

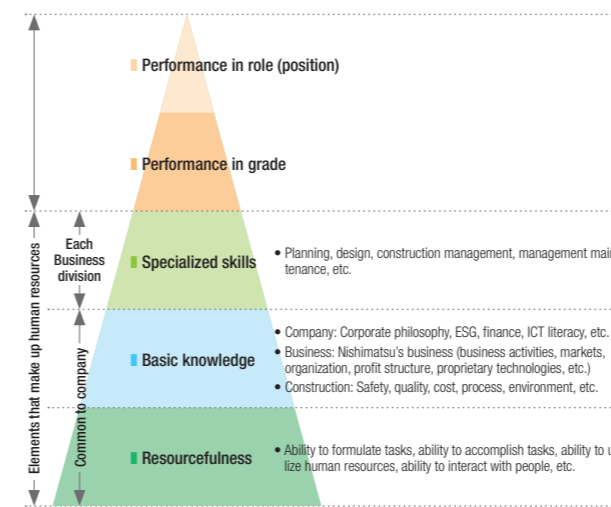
Basic knowledge

Training to acquire the basic knowledge required of Nishimatsu employees is incorporated into the training for every level of employees, including for new employees. Hereafter, we will also introduce “DX education” and “liberal arts education” to help employees acquire a wide range of knowledge as businesspersons, not only in specialized fields, but also to enrich their lives as humans.

Expertise

We provide training to develop specialized skills so that our employees are equipped to provide value that exceeds customer expectations. At present, we offer training for young employees (standard course), and plan to develop and implement training for mid-career and higher employees (expert course). We are also considering the introduction of a credit system as a mechanism to ensure that employees steadily develop their skills.

Nishimatsu employee skills



Starting in FY2021, we are implementing the “Next Generation Management Development Plan” to train the next generation of candidates for management-level positions. We will continue to provide them with training so they can acquire the knowledge and mindset necessary for management.

④ Promoting diversity and the active participation of human resources

We aim to create a work environment where human resources with different abilities, skills and experiences can come together, motivate each other, and maximize their talents. To this end, we recruit personnel with diverse skills and backgrounds, and strive to create an environment conducive to flexible work styles by adopting systems such as the “flextime system,” “work-from-home system,” and “childcare and nursing care leave system,” in addition to reducing total work hours.

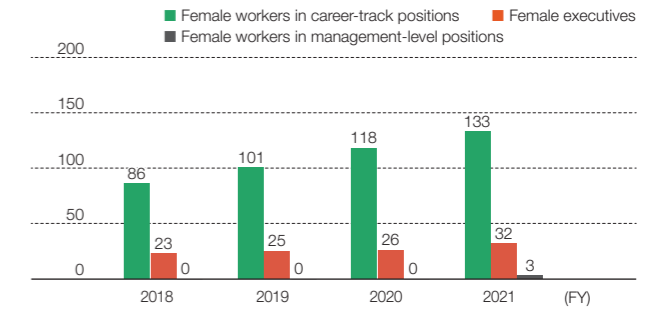
As a result, the number of female workers in career-track positions, mid-career hires and global human resources has improved, overtime hours on worksites have decreased, and the number of male employees using the childcare leave system has increased.

Going forward, we will respond to changes in employee work values and lifestyles, and create a workplace where employees can maximize their talents.

Hiring female workers for career-track positions and promoting them to management-level positions

From FY2020, we have set a target of increasing the ratio of female workers for career-track positions to 20% of all career-track recruitments. Since then, the number of women we have hired has been close to our target. Although the number of female managers is still low at 0.3% of all management-level positions, the number of female managers is increasing year by year, and they are steadily accumulating the skills and experience needed for management-level positions.

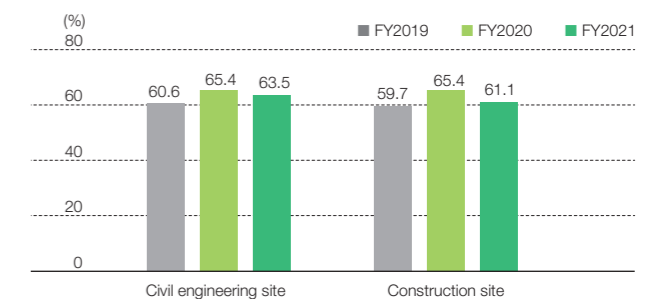
Number of female workers in career-track positions, executives, and workers in management positions



Reduction of overtime hours

In anticipation of the “Regulations on the limit of overtime hours” that come into effect from April 2024, we established the “Worksite Engineering Innovation Center” in FY2018 to reform operations at worksites, and the “Work Style Reform Promotion Section” in FY2019, and are working to reduce overtime hours, particularly at worksites, by reducing the workload and implementing 8 days off per 4 weeks work culture. Although overtime hours at worksites have reduced since the start of these initiatives, they have stalled in recent years, so we will strive to further accelerate our efforts to reduce overtime hours.

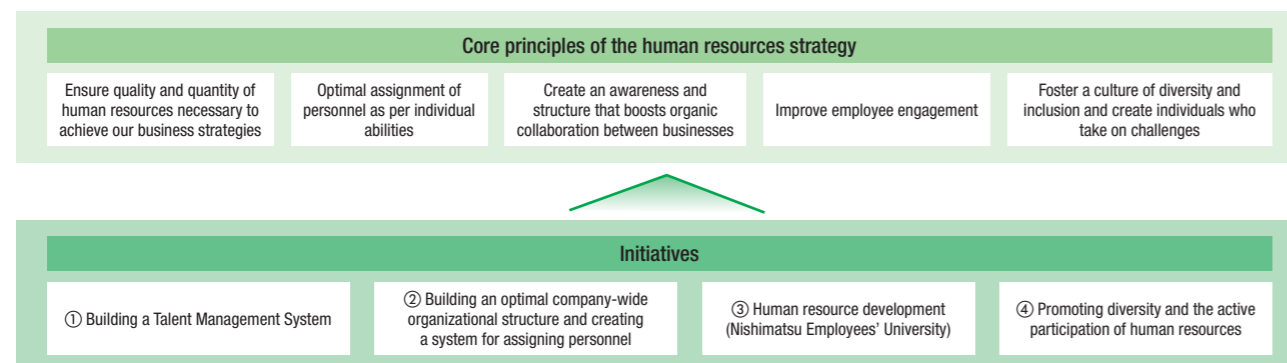
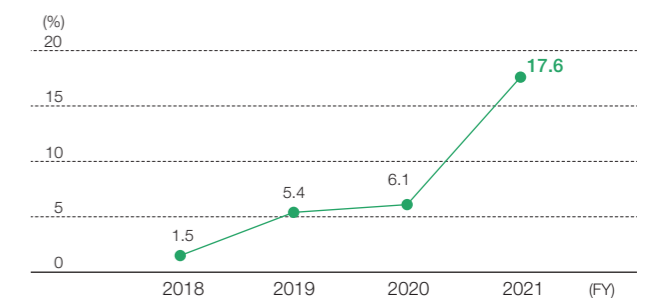
Percentage of construction sites with 7 days off per 4 weeks (FY2021 target)



Childcare leave system

The percentage of male employees taking childcare leave, one of the measures allowing employees to engage in both work and childrearing, reached 17.6% in FY2021, much higher than the 6.1% rate in FY2020, due in part to increased awareness of male participation in childrearing. Going forward, we will develop an environment to facilitate the participation of male employees in childrearing by expanding the childcare leave system, etc., with the goal of achieving 100% of employees taking childcare leave in FY2025.

Percentage of male employees taking the childcare leave



Health and Productivity Management



Employee happiness is the source of corporate vitality, and the foundation of happiness is health

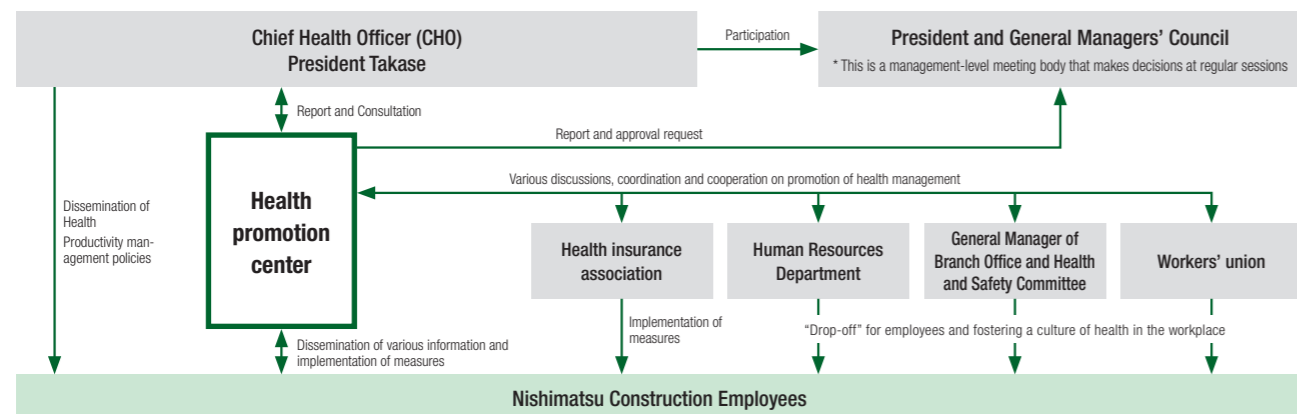
Nishimatsu Construction was selected to be among the 2022 "White 500" Certified Health & Productivity Management Outstanding Organizations promoted by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi. This was the fifth consecutive time we received this designation.

We believe that the happiness of employees is the key to corporate vitality for sustainable corporate growth, and that good health is the source of this happiness. To achieve this, we recognize that the loss of labor capacity due to illness is a management issue, and aim to improve productivity by preventing it. Therefore, we are promoting health management by combining measures aimed at improving employee health awareness from the four perspectives of physical health, mental health, health literacy, and long work hours, with measures in which medical professionals are directly involved with employees.

We were evaluated and certified as a White 500 company in recognition of our efforts to implement specific measures, such as establishing subsidies for medical checkups (including optional examinations) (similar subsidies are available for dependent spouses), recommendation for complete medical examinations after regular health checkups, subsidies for women's cancer screening, physical and mental consultations by medical staff, provision of smoking cessation programs free of charge, introduction of a system to visualize long work hours, etc., and striving to continuously improve these measures to make them more effective.

Based on the idea that the company is responsible for supporting the health of employees, we will continue to promote health management by strengthening our industrial health system and taking measures to encourage employee awareness through face-to-face interaction.

Promotion system chart



Topic

Our Head Office received the highest level of Platinum WELL certification*1, and Health-Safety Rating*2

Our Head Office (Toranomon Hills Business Tower) acquired the highest level of Platinum WELL certification. We are creating a comfortable workplace environment, taking into consideration the build of both the interior and exterior aspects of the building. Against the backdrop of the spread of COVID-19 infection, we received a Health-Safety Rating certification to evaluate the "health and safety" of buildings. We provide a healthy, safe, and secure workplace environment in which each and every employee can maximize their talents.

*1 WELL Certification: A system for evaluating the environmental performance of buildings and city blocks that focuses on people's health and wellness

*2 Health-Safety Rating: With the spread of COVID-19 infection, we conducted an objective evaluation of a facility's safety and security for building users by establishing that buildings are safe and secure and are implementing measures to prevent infection, as well as ensuring business continuity in emergencies such as earthquakes, fires, and terrorism



Our Head Office received Platinum WELL certification



WELL Certification (platinum)



WELL HSR

Safety and Supply Chain



Building safe construction sites

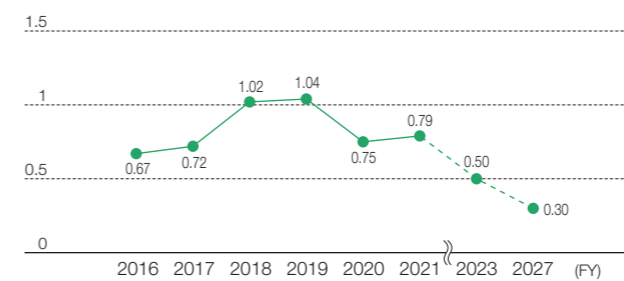
Our role in safety management is to manage risks from the planning stage to the implementation stage, so that everyone involved in our construction sites can work safely in a well-maintained environment.

Although there were no fatal or serious accidents in FY2021, the frequency rate of injuries* (occupational injury rate) was 0.79, the same level as the previous fiscal year, and further improvement is needed to reach the FY2027 target of 0.3.

As in FY2020, we have continued our measures against COVID-19 infection in FY2021, and no serious events such as clusters occurred.

* Frequency rate of injuries: Expresses the rate of occurrence by the number of fatalities and injured workers from occupational accidents per one million actual work hours

Frequency rate of injuries (occupational injury rate)



Ideals outlined in Nishimatsu-Vision 2027

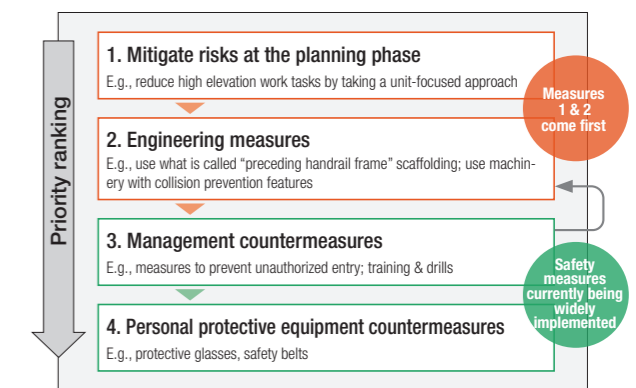
Establishing Nishimatsu as a brand of safety

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

In order to achieve our ideal, we will implement the following initiatives:

- Firmly embed safety management rooted in prioritizing issues
- Establish a legal compliance framework through repeated education
- Ensure health by creating a safe and comfortable workplace environment
- Boost the skills of safety leaders and establish a system for fostering skill leaders of the next generation

Safety management based on the priorities of risk assessment



Co-creation with the supply chain

In order to continue supporting social infrastructure through reliable construction at safe construction sites, we have created a cooperative system with our partner companies, including the Nishimatsu Subcontractor's Network (N-NET)*.

At the N-NET Growth Strategy Meetings, opinion exchange sessions held throughout Japan with the directors of N-NET member companies on an annual basis, we identify worksite issues and devise solutions to the issues that change year after year.

Measures decided at the N-NET Growth Strategy Meetings

- Expand and enhance programs for high-caliber technicians
- Introduce a subsidy system for the purchase of air-conditioned clothing
- Promote digital education (Conduct workshops on construction management work support applications, chat tools, etc.)
- Implement various study sessions (seminars on work hours, study sessions on the invoice system, etc.)

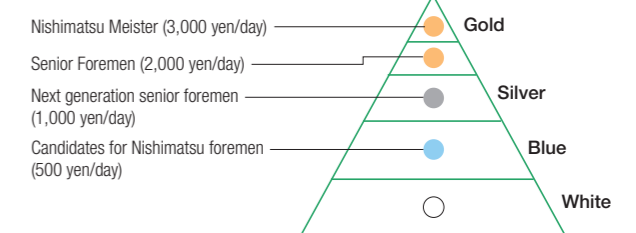
* N-NET: A network of specialized construction companies in partnership with Nishimatsu Construction

Human resource development support for partner companies

We are making the following efforts for the purpose of supporting the development of human resources at partner companies.

- ① High-caliber technician system - Payment of benefits in accordance with the level in the Construction Career Up System (CCUS)
- ② Grant system for acquisition of registered key skills qualification - 50,000 yen will be provided to employees who acquire the registered key skills qualification
- ③ Promotion of digital education

Construction Career Development System



Compliance



Our view of compliance is not limited to the observance of laws, rules, and various regulations, but also serves as the foundation (corporate culture and climate) that allows us to conduct sustainable business activities based on the trust and confidence of all stakeholders in accordance with our Company Motto and Corporate Philosophy. We are working to improve compliance awareness among every officer and employee through training and the establishment and review of systems to prevent fraud.

Basic compliance policy

“Compliance is a priority for corporate development” Compliance is the philosophy and mission to observe laws and ethics.

- Have the courage to take action. If you do not change things here, they won't change ever.
- Be courteous in behavior. What you find offensive is what others find even more offensive.
- Act with a sense of justice. If you lose your composure for even a moment, the company will cease to exist in an instant.

Compliance Promotion System

Group-wide promotion system

In 2009, we established the Compliance Committee with the aim of providing support and guidance, and ensuring that compliance is practiced by Group officers and employees. To provide a third-party perspective, we appoint someone from outside the company to chair the Committee, who attends meetings of the Board of Directors to raise issues and make recommendations. The committee meets once a month to address compliance-related issues, as well as implement and provide guidance on compliance training. The Compliance Promotion Department takes the initiative in promoting compliance, and the heads of each division at the Head Office, the general managers at each regional headquarters, and the presidents of affiliated companies have been appointed as the persons in charge of compliance and handle reports under the Compliance Promotion Department, while we are working to publicize and raise awareness about compliance through training, etc. In addition, as the secretariat of the Compliance Committee, it plays a role in educating officers and employees about the activities of the Committee.

Whistleblower system “Nishimatsu Hotline”

We have set up the Nishimatsu Hotline as a whistleblower

system to improve our corporate culture and deter and promptly address wrong doing. A reporting desk has been set up not only for the Group, but also for our partner companies, and the system allows anonymous reporting and provision of information.

Hotline available to:

- Nishimatsu Group officers and employees and their families (including temporary employees and employees who have been retired for less than one year)
- Officers and employees of partner companies

Reporting desk

- In-house: Compliance Promotion Department or supervisor at work
- External: Contracted to a specialized organization outside the Company

Counseling service “Workplace Hotline”

We have set up a counseling service where employees can easily seek advice about mental anxiety or human relations in the workplace.

Number of calls to the Nishimatsu Hotline and Workplace Hotline

(Number of reports)

Category	FY2017	FY2018	FY2019	FY2020	FY2021
Nishimatsu Hotline	29	20	30	33	28
Nishimatsu Workplace Hotline	23	21	16	12	12

Initiatives to Promote Compliance

Compliance Training

We carry out on-going career-level-specific training and e-learning to improve compliance awareness, eliminate harassment, and boost understanding and dissemination of the whistleblowing system. In FY2021, we conducted training based on events that have occurred in recent years for managers at construction sites nationwide and in sales departments at each regional headquarters.

Compliance Audit

Every year, we conduct Compliance Audits of all regional headquarters, each division at the Head Office, and Group

companies throughout Japan to assess the status of responses to risks that have occurred or are expected to occur in each department, as well as the details of initiatives and activities aimed at raising compliance awareness.

Compliance Awareness Survey

We conduct Compliance Awareness Surveys of all employees (including temporary workers) every two years. We are improving our training and educational activities by understanding the current situation from the results of the survey and changes over time and by analyzing issues and problems.

Risk Management



Company-Wide Risk Management

In order to increase the certainty of achieving our goals amid constant changes in the business environment and increasing uncertainty, we need to increase our sensitivity to risks, identify potential risks, and develop appropriate responses to emergencies and unexpected problems. To

this end, the Group implements company-wide risk management and strives to respond to risks that cannot be addressed by worksites or by individual departments alone.

Risk Management System and Process

The Internal Control Committee, whose members include the general managers of each business division, judges individual risk assessments, devises concrete countermeasures and monitors to verify and follow the progress of said measures on a quarterly basis, and carries out thorough management to decrease the possibility of risk occurrence and impact.

Process

- The departments responsible for risk management evaluates individual risks.
- The Audit Unit conducts interviews with the departments responsible for risk management and verifies the assessment.
- The Internal Control Committee then judges these assessments from the perspective of efficacy of the risk management practices and their implementation. If an issue is found, the Committee has the departments in question revise the definition of the risk levels and the risk evaluation standards and judgment criteria.

With regard to explicit, high-level risks, the department with responsibility devises concrete countermeasures and monitors to verify and follow the progress of said measures.

Risk Management System



Information security risk management

The Group in possession of important business information as well as personal information and confidential information related to our business partners obtained in the course of business. The following measures are being implemented to prevent losses and loss of social credibility due to information leaks and ICT system outages, as well as to create an environment where employees can work with peace of mind.

Prevention measures

Technical measures

- Regular review of information security policy
- Unauthorized access prevention
- Computer virus countermeasures

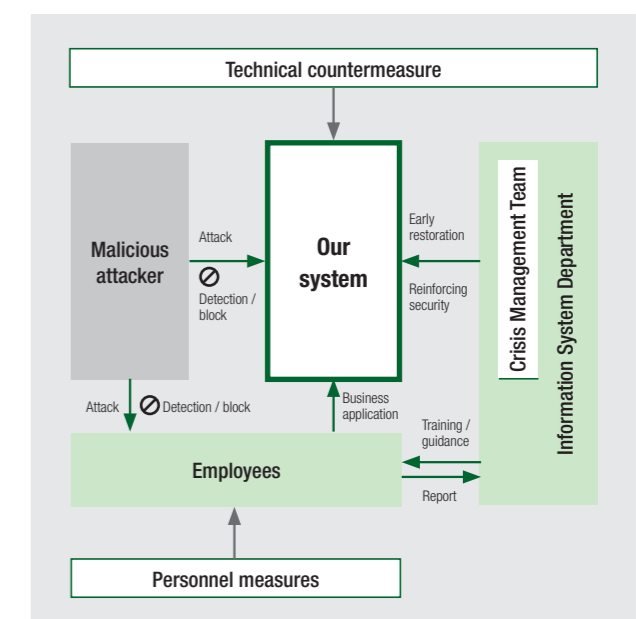
Personnel measures

- Employee training to improve information literacy
- Cyber-attack training

Countermeasures in the event of an incident

- Development of internal systems and response methods in the event of an incident
- Reinforcing cyber resilience for early recovery of systems

Information security system



Corporate Governance

Toward further strengthening of the corporate governance system

Strengthening corporate governance is one of the highest priority management issues that we are tackling at Nishimatsu Construction. In FY2016, we transitioned into a company with an Audit and Supervisory Committee and worked to ensure the efficacy of the oversight functions of the Board by bringing in Audit and Supervisory Committee members as part of the Board. In FY2021, we began implementing a Company President Succession Plan and Next-generation Manager Training Plan. In FY2022, we are working to strengthen our management supervision function by inviting two persons with management experience at listed companies to serve as external directors. Through these efforts, we will strive to further strengthen our corporate governance system.

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 corpo-

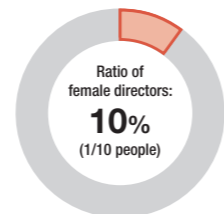
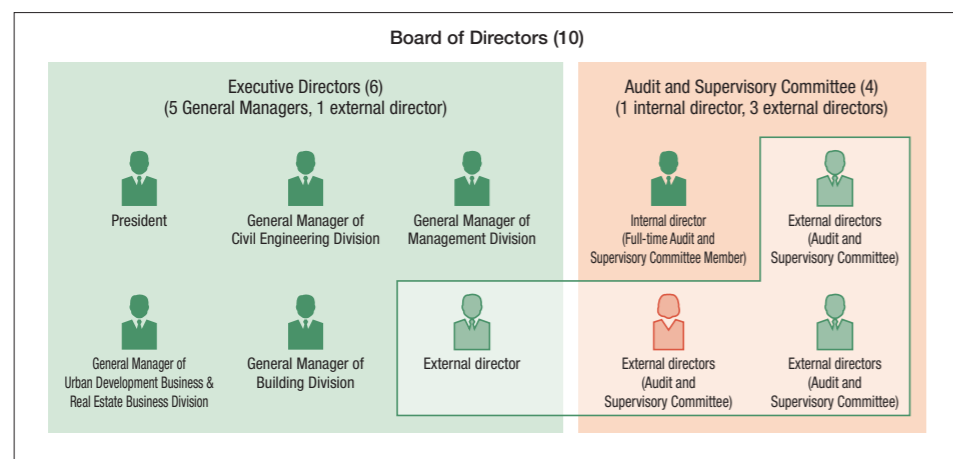
rate value over the medium to long term. Based on this policy, we will create structures that lead to the acceleration of decision-making and the strengthening of supervision by the Board of Directors and our business execution systems.

Composition of the Board of Directors and Audit and Supervisory Committee

The Company's Board of Directors is comprised of six executive directors and four directors who are Audit and Supervisory Committee members. Five of the Executive Directors are General Managers and one is an external director (who has management experience at a listed company). The Audit and Supervisory Committee comprises one full-time internal director and three external directors (one has experience at a general trading company,

one is a certified public accountant, and one has management experience at a listed company). As such, all of these external directors possess specialized knowledge in fields considered to be important for business management.

Currently, the ratio of external directors on the Board of Directors is 40%. Going forward, we will continue verifying the skill sets of those on the Board of Directors and will work to improve the efficacy of the Board.



Selection Criteria for Director Candidates

- Candidates for directors shall be selected from those who have a wealth of knowledge, experience, competence, have excellent character and high ethical standards.
- Candidates for Executive Directors shall be selected from those who have extensive knowledge and experience in the Civil Engineering Business, Building Business, International Business, Urban Development & Real Estate Business, and who have excellent knowledge of financial accounting.
- We will appoint candidates for directors who are Audit and Supervisory Committee members who are judged to be capable of auditing and supervising appropriately, with emphasis on their expertise and background.
- External director candidates will be selected with an emphasis on independence, and those with specialized knowledge and experience in corporate management are selected. We also take into consideration the diversity of the Board of Directors.

Reasons for Appointing External directors

Position	Full Name	Reason for appointment
External Directors	Hidetaka Matsuzaka	Mr. Matsuzaka possess a wealth of experience during his tenure at Osaka Gas Co., Ltd., and has a broad insight cultivated as Representative Director of the company. We have appointed him as an external director because we believe he is an appropriate person who can supervise our management from an objective point of view.
External Directors (Audit and Supervisory Committee members)	Jun Ikeda	Mr. Ikeda possesses a wealth of experience from his work at Mitsubishi Corporation and also has wide ranging knowledge from serving as representative director and president of a subsidiary of the same company. Since June 2016, he has fulfilled the role of Director and Audit and Supervisory Committee member, monitoring and supervising Nishimatsu Construction's management from an independent stand point. For these reasons, we deem him to be a suitable human resource for auditing and supervising Nishimatsu Construction's management from an objective point of view and appointed him an External Director and Audit and Supervisory Committee member
External Directors (Audit and Supervisory Committee members)	Noriko Suzuki	Ms. Suzuki possesses specialized knowledge as a certified public accountant and has a wealth of experience related to accounting in the real estate industry. Therefore, we have appointed her as an External Director and Audit and Supervisory Committee member.
External Directors (Audit and Supervisory Committee members)	Toshihiro Kubo	Mr. Kubo possesses a wealth of experience during his tenure at Kubota Corporation, he also possesses a wide range of knowledge cultivated as Representative Director of Kubota Corporation. We have appointed him as an external director who is a member of the Audit and Supervisory Committee because we believe he is an appropriate person who can supervise our management from an objective point of view.

Board of Directors' skill set

Position	Full name	Expertise and Experience Criteria for Directors								Nomination and Compensation Committee	Internal Directors: Main roles External Directors: Career and qualifications
		Corporate management	Construction technology & quality	Urban development & Real estate	Environment	Treasury, Accounting, Finance	Legal, Governance, Risk management, Compliance	Global			
Representative Director and President	Nobutoshi Takase	●	●		●						Chief Executive Officer and President, General Manager of Human Resource Strategy Unit
Representative Director	Makoto Isshiki	●	●		●				●		Executive Vice President, General Manager of Civil Engineering Division and Safety, Environment & Quality Division, in charge of Environment and Energy Business Management
Representative Director	Yuichi Kono	●				●	●		●		Executive Vice President, General Manager of Management Division, Deputy General Manager of Human Resource Strategy Unit, in charge of Investor Relations
Director	Yoshiyuki Sawai	●		●		●					Senior Managing Officer, General Manager of Urban Development & Real Estate Business Division
Director	Kazutoyo Hamada		●		●						Managing Officer, General Manager of Building Division
External director (Independent)	Hidetaka Matsuzaka	●				●	●	●	●		Osaka Gas Co., Ltd. Representative Director
Director (Full-time Audit and Supervisory Committee member)	Hiroshi Yaguchi						●				
External Directors (Audit and Supervisory Committee members) (Independent)	Jun Ikeda	●					●	●	●		Executive Officer, Mitsubishi Corporation, Representative Director, Mitsubishi Shoji Foodtech Co., Ltd.
External Directors (Audit and Supervisory Committee members) (Independent)	Noriko Suzuki			●		●			●		Certified Public Accountant, KPMG AZSA LLC Senior Manager
External Directors (Audit and Supervisory Committee members) (Independent)	Toshihiro Kubo	●			●		●		●		Kubota Corporation Representative Director

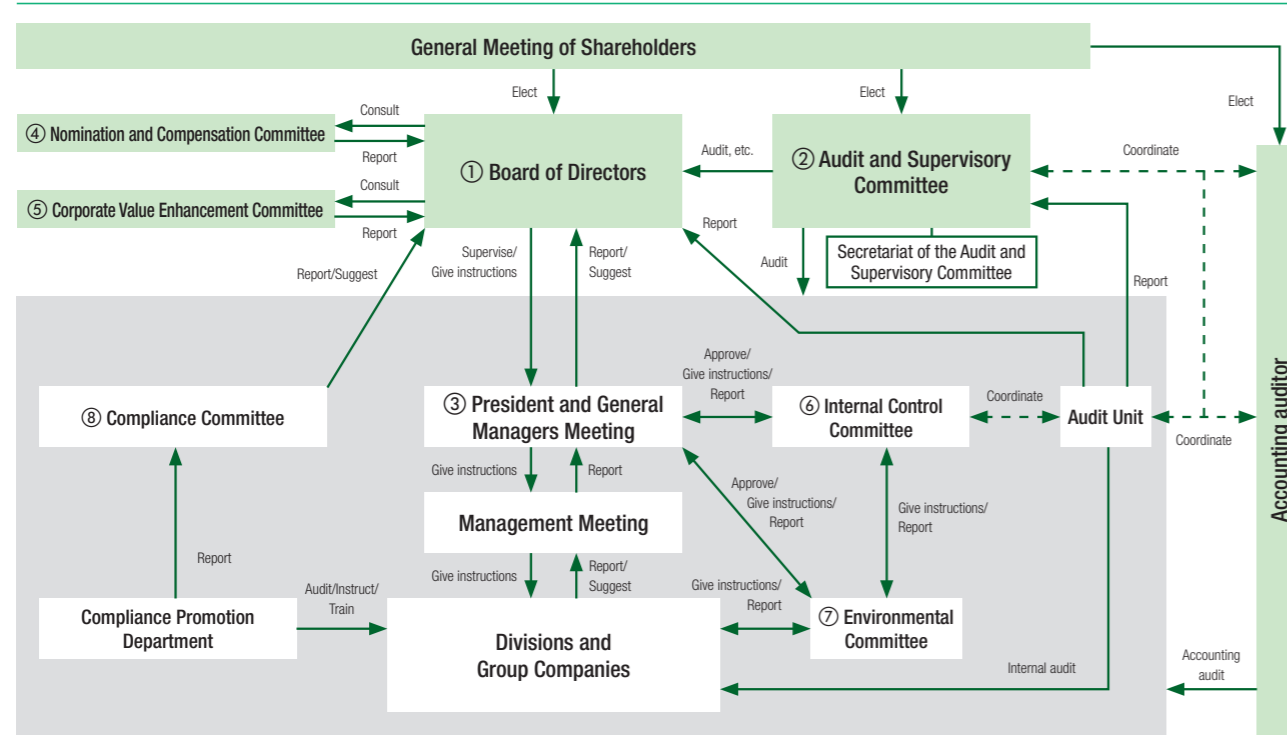
* The above list does not exhaustively cover all of the knowledge and experience possessed by each director.

Changes to Corporate Governance

	through FY2015	through FY2018	through FY2021	FY2022 and beyond
Organization design	June 2009 Established the Nominating Committee and Compensation Committee as voluntary advisory bodies	June 2016 Transitioned to a company with an Audit and Supervisory Committee	March 2021 Established the Corporate Value Enhancement Committee	April 2022 Established the Environment Committee
Composition of the Board of Directors	June 2009 External directors: 2	June 2016 External directors (Audit and Supervisory Committee members): 3	June 2021 External directors (Audit and Supervisory Committee members): 4 Ratio of external directors: 40%	June 2022 4 external directors (3 of whom are Audit and Supervisory Committee members) Ratio of external directors: 40%
Strengthen business execution system			July 2019 Established President and General Managers Meeting July 2021 Established Investment Committee	
Added an incentive scheme for directors			June 2021 Adopted a performance-linked equity compensation system	
Formulated and implemented a president successor plan			FY2021 Formulated and implemented a presidential succession plan and next-generation manager training plan	FY2022 Implemented the presidential succession plan and next-generation manager training plan
Reduction of Cross-shareholdings	November 2015 Formulated an approach to holding and reviewing cross-shareholdings	November 2018 Formulated an approach to reducing cross-shareholdings	FY2020 Significant reduction in cross-shareholdings	

Corporate Governance

Corporate Governance System



① Board of Directors	Makes decisions on basic management policies and other important management matters, and supervises the execution of duties by directors. In addition to matters stipulated by laws and regulations and the Articles of Incorporation, the Board of Directors deliberates and decides on matters stipulated in the rules of the Board of Directors.
② Audit and Supervisory Committee	Conducts audits of execution of duties by directors and other duties stipulated by laws and regulations.
③ President and General Managers Meeting	Among the proposals to be submitted to the Board of Directors, it conducts preliminary deliberations mainly on important matters for sustainable growth, decides on specific measures related to the execution of such proposals after they are resolved by the Board of Directors. It also decides or deliberates on some individual matters related to business execution.
④ Nomination and Compensation Committee	Deliberates on the nomination of candidates for directors, with the aim of contributing to the establishment of an appropriate management system. It also deliberates on individual compensation for directors and executive officers with the aim of ensuring objectivity and transparency regarding compensation decisions.
⑤ Corporate Value Enhancement Committee	Deliberates on corporate governance, capital policy and other important management matters in consultation with the Board of Directors.
⑥ Internal Control Committee	Discusses matters regarding internal control, maintains and promotes internal control, and performs company-wide risk management.
⑦ Environmental Committee	Identifies and evaluates climate-related risks and opportunities, and reports risks to the Internal Control Committee, and opportunities to the President and General Managers Meeting respectively.
⑧ Compliance Committee	Responds to various issues regarding compliance.

Analysis and evaluation of the effectiveness of the Board of Directors

To confirm whether the Board of Directors is appropriately fulfilling its duties of promoting sustainable corporate growth and increasing medium- to long-term corporate value, we analyze and evaluate the Board's effectiveness once a year and strive to strengthen and improve its functions.

We conducted the FY2021 analysis and evaluation from February 2022 to April of the same year. An overview of the evaluation process, evaluation results, and initiatives going forward is given below.

(1) Evaluation process

Led by the Audit and Supervisory Committee, all directors were given a survey with five categories of questions covering: the composition and operation of the Board of Directors, internal control, risk management and compliance, the director compensation scheme, medium-term

and long-term management plans, and the Nomination and Compensation Committee. The five items above were issues to be considered in the evaluation of the effectiveness of the Board of Directors for the previous fiscal year, and opinions were also heard on what kind of initiatives are necessary in the future to resolve these issues.

To ensure anonymity, statistical compilation for the survey was entrusted to a third-party organization, then the Audit and Supervisory Committee analyzed and reviewed the data before making a report to the Board of Directors.

(2) Overview of evaluation results

The Audit and Supervisory Committee presented its views on the above five items and recommended targets and priorities that should be set and discussions that should proceed systematically in order to achieve concrete results.

- ① Composition and operations of the Board of Directors
It is necessary to form a consensus on how the Board of Directors should be organized, including a verification of its skill set. There is also room for reconsideration of the standards for submitting proposals to the Board of Directors and the presented and reference materials that serve as the basis for judgement.
- ② Internal control, risk management, compliance
Time should be set aside for more in-depth discussions on internal control, risk management and compliance.
- ③ Director compensation scheme
Although performance-linked compensation and stock compensation were introduced in FY2021, it is necessary to continuously review and verify the Director compensation scheme in order to further improve corporate value.
- ④ Long-term vision
Discussion of the long-term vision is the most important agen-

da for realizing our Corporate Philosophy, providing value to stakeholders and transforming into a company with overall capabilities, and it is necessary to secure opportunities for intensive discussion.
⑤ Nomination Committee, Compensation Committee
Continued deliberations are needed on the nature, position, and functions of the Nominating and Compensation Committee.

(3) Initiatives going forward

In light of the above suggestions and reports, the general manager of the Management Division will work with the Board of Directors Administrative Office (General Affairs Department) to formulate matters to be deliberated and their schedule for the year.

Cross-shareholdings

Policy regarding reducing cross-shareholdings

We have made it our policy to hold shares of companies deemed necessary for our business operations as cross-shareholdings and, unless there are other extenuating circumstances, to reduce our holdings of companies that do not meet this criterion.

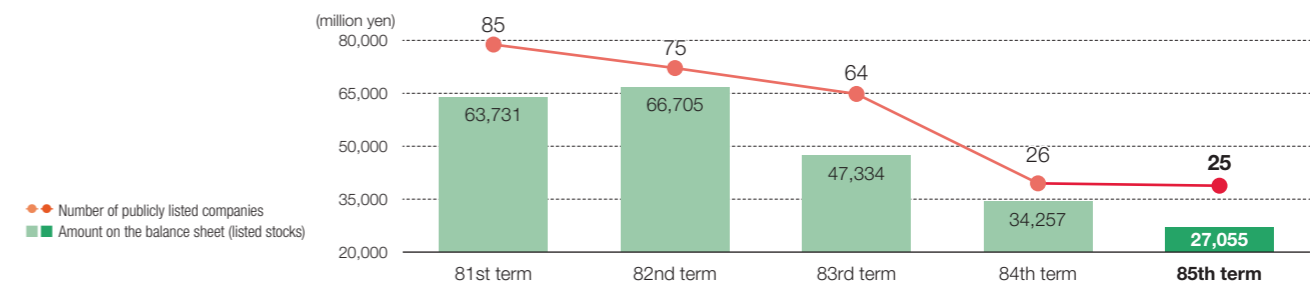
With regard to determining whether to hold specific cross-shareholdings, the Cross-Shareholdings Review Committee, which is comprised of those in charge of relat-

ed departments, carefully surveys and reviews each fiscal year whether we have transactions with the issuing company, what the status is of obtaining construction and other information, and whether there are other special circumstances, then makes a report to the Board of Directors. The Board of Directors receives and reviews these reports and makes final decisions on whether the holding is appropriate, then discloses the results of their decision.

Status of reduced cross-shareholdings

Number of companies whose shares are held as cross-shareholdings and their total amounts on the balance sheet

Category	81st term (FY2017)	82nd term (FY2018)	83rd term (FY2019)	84th term (FY2020)	85th term (FY2021)
Number of companies	164	152	141	103	102
Number of that are publicly listed	85	75	64	26	25
Total amount on the balance sheet (million yen)	67,843	70,632	51,261	38,383	31,228
Total amount of publicly listed stocks (million yen)	63,731	66,705	47,334	34,257	27,055



Policy regarding the exercise of voting rights for cross-shareholdings

Nishimatsu Construction's criteria for the exercise of voting rights for cross-shareholdings is as follows:

- ① In principle, we will exercise voting rights on all proposals.
- ② From the perspective of increasing the medium- to long-term corporate value of the company whose shares are held as cross-shareholdings, we will make decisions for

or against proposals while also taking into consideration the operating circumstances of that company. We will exercise particularly careful discretion and judgment in the case of proposals for corporate restructuring (such as mergers), presenting retirement bonuses to officer(s) at a company with poor operating results, a capital increase through third-party allocations, adopting takeover defense measures, and the like.

Corporate Governance

Director Compensation Scheme

Overview of our director compensation scheme (excluding Audit and Supervisory Committee members)

Compensation for directors (excluding Audit and Supervisory Committee members and other directors who are external directors) is comprised of base compensation and performance-linked compensation. Compensation for external directors (excluding those who are Audit and Supervisory Committee members) shall be limited to base compensation.

Base compensation, as fixed (monthly) compensation determined in accord with the director's position, is calculated taking into account Nishimatsu Construction's employees' salary levels, standard salary levels in the business community, and other factors.

Performance-linked compensation fluctuates according to the degree to which performance targets were met. It includes a base level of compensation in accord with each director's position, with this base level multiplied by a performance-linked coefficient in order to calculate the final amount. In order to calculate the final amount, evaluation indices covering the director's contribution to corporate value are set for each position and job title, and the degree to which initial performance targets were met, as well as year-on-year performance are evaluated each fiscal year.

Performance-linked compensation is paid partly in cash,

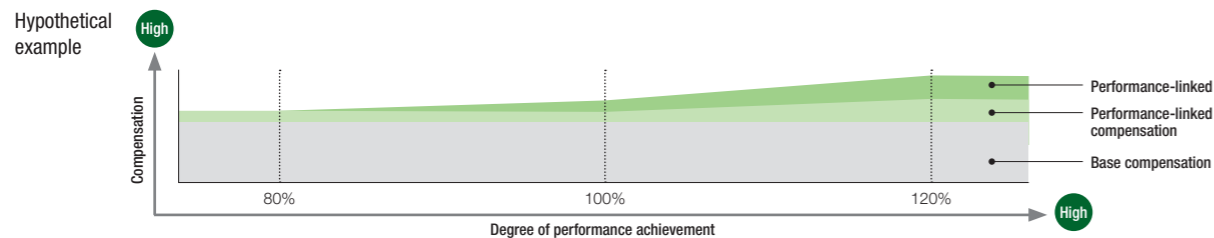
as a short-term incentive, and partly in stock, as a long-term incentive. The cash portion is paid as a bonus in July of each year and the stock portion is conferred every June in the form of conversion points for the Board Benefit Trust. When a director retires from his or her position as director, cumulative points are converted into shares of stock and delivered to the beneficiary.

The ratios of base compensation and performance-linked compensation are appropriately determined taking into account Nishimatsu Construction's management strategies, business environment, and the level of difficulty of achieving job responsibilities and targets, while also referencing relevant changes at other companies in our industry. Within performance-linked compensation, there is generally a 1-to-1 ratio of cash-based compensation to stock-based compensation. Furthermore, for stock-based compensation, a minimum level is set that is the same as the minimum level for performance-linked compensation.

Based on these policies, the President drafts a preliminary proposal, then consults with the Nomination and Compensation Committee, whose input is taken into account and decided on by the Board of Directors (Base compensation and performance-linked compensation are determined in March and June, respectively, each year).

Compensation details

Category	Performance-linked indices	Overview of payment method
Base compensation	—	Base amount paid in cash
Short-term incentives	Performance-linked bonus Degree of achievement of consolidated performance targets for the single fiscal year	Amount calculated by multiplying the base amount by a performance-linked coefficient, paid in cash
Long-term incentives	Performance-linked equity compensation (Board Benefit Trust) Degree of achievement of consolidated performance targets for the single fiscal year	Points conferred (calculated by multiplying the base amount by a performance-linked coefficient); cumulative points converted into an equivalent amount of stock when the director retires



Overview of compensation scheme for directors who are Audit and Supervisory Committee members

Directors who are Audit and Supervisory Committee members receive only base compensation that takes into consideration the compensation of directors who are not Audit

and Supervisory Committee members, as well as the standard salary levels in the business community. Said base compensation is determined through discussions among all directors who are Audit and Supervisory Committee members.

Directors' compensation (FY2021)

Category	Paid personnel	Base compensation	Performance-linked compensation (cash-based compensation)	Performance-linked compensation (non-cash-based compensation)	Total amount of compensation, etc.
Directors (excluding Audit and Supervisory Committee members) (including External Directors)	5 (-)	¥165 million (- ¥ million)	¥23 million (-)	¥20 million (-)	¥208 million (-)
Directors (Audit and Supervisory Committee Members) (including External Directors)	5 (4)	¥47 million (¥31 million)	- (-)	- (-)	¥47 million (¥31 million)
Total (including External Directors)	10 (4)	¥212 million (¥31 million)	¥23 million (-)	¥20 million (-)	¥255 million (¥31 million)

* The total amount of performance-linked compensation (cash-based compensation) indicates the amount of provision for directors' bonuses in FY2021. In addition, the total amount of performance-linked compensation (non-cash-based compensation) indicates the amount of provision for directors' stock benefits in FY2021 based on the "Board Benefit Trust (BBT)", a performance-linked stock compensation plan that uses a trust.

Messages from External Directors

Toward Sustainably Enhancing the Corporate Value of Nishimatsu Construction

Four external directors of the company spoke to us about changes in society, the economy and the environment, the current status and other challenges faced by Nishimatsu Construction and their expectations from the company.



External Director Jun Ikeda

Mr. Ikeda has extensive experience in business management at Mitsubishi Corporation, both domestically and internationally, and in corporate management at companies like Mitsubishi Shoji Foodtech Co., Ltd. He was appointed as an External Director of our company in June 2016. He mainly provides advice related to the overall management and new businesses

This year is your seventh year in office. Could you please tell us about the changes in Nishimatsu Construction since you took office and the current challenges faced by the company?

Tackle Changes by Recognizing Absolute Strengths That Can Be Demonstrated in a Challenging Environment

Ikeda: This is now my seventh year in office as an External Director and Audit and Supervisory Committee member. During this period, the world has seen sweeping changes, and the assumptions we had made in the past do not hold anymore, making it increasingly difficult to predict what will happen. Our company has made significant decisions and taken actions in the past year, such as capital and business alliances. At the same time, we have been asked to take on concrete initiatives for wide-ranging market demands concerning SDGs, ESG, TCFD, decarbonization and DX, and others. Addressing these demands requires investment in management resources, especially human resources, which is an unavoidable path for companies listed on the prime market of the TSE.

Under such circumstances, we have successively reviewed our systems and carried out organizational restructuring, including the operation of the Board of Directors. However, we are known within and outside the Company for our corporate culture of solidity and honesty, which has not allowed us to make bold changes by anticipating market changes. This corporate culture of solidity and honesty is an essential element for the company, giving us a sense of security and trust; however, we are undeniably conservative and weak in our will-

ingness to take on the challenges of change and innovation. We also have a tendency to think that the industry or the situation we are placed in is unique compared to others, which leads to a follow-the-leader mentality and hinders innovation. I believe the size and position of our company in the industry are well suited to anticipate changes in the market and industry, and expect us to make faster and bolder changes.

Bold changes are essential for building future-oriented business strategies. The shift away from simple outsourcing implies that construction companies are taking on business risks on our own. It is necessary that we conduct studies and take initiatives from an unconventional perspective. This is true for not only new businesses such as those in the environment and energy sector, but also for businesses in the construction, development, and real estate sector. As the environment surrounding us is expected to become even more challenging in the future, if we do nothing because the risks are too significant, we will inevitably face decline and perish. The entire organization must take on challenges with determination while assessing the limits of the company's risk-taking capacity. I hope that all of us will recognize the absolute strengths we can demonstrate in a challenging environment and leverage those strengths to take on the challenge of change and have sustainable development as a company with overall capabilities that provides new value.

Director Suzuki, this is your second year in office. What, according to you, are the current challenges faced by Nishimatsu Construction?

Develop Human Resources Who Can Respond Flexibly to New Trends and Changes



External Director Noriko Suzuki

In addition to her expertise as a certified public accountant, Ms. Suzuki has extensive experience in accounting in the real estate industry. She was appointed as an external director of the company in June 2021. She mainly provides advice in finance, accounting, and real estate matters.

Message from External Directors

Suzuki: After my appointment as an External Director and Audit and Supervisory Committee member last June, I have been working towards smooth communication and building a relationship of trust; one year has passed since then. While face-to-face interaction has become difficult during the COVID-19 pandemic, through exchanges of opinions with the Board of Directors and with General Managers of Business Divisions, as well as through my interactions with the people onsite during branch office audits, I can strongly feel our corporate culture of solidity and honesty and a culture that places importance on cordial thoughtfulness.

Now that a year has passed since the start of the “Medium-term Management Plan 2023”, the development of human resources for the younger generation to respond to environmental changes and bring a sustainable enhancement in our corporate value has become a challenge. It is desirable that we develop human resources who can flexibly respond to the trends and changes of the new era with a long-term perspective and a sense of speed, while taking advantage of our strengths, namely our advanced technological capabilities and solidity that we have cultivated over the years.

Director Matsuzaka and Director Kubo, you took office in June 2022. How do you view changes in society, the economy, and the environment, and what do you believe is your role toward achieving sustainable growth of Nishimatsu Construction?

Matsuzaka: In recent years, unexpected and unforeseeable changes in society, the economy, and the environment are occurring frequently. For companies to address such unexpected changes, experience alone is not sufficient, and “flexibility” in ideas and actions is required above all. As a newly appointed External Director, I want to confirm and strengthen our “fundamental competencies”, which form the foundation

Respond Flexibly to Change, Identify and Strengthen the Company’s Fundamental Competencies



External Director Hidetaka Matsuzaka

Mr. Matsuzaka has extensive experience in business management at Osaka Gas Co., Ltd, both within and outside Japan, and in corporate management as the Representative Director of Osaka Gas Co., Ltd. He was appointed as an External Director of the Company in June 2022.

Building a Company With Overall Capabilities Through New Challenges and Mutual Communication



External Director Toshihiro Kubo

Mr. Kubo has experience in environment-related businesses and corporate division at Kubota Corporation. He has extensive experience in corporate management as Representative Director of Kubota Corporation. He was appointed as an external director of the Company in June 2022.

for creating this flexibility. I would like to bring to light the following four points regarding Nishimatsu Construction’s fundamental competencies.

1. Are employees thinking in terms of overall optimization rather than individual optimization, and are they able to put their ideas across in an easy-to-understand manner?
2. Is there a culture in which corporate information is shared within the company and questions are freely discussed?
3. Is work simplified? Are employees taking on new challenges and showing growth?
4. Are there shared goals, and are the business portfolio, impacts of risks and measures for said risks consolidated?

I also want to encourage all employees to improve the organization’s fundamental competencies, increase its overall capabilities, and keep an eye on changes happening outside the company and in other industries. If you find something suitable, try implementing it in our own company. I would like to contribute to Nishimatsu Construction’s growth and improve the quality of management by providing appropriate advice on necessary management decisions to further enhance our corporate value.

Kubo: I intend to fulfill my role with a deep understanding of the various issues faced by our company, drawing on my past management experience in the manufacturing industry.

The environment surrounding companies is dramatically changing. While the market in Japan stagnates and shrinks and labor shortages are becoming increasingly severe due to the maturing economy and aging population with a declining birthrate, there is a strong demand for strengthening corporate governance, diversification of values, and ESG management. Outside Japan, the international economy is being severely impacted. Raw material prices are soaring due to divisions in the international community and the growing tendency to put one’s own country first, which was triggered by



From left:
Toshihiro Kubo,
Jun Ikeda,
Noriko Suzuki
and Hidetaka Matsuzaka

the situation in Ukraine.

I am confident that steadily implementing the medium-term management plans already formulated and enhancing our corporate value to become a “company with overall capabilities” will enable us to respond to various environmental changes.

“A company is only as good as its people”, and it is of utmost importance that each employee, in their role, not be bound by preconceived notions but should instead be able to respond quickly by visiting worksites, knowing actual products and actual reality. With respect to management, we should spare no effort in investing in human resources. I want to encourage all employees, including executives, to enhance corporate value while improving mutual communication.

I want to contribute as much as possible to the various initiatives that we must implement for the sustainable growth of Nishimatsu Construction through opportunities to interact with senior management and employees, and by gaining an understanding of worksites.

As an External Director, what are your expectations for all the members of Nishimatsu Construction, including President Takase?

Ikeda: In 2023, we will celebrate the 150th anniversary of our founding. This long history is precious, considering that some say the lifespan of a company is 30 years. However, we cannot sustain ourselves in the future if we continue the same way as before. It is imperative for all of us to think about the universal values and DNA of our company that have survived the changing environment and have been passed down for generations, and what needs to be maintained and enhanced for future growth and make it the foundation for further growth.

The term “purpose” spoken of these days is interpreted as the meaning for the existence of a company in society. Though we do not use the word “purpose”, I believe that we as a company have supported social infrastructure for as long as 150 years and share this purpose in some form. It is essential that we reaffirm and redefine this purpose in today’s

context, and create a foundation for the next 150 years by combining it with a vision for future value. I believe that our company can achieve this.

The purpose is not just for the company. It is essential that all our executives and employees, as individuals, have a clear sense of their purpose within the company, the organization, and society. By aligning the vectors of our individual and corporate purpose, I expect us to create new history as a company with enhanced overall capabilities that transcend organizational boundaries

Suzuki: In response to changes in the environment surrounding us, we are undertaking new initiatives to create a decarbonized society and provide various services. I believe what is essential in this process is to utilize the advanced technology and experience we have cultivated over our long history, and at the same time, be flexible in our thinking without being bound by the conventions in the industry. Industry conventions stating, “this is how the industry is” and “we have always done it this way” are everywhere. There are also some things that we may have acquired without being aware of them. Of course, there are many good practices, but there may be unintentional discrepancies between what is common practice in the industry and what is common practice in the rest of the world. I feel that all members of our company are expected to have a mindset of adapting to change without being bound by conventional ideas.

To this end, I expect the younger generation who will be responsible for the future of our company to take an interest in a variety of things, expand their knowledge and experience by actively interacting with the people of other industries beyond the boundaries of their own, and strive to be able to accurately respond to changes in society with a broad perspective.

Having worked at an auditing company for many years, I may be caught up in some of the customs of an accountant myself. I would like to learn with you all so I can gain a broader perspective while listening to the opinions of External Directors with experience in corporate management.

Board of Directors and Audit and Supervisory Committee (As of June 30, 2022)

Directors



Nobutoshi Takase
Representative Director and President



Makoto Isshiki
Representative Director
General Manager of Civil Engineering Division
General Manager of Safety & Environment Division
In charge of Environment and Energy Business Management



Yuichi Kono
Representative Director
General Manager of Management Division
In charge of Investor Relations



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



Kazutoyo Hamada
Director
General Manager of Building Division



Hidetaka Matsuzaka
External Director

Nobutoshi Takase

Representative Director and President

Apr. 1980 Joined the Company
Jun. 2011 Director, Managing Officer
Apr. 2018 Representative Director and President; Chief Executive Officer and President (to present)

Number of Company shares held 9,000 shares
Attendance at Board Meetings 28 out of 28 (100%)

Makoto Isshiki

Representative Director
General Manager of Civil Engineering Division
General Manager of Safety & Environment Division
In charge of Environment and Energy Business Management

Apr. 1984 Joined the Company
Jun. 2016 Director, Senior Managing Officer
Apr. 2018 Representative Director and Executive Vice President (to present)

Number of Company shares held 7,200 shares
Attendance at Board Meetings 27 out of 28 (96%)

Yuichi Kono

Representative Director
General Manager of Management Division, in charge of Investor Relations

Apr. 1980 Joined the Company
Jun. 2015 Director, Managing Officer
Apr. 2021 Representative Director and Executive Vice President (to present)

Number of Company shares held 23,780 shares
Attendance at Board Meetings 28 out of 28 (100%)

Yoshiyuki Sawai

Director
General Manager of Urban Development & Real Estate Business Division

Mar. 2006 Executive Officer of Mizuho Bank, Ltd.
Jun. 2010 Director of the Company
Apr. 2019 Director, Senior Managing Officer (to present)

Number of Company shares held 6,000 shares
Attendance at Board Meetings 28 out of 28 (100%)

Kazutoyo Hamada

Director
General Manager of Building Division

Apr. 1987 Joined the Company
Jun. 2020 Director, Managing Officer (to present)

Number of Company shares held 3,800 shares
Attendance at Board Meetings 28 out of 28 (100%)

Hidetaka Matsuzaka

External Director

Apr. 2015 Representative Director; Executive Vice President, Osaka Gas Co., Ltd.
Apr. 2019 Director and Chairman, OG Capital Co., Ltd. (to present)
Jun. 2019 Advisor, Osaka Gas Co., Ltd. (to present)
Jun. 2020 Outside Director, HIROSHIMA GAS CO., LTD. (to present)
Jun. 2020 Outside Director, Nanto Bank, Ltd. (to present)
Jun. 2022 External Director of the Company (to present)

Number of Company shares held 0 shares

Audit and Supervisory Committee Members



Hiroshi Yaguchi
Director (Audit and Supervisory Committee Member) (Full-Time)



Jun Ikeda
External Director (Audit and Supervisory Committee Member)



Noriko Suzuki
External Director (Audit and Supervisory Committee Member)



Toshihiro Kubo
External Director (Audit and Supervisory Committee Member)

Hiroshi Yaguchi

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

Apr. 1979 Joined the Company
Jun. 2020 Director (Full-time Audit and Supervisory Committee Member) (to present)

Number of Company shares held 3,400 shares
Attendance at Board Meetings 28 out of 28 (100%)
Attendance at Audit and Supervisory Committee 15 out of 15 (100%)

Jun Ikeda

External Director (Audit and Supervisory Committee Member)

Apr. 2006 Executive Officer, Mitsubishi Corporation
Jun. 2009 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.
Jun. 2016 External Director (Audit and Supervisory Committee Member) of the Company (to present)
Outside Director, SODA NIKKA CO., LTD. (to present)

Number of Company shares held 0 shares
Attendance at Board Meetings 27 out of 28 (96%)
Attendance at Audit and Supervisory Committee 15 out of 15 (100%)

Noriko Suzuki

External Director (Audit and Supervisory Committee Member)

Oct. 2008 Senior Manager, KPMG AZSA LLC
Oct. 2015 Part-time audit staff, KPMG AZSA LLC
Apr. 2020 Supervisory Director, Frontier Real Estate Investment Corporation (to present)
Jun. 2021 External Director (Audit and Supervisory Committee Member) of the Company (to present)

Number of Company shares held 0 shares
Attendance at Board Meetings 16 out of 16 (100%)
Attendance at Audit and Supervisory Committee 10 out of 10 (100%)

Toshihiro Kubo

External Director (Audit and Supervisory Committee Member)

Jul. 2014 Representative Director and Executive Vice President, Kubota Corporation
Jun. 2021 Chairman of the Osaka Federation of Health Insurance Societies (to present)
Vice Chairman, National Federation of Health Insurance Societies (to present)
Jun. 2022 External Director (Audit and Supervisory Committee Member) of the Company (to present)

Number of Company shares held 0 shares

* The attendance at Board Meetings and the Audit and Supervisory Committee indicates the attendance for FY2021.

Major Financial and Non-financial Data of Eleven-Years

Fiscal Year (Years ended March 31)		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Financial data (Consolidated)												
Construction Business orders received	(Millions of yen)	256,156	258,216	320,594	345,853	304,764	360,186	380,378	348,045	376,088	313,437	333,974
Profit and loss statement (Fiscal Year)												
Net sales	(Millions of yen)	263,928	253,250	314,638	342,989	308,826	315,228	284,412	349,318	391,621	336,242	323,754
Gross profit	(Millions of yen)	14,929	15,615	17,963	22,769	31,104	42,259	40,425	43,423	43,938	39,762	43,773
Operating income	(Millions of yen)	2,651	2,666	4,738	8,710	16,184	25,259	22,752	24,928	25,313	20,951	23,540
Ordinary income	(Millions of yen)	3,420	4,307	6,106	9,938	16,290	25,446	23,548	25,985	25,838	21,561	23,497
Profit attributable to shareholders of the Company	(Millions of yen)	2,732	3,411	5,586	9,220	14,598	19,210	16,914	18,784	18,721	17,167	15,103
Balance sheet (end of fiscal year)												
Total assets	(Millions of yen)	322,523	342,974	374,399	386,469	351,334	385,674	381,355	466,327	497,045	472,440	477,613
Interest-bearing liabilities	(Millions of yen)	44,746	52,907	58,135	53,918	53,175	42,844	43,306	86,167	121,909	115,039	160,039
Net interest-bearing debt	(Millions of yen)	3,861	4,942	4,933	16,346	25,271	3,817	10,807	54,694	75,449	71,269	112,917
Shareholders' equity	(Millions of yen)	109,567	111,853	117,540	122,367	134,190	147,697	158,256	171,828	184,803	196,158	145,459
Cash flow (fiscal year)												
Cash flows from operating activities	(Millions of yen)	(10,947)	9,776	3,129	(10,448)	4,120	40,763	13,570	(15,882)	14,120	4,907	41,243
Cash flows from investing activities	(Millions of yen)	3,245	(10,770)	(3,246)	(1,236)	(9,688)	(13,945)	(15,422)	(23,633)	(20,147)	5,302	(22,532)
Cash flows from financing activities	(Millions of yen)	(15,127)	6,536	3,750	(5,701)	(2,960)	(15,039)	(4,918)	38,555	20,952	(12,653)	(16,075)
Cash and cash equivalents at end of year	(Millions of yen)	40,884	47,865	53,052	37,422	27,903	39,026	32,499	31,473	46,459	43,575	47,122
Amounts per share												
Profit attributable	(yen)	49.25	61.55	100.80	166.45	263.55	348.15	308.52	343.39	342.24	313.83	312.34
Dividends	(yen)	20	20	30	50	80	105	95	105	105	105	221
Dividend payout ratio	(%)	40.6	32.5	29.8	30.0	30.4	30.2	30.8	30.6	30.7	33.5	70.8
Shareholders' equity	(yen)	2,099.55	2,302.75	2,419.10	2,669.20	2,775.30	3,057.35	3,348.41	3,605.62	3,599.01	3,765.62	3,833.71
Ratio												
ROE	(%)	2.4	2.8	4.3	6.5	9.7	11.9	9.6	9.9	9.5	8.5	8.5
Capital to assets ratio	(%)	36.1	37.2	35.8	38.3	43.8	43.5	48.0	42.3	39.6	43.6	31.7
D/E ratio	(times)	0.4	0.4	0.4	0.4	0.3	0.3	0.2	0.4	0.6	0.6	1.1
Net D/E ratio	(times)	0.0	0.0	0.0	0.1	0.2	0.0	0.1	0.3	0.4	0.3	0.7
Non-financial data												
Number of Employees (consolidated)		2,560	2,557	2,648	2,678	2,704	2,740	2,825	2,920	3,005	3,060	3,106
CO ₂ emissions per unit from construction* ³	(t-CO ₂ /100 million yen)	—	33.7	32.1	32.0	31.8	24.2	18.1	16.1	17.8	21.8	—
Nishimatsu Group's CO ₂ Emissions (Scope 1, 2) * ³	(t-CO ₂)	—	—	—	—	—	—	—	50,798	66,275	68,564	64,764
Final percentage of construction waste sent for landfill disposal* ^{1, 3}	(%)	—	—	6.8	5.0	3.1	2.9	2.7	2.1	2.2	2.0	2.1
Frequency rate of injuries* ² (occupational injury rate)		0.9	0.9	1.0	1.0	1.1	0.7	0.7	1.0	1.0	0.8	0.8

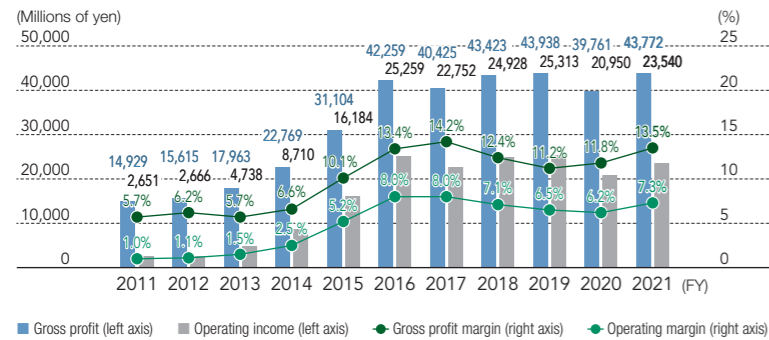
*1 Final percentage of construction waste sent for landfill disposal:
Before fiscal year ended March 31, 2019, excludes construction sludge and special substances such as specified substances pursuant to Article 17(1) of the Air Pollution Control Act.
From fiscal year ended March 31, 2019, includes construction sludge and excludes special substances such as specified substances pursuant to Article 17(1) of the Air Pollution Control Act.

*2 Expresses the rate of occurrence by the number of fatalities and injured workers from occupational accidents per one million actual work hours

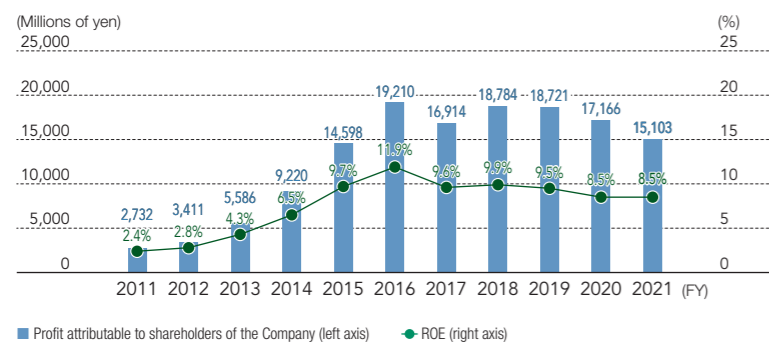
*3 The aggregation period from fiscal year ended March 31, 2017 onwards is the calendar year (January to December)

Analysis of Management Indices

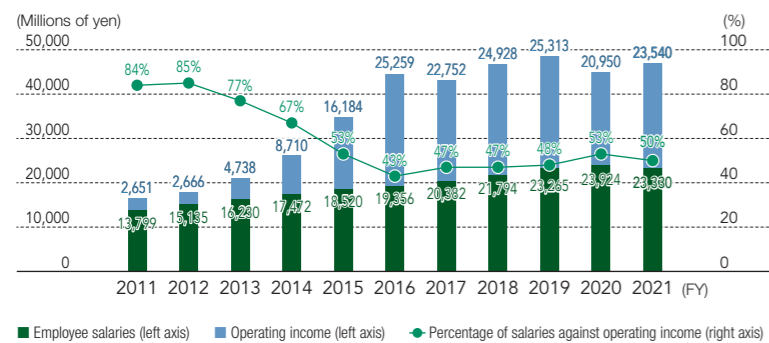
Profitability (Gross profit margin, Operating Margin) (consolidated)



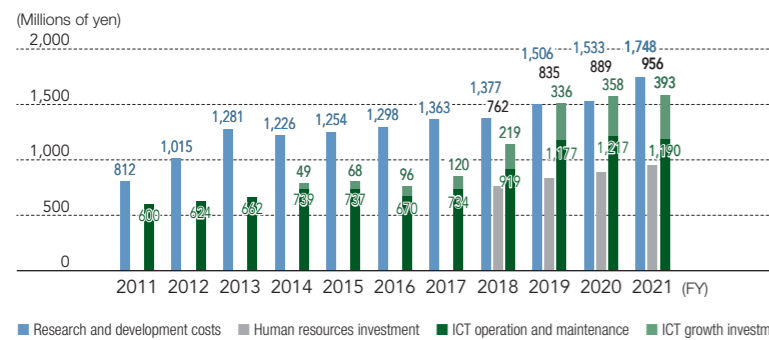
Capital efficiency (ROE) (consolidated)



Percentage of employee salaries against operating income (non-consolidated)



Investments in Technology, Human Resources and ICT (non-consolidated)



* Investment in human resources is stated from FY2018

Gain/loss factors & explanation

Gross profit in FY2021 was 43,772 million yen, an increase of 4,011 million yen from the previous fiscal year, with a gross profit margin of 13.5% (up 1.7 points year on year) and an operating margin of 7.3% (up 1.1 points year on year).

Our profit margin dipped from FY2018 to FY2019, but has since recovered.

The impact on our business of price fluctuations linked to the global political economy and competition in the building business will also be assessed.

Gain/loss factors & explanation

ROE for both FY2020 and FY2021 was 8.5%. We will strive to expand business profit toward the target of "12% or higher" set forth in the Medium-Term Management Plan 2023.

In FY2021, we repurchased 54.3 billion yen of shares.

Gain/loss factors & explanation

In FY2021, the percentage of employee salaries against operating income (operating income salary ratio*) was 50%.

To achieve Nishimatsu-Vision 2027, we have introduced a new personnel system from FY2021 with the aim of "improving job satisfaction for each and every employee."

As part of this, we are reviewing our wage system to properly evaluate employees and reward them for their work.

*Percentage of salaries against operating income = Employee salaries / (Operating income + Employee salaries)

Gain/loss factors & explanation

Research and development costs for FY2021 were 1,748 million yen.

We are engaged in research and development on technologies that contribute to labor-saving, improvement in productivity and quality, as well as social infrastructure renovation technologies, disaster prevention and mitigation technologies, and environmental technologies related to decarbonization.

Investment in human resources was 956 million yen in FY2021. In addition to the improvement of conventional training, we have begun taking on the challenge of talent management in FY2021.

ICT-related investments in FY2021 amounted to 393 million yen in growth investment, and 1,190 million yen for operation and maintenance.

We are promoting DX based on the "Nishimatsu DX Vision" formulated in June 2022.

Non-financial Data

Environmental Data

	2019	2020	2021	Targets
Global warming prevention				
Nishimatsu Group's CO ₂ emissions (Scope 1 and 2)	(t-CO ₂) 66,275	68,564	64,764	51,088 in 2030
Nishimatsu Group's CO ₂ emissions (Scope 3)	(t-CO ₂) 4,313,205	3,928,732	3,237,500	—
Nishimatsu Group's CO ₂ emissions (Scope 3) Category 11	(t-CO ₂) 3,663,688	3,191,751	2,481,159	2,772,775 in 2030
Creating a recycling-oriented society				
Final percentage of construction waste sent for landfill disposal*	(%) 2.2	2.0	2.1	Less than 3%

*Final percentage of waste sent for landfill disposal: Excludes construction sludge and special substances such as specified substances pursuant to Article 17(1) of the Air Pollution Control Act.

Social Data

	FY2019	FY2020	FY2021	Targets
Basic information				
Number of Employees (consolidated)	3,005	3,060	3,106	—
Number of Employees (non-consolidated)	2,684	2,762	2,794	—
Diversity & Inclusion				
Number and percentage of female managers	(%) 0 (0%)	0 (0%)	3 (0.3%)	2% or above until FY2026 (about 20 people)
Percentage of female workers in career-track positions	(%) 19.2%	17.5%	17.8%	20% or above
Employment percentage of persons with disabilities	(%) 2.02%	1.96%	2.45%	2.3% (Legal employment rate) or above
Human resource development				
Training costs (Millions of yen)	237	291	345	—
Ease of work and productivity				
Personnel turnover rate (Career-track positions, general positions)	(%) 2.07	1.83	2.05	Less than 1.5%
Percentage of male employees taking childcare leave (career-track positions)	(%) 5.4%	6.1%	17.6%	FY2025 100%
Percentage of employees* ¹ working overtime** exceeding 45 hours	(%) 25.3%	21.3%	22.7%	FY2023 5% or below
Percentage of worksites achieving 7 days off per 4 weeks (civil engineering sites)	(%) 60.6%	65.4%	63.5%	FY2021 7 days holidays per 4 weeks: 70% FY2022 8 days holidays per 4 weeks: 60%
(Construction sites)	(%) 59.7%	65.4%	61.1%	
Safety at construction sites				
Frequency rate of injuries* ³ (occupational injury rate)	1.0	0.8	0.8	0.3 or less

*1 Including career-track employees, general employees, and branch office employees

**2 Total work hours - fixed working hours (8 hours)

**3 Expresses the rate of occurrence by the number of fatalities and injured workers from occupational accidents per one million actual work hours

Terminologies

Terms	Meaning
3R	Stands for reduce, reuse, recycle
BIM / CIM	Building / Construction Information Modeling - Management Introducing a 3D model from the planning, survey, and design stages, and then utilizing it at each subsequent stage of construction, maintenance and management while enhancing the information. This aims to improve the operational efficiency and sophistication of both the ordering and accepting parties in a series of construction production and management systems by sharing information among the parties involved throughout the entire project.
Biomass power generation	A power generation method whereby a turbine is turned using the steam and gas produced by burning biomass fuel (such as wood scraps, animal and food waste). Biomass power generation is carbon neutral (the CO ₂ emitted through biomass power generation is originally CO ₂ in the atmosphere that is absorbed by animals and plants, and biomass power generation does not increase the total amount of CO ₂) and is classified as renewable energy.
Carbon pricing	Carbon pricing is a policy measure that puts a price, such as carbon tax, domestic emissions trading, credit trading, market mechanism by international organizations, and internal carbon pricing of CO ₂ and changes the behavior of corporations that emit CO ₂ .
DX	Companies utilize data and digital technology to transform their products, services and business models based on the needs of customers and society, while also transforming their operations, organization, processes, and corporate culture to establish a competitive edge.
Eco-First Company	A company certified by the Minister of the Environment under the Eco-First System*. * Eco-First System: A system in which a company makes a commitment to the Minister of the Environment pledging global warming countermeasures, waste and recycling measures and other initiatives related to environmental preservation. The Minister of the Environment then certifies that the company is engaged in "advanced, unique, and industry-leading business activities" in the environmental field (environmentally advanced company in the industry)
(Business) Ecosystem	A relationship of co-existence and co-prosperity through division of labor and collaboration that brings together many elements, including companies and customers.
Energy Management System (EMS)	Energy management systems are activities aimed at optimizing the balance between supply and demand of electricity in facilities such as factories, buildings and residences, as well as in the region, and EMS supports this. EMS visualizes energy usage and optimizes energy application by controlling the operation of lighting, air conditioning equipment and other machinery.
Front loading	In the field of systems development and product manufacturing, this refers to investing resources early in the product development process and advance the work that was previously done later in the production process. Especially in the construction field, the BIM approach aims to improve and solve problems by creating a 3D building model at the design stage and adding attribute information, then carrying out simulations and verifications at each stage, such as design, construction and operation, before moving on to the later processes.
IoT	Internet of things The "Internet of Things" refers to the connection of various things to the Internet, and the various things that are connected to the Internet.
Microgrid (small-scale power grid)	It is a system for local production and local consumption of energy by integrating energy supply sources and consumption facilities within a certain range, and using "distributed power sources", such as renewable energy like solar and wind power, to supply energy.
PFI	Private Finance Initiative One of the methods of PPP, based on the PFI Law, is a method of utilizing the funds, management and technical capabilities of the private sector for the construction, maintenance, management and operation of public facilities.
Pneumatic caisson construction method	A construction method in which high-pressure air is sent into a closed working space provided at the bottom of the caisson to prevent the infiltration of groundwater. Excavation is carried out in dry conditions similar to those on the ground, and the caisson is submerged. It is widely used in bridge and building foundations, shield tunnel shafts, sewage pump stations, underground reservoirs, subways and road tunnels.
PPA	Power Purchase Agreement A service in which a company that owns and manages photovoltaic power generation equipment (PPA operator) installs the equipment in a space provided by the facility owner, such as a site or roof, and distributes the power generated there to the power consumers of the facility for a fee.
PPP	Public Private Partnership The government and the private sector cooperate in the construction, maintenance, management, and operation of public facilities, utilizing the creativity and ingenuity of the private sector to achieve efficient use of fiscal funds and administrative efficiency.
Small-scale hydroelectric generation	An approach to power generation that uses water turbines to access hydro energy from places where water flows, such as common rivers and streams, agricultural water, water supply and sewage systems, and pipes in buildings and factories. Compared to large- and medium-scale hydroelectric power generation, which requires large dams and reservoirs, changes to the natural environment can be kept to a minimum, but consequently, the amount of power generated per power plant is small.
Smart cities	Sustainable cities or regions that solve various urban and regional problems and continue to create new value by utilizing new technologies such as ICT and enhancing management (planning, maintenance, management and operation, etc.) They are places for advanced realization of Society 5.0*. * Society 5.0: A human-centered society that balances both economic advancement and the resolution of social problems by a system that highly integrates cyberspace (virtual space) and physical space (real space)
ZEB	Net Zero Energy Building A building that has achieved significant energy savings while maintaining the quality of the indoor environment by reducing its energy load through advanced architectural design, actively utilizing natural energy through the adoption of passive technologies and introducing highly efficient equipment systems, and which aims to increase energy independence and achieve zero balance of annual primary energy consumption by adopting renewable energy.
Zero emission	A resource-recycling society system where there is no waste generated. "Zero Emission of Construction Waste" refers to one of the construction industry's environmental initiatives that implements 3R (Reduce, Reuse, Recycle), and is aimed at reducing the final disposal amount of waste generated from construction sites to zero from the perspective of resource recycling.

Financial Section

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Consolidated Balance Sheet

Nishimatsu Construction Co., Ltd. and Consolidated Subsidiaries
March 31, 2021 and 2022

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Assets			
Current assets:			
Cash and time deposits (Notes 2 and 19)	¥ 43,769	¥ 47,122	\$ 385,013
Notes and accounts receivable, trade:			
Notes (Notes 15 and 19).....	4,479	7,023	57,386
Accounts (Note 19).....	198,603	176,441	1,441,633
Allowance for doubtful accounts (Note 2).....	(164)	(20)	(160)
Inventories	14,382	15,270	124,762
Advance paid.....	9,307	10,993	89,818
Other current assets	4,898	5,463	44,634
Total current assets	275,274	262,292	2,143,086
Property and equipment (Notes 2 and 15):			
Land.....	83,760	95,721	782,096
Buildings.....	87,563	97,278	794,817
Machinery and equipment	9,704	10,175	83,134
Accumulated depreciation	(39,391)	(41,042)	(335,335)
Total property and equipment	141,636	162,132	1,324,712
Investments and other assets:			
Investment securities (Notes 2, 10, 15, and 19)	43,877	34,668	283,261
Investments in subsidiaries and affiliates (Note 15)	765	817	6,678
Deferred tax assets.....	3,314	6,096	49,804
Others	7,655	11,684	95,464
Allowance for doubtful accounts (Note 2).....	(81)	(76)	(618)
Total investments and other assets.....	55,530	53,189	434,589
Total assets	¥472,440	¥477,613	\$3,902,387

The accompanying notes are an integral part of this statement.

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Liabilities and Net assets			
Current liabilities:			
Short-term debt (Notes 11 and 19)	¥ 35,039	¥ 43,039	\$ 351,655
Commercial papers (Note 19)	20,000	20,000	163,412
Current portion of bonds payable.....	—	10,000	81,706
Notes and accounts payable, trade:			
Notes (Note 19)	18,674	18,278	149,342
Accounts (Note 19).....	37,631	42,255	345,247
Advances received on uncompleted contracts.....	18,703	14,802	120,944
Provision for warranties for completed construction (Notes 2 and 3)	9,816	7,923	64,737
Provision for bonuses (Note 2)	2,895	3,731	30,485
Provision for loss on construction contracts (Notes 2 and 3)	1,488	2,820	23,041
Accrued income taxes	7,969	5,879	48,035
Provision for loss on real estate business and other (Note 2)	28	38	310
Asset retirement obligations	—	28	225
Deposits received	34,306	45,883	374,896
Other current liabilities.....	4,579	2,988	24,408
Total current liabilities.....	191,128	217,664	1,778,443
Long-term liabilities:			
Bonds payable (Notes 11 and 19).....	60,000	87,000	710,842
Deferred tax liabilities (Notes 2 and 13)	301	293	2,393
Provision for share awards for directors (and other officers).....	—	54	445
Provision for environmental measures	3	—	—
Net defined benefit liability	6,341	6,510	53,190
Asset retirement obligations (Note 21).....	637	734	5,998
Other long-term liabilities	6,493	7,642	62,444
Total long-term liabilities.....	73,775	102,233	835,312
Total liabilities.....	264,903	319,897	2,613,755
Net assets:			
Common stock :			
Authorized-160,000,000 shares			
Issued and outstanding-55,591,502 shares	23,514	23,514	192,121
Capital surplus.....	20,780	20,795	169,911
Retained earnings.....	154,041	158,486	1,294,924
Treasury stock, at cost.....	(2,177)	(57,335)	(468,465)
Valuation difference on available-for-sale securities	10,627	6,389	52,206
Equity adjustment from foreign currency translation	(296)	327	2,670
Remeasurements of defined benefit plans.....	(507)	(847)	(6,923)
Non-controlling interests	1,555	6,387	52,188
Total net assets	207,537	157,716	1,288,632
Total liabilities and net assets	¥472,440	¥477,613	\$3,902,387

The accompanying notes are an integral part of this statement.

Consolidated Statement of Income

Nishimatsu Construction Co., Ltd. and Consolidated Subsidiaries
March 31, 2021 and 2022

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Net sales (Note 2):			
Completed construction contract.....	¥321,339	¥304,194	\$2,485,446
Real estate business and other.....	14,903	19,560	159,820
	336,242	323,754	2,645,266
Cost of sales (Notes 2 and 16):			
Cost of completed construction contract.....	286,542	267,730	2,187,514
Cost of real estate business and other.....	9,938	12,251	100,103
	296,480	279,981	2,287,617
Gross profit.....	39,762	43,773	357,649
Selling, general and administrative expenses (Note 16).....	18,811	20,233	165,313
Income from operations.....	20,951	23,540	192,336
Other income (expenses):			
Interest and dividend income.....	995	693	5,658
Compensation for delay.....	—	499	4,075
Foreign currency exchange gain.....	—	424	3,465
Reversal of allowance for doubtful accounts.....	5	149	1,218
Gain on investments in silent partnerships.....	54	134	1,096
Financing expenses.....	(169)	(790)	(6,454)
Advisory Expenses.....	—	(632)	(5,162)
Interest expenses.....	(444)	(578)	(4,723)
Gain on sales of investment securities.....	15,242	2,107	17,219
Gains on sales of non-current assets.....	11	1,273	10,399
Provision for warranties for completed construction.....	(9,049)	(2,998)	(24,495)
Loss on sales of investment securities.....	(444)	—	—
Impairment losses.....	(280)	(952)	(7,781)
Loss on sales of non-current assets.....	(1,949)	(73)	(595)
Loss on retirement of non-current assets.....	(55)	(24)	(198)
Infectious disease related costs.....	(684)	(10)	(84)
Head office relocation expenses.....	(113)	—	—
Other - net.....	(73)	(66)	(531)
	3,047	(844)	(6,893)
Profit before income taxes	23,998	22,696	185,443
Income taxes (Notes 2 and 13):			
Current.....	10,031	8,269	67,562
Deferred.....	(2,475)	(667)	(5,446)
	7,556	7,602	62,116
Profit	16,442	15,094	123,327
Loss attributable to non-controlling interests	(725)	(9)	(77)
Profit attributable to owners of parent	¥ 17,167	¥ 15,103	\$ 123,404
Per share of common stock (Note 24)			
Net income (loss).....	¥ 313.83	¥ 312.34	\$ 2.552
Cash dividends applicable to the year.....	105.00	221.00	1.806

The accompanying notes are an integral part of this statement.

Consolidated Statement of Comprehensive Income

Nishimatsu Construction Co., Ltd. and Consolidated Subsidiaries
March 31, 2021 and 2022

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Profit	¥16,442	¥15,094	\$123,327
Other comprehensive income:			
Valuation difference on available-for-sale securities (Note 17).....	(2,510)	(4,238)	(34,627)
Equity adjustment from foreign currency translation (Note 17).....	(499)	639	5,218
Remeasurements of defined benefit plans (Note 17).....	633	(341)	(2,782)
	(2,376)	(3,940)	(32,191)
Comprehensive income	¥14,066	¥11,154	\$ 91,136
Comprehensive income attributable to:			
Comprehensive income attributable to owners of parent.....	¥14,922	¥11,148	\$ 91,087
Comprehensive income attributable to non-controlling interests.....	(856)	6	49

The accompanying notes are an integral part of this statement.

Consolidated Statement of Changes in Net Assets

Nishimatsu Construction Co., Ltd. and Consolidated Subsidiaries
March 31, 2021 and 2022

	Millions of yen								
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Valuation difference on available-for-sale securities	Equity adjustment from foreign currency translation	Remeasurements of defined benefit plans	Non-controlling interests	Total net assets
Balance at April 1, 2020	¥23,514	¥20,780	¥142,684	¥ (2,175)	¥13,137	¥ 72	¥(1,140)	¥2,415	¥199,287
Dividends declared (Note 18)			(5,744)						(5,744)
Profit attributable to owners of parent			17,167						17,167
Change of scope of consolidation			(66)						(66)
Purchase of treasury stock				(2)					(2)
Disposal of treasury shares		(0)		0					0
Net changes of items other than shareholder's equity					(2,510)	(368)	633	860	(3,105)
Balance at April 1, 2021	¥23,514	¥20,780	¥154,041	¥ (2,177)	¥10,627	¥(296)	¥ (507)	¥1,555	¥207,537
Dividends declared (Note 18)			(10,666)						(10,666)
Profit attributable to owners of parent			15,103						15,103
Change of scope of consolidation			7						7
Purchase of treasury shares				(55,158)					(55,158)
Change in ownership interest of parent									
due to transactions with non-controlling interests		15							15
Net changes of items other than shareholder's equity					(4,238)	623	(340)	4,832	877
Balance at March 31, 2022	¥23,514	¥20,795	¥158,486	¥(57,335)	¥ 6,389	¥ 327	¥ (847)	¥6,387	¥157,716

	Thousands of U.S. dollars								
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Valuation difference on available-for-sale securities	Equity adjustment from foreign currency translation	Remeasurements of defined benefit plans	Non-controlling interests	Total net assets
Balance at April 1, 2021	\$192,121	\$169,788	\$1,258,611	\$ (17,789)	\$ 86,832	\$(2,421)	\$(4,142)	\$12,703	\$1,695,703
Dividends declared (Note 18)			(87,152)						(87,152)
Profit attributable to owners of parent			123,404						123,404
Change of scope of consolidation			61						61
Purchase of treasury shares				(450,676)					(450,676)
Change in ownership interest of parent									
due to transactions with non-controlling interests		123							123
Net changes of items other than shareholder's equity					(34,626)	5,091	(2,781)	39,485	7,169
Balance at March 31, 2022	\$192,121	\$169,911	\$1,294,924	\$(468,465)	\$ 52,206	\$ 2,670	\$(6,923)	\$52,188	\$1,288,632

The accompanying notes are an integral part of this statement.

Consolidated Statement of Cash Flows

Nishimatsu Construction Co., Ltd. and Consolidated Subsidiaries
March 31, 2021 and 2022

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Cash flows from operating activities:			
Profit before income taxes	¥23,998	¥22,696	\$185,443
Adjustment for:			
Depreciation and amortization	3,350	3,729	30,466
Amortization of goodwill	—	4	33
Loss on impairment	280	952	7,781
Increase (decrease) in allowance for doubtful accounts	(5)	(149)	(1,218)
Increase (decrease) in provision for loss on construction contracts	436	1,332	10,883
Increase (decrease) in provision for loss on compensation for damage	3	—	—
Increase (decrease) in provision for real estate business and other	—	10	82
Increase (decrease) in provision for warranties for completed construction	9,019	(1,893)	(15,463)
Increase (decrease) in retirement benefit liability	(1,693)	(2,162)	(17,666)
Interest and dividend income	(995)	(693)	(5,658)
Interest expenses	444	578	4,723
Loss (gain) on sales of investment securities	(14,798)	(2,107)	(17,219)
Loss (gain) on sales of property and equipment	1,937	(1,200)	(9,804)
Decrease (increase) in notes and accounts receivable	17,162	19,707	161,016
Decrease (increase) in inventories	(549)	2,531	20,680
Increase (decrease) in notes and accounts payable	(36,601)	4,211	34,407
Loss (gain) on valuation of investment securities	53	21	174
Increase (decrease) in advances received on uncompleted contracts	1,978	(3,906)	(31,914)
Increase (decrease) in deposits received	(1,689)	11,570	94,537
Others	8,802	(3,856)	(31,515)
Sub-total	11,132	51,375	419,768
Interest and dividend received	1,005	693	5,663
Interest paid	(452)	(563)	(4,597)
Income taxes paid	(6,778)	(10,262)	(83,848)
Net cash provided by (used in) operating activities	4,907	41,243	336,986
Cash flows from investing activities:			
Payment for purchases of marketable and investment securities	(5,813)	(200)	(1,636)
Proceeds from sale of marketable and investment securities	27,534	5,441	44,460
Acquisition of property and equipment	(19,890)	(29,834)	(243,761)
Proceeds from sale of property and equipment	3,788	3,121	25,501
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(62)	(508)
Payments of loans receivable	(37)	(454)	(3,707)
Proceeds from collection of loans	6	347	2,834
Net decrease(increase) in time deposits	(195)	195	1,593
Others	(91)	(1,086)	(8,882)
Net cash provided by (used in) investing activities	5,302	(22,532)	(184,106)
Cash flows from financing activities:			
Net increase (decrease) in short-term loans	(6,870)	8,000	65,365
Net increase (decrease) in commercial paper	(15,000)	—	—
Proceeds from issuance of bonds	30,000	37,000	302,312
Proceeds from share issuance to non-controlling shareholders	—	4,800	39,221
Net decrease (increase) in treasury stock, at cost (Note 6)	(2)	(55,158)	(450,676)
Redemption of bonds	(15,000)	—	—
Cash dividends paid	(5,744)	(10,652)	(87,033)
Dividends paid to non-controlling interests	(4)	(37)	(298)
Others (Note 5)	(33)	(28)	(232)
Net cash provided by (used in) financing activities	(12,653)	(16,075)	(131,341)
Effect of exchange rate changes on cash and cash equivalents	(440)	915	7,474
Net increase (decrease) of cash and cash equivalents	(2,884)	3,551	29,013
Cash and cash equivalents at beginning of year (Note 2)	46,459	43,575	356,031
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	(0)	(4)	(31)
Cash and cash equivalents at end of year (Note 2)	¥43,575	¥47,122	\$385,013

The accompanying notes are an integral part of this statement.

Notes to Consolidated Financial 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").

Bangkok Sathorn Hotel Management Co., Ltd. which was established in the consolidated fiscal year ended March 31, 2022, has been included in the scope of consolidation.

Nishimatsu Asset Management Co., Ltd. which has been included in the scope of consolidation due to the acquisition of shares on October 1, 2021.

Nishimatsu Building Service Co., Ltd. has been excluded from the scope of consolidation as they are less quantitative materiality.

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., and Hanoi PH investment Pte. Ltd., Sangenjaya Ichigou Co., Ltd., Bangkok Sathorn Hotel Management Co., 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.

(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.

Assets in the Company's defined benefit corporate pension plan are recorded as Others under Investments and other assets as in case of the plan assets exceeded the retirement benefit obligations.

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

In the construction business, which is the main business of the Group, we provide customers with the design and construction of buildings, etc. based on construction contracts. The main payment terms for our transactions are the payment terms agreed with the customer by contract, and the contract does not include any significant financial components.

(1) The method of recognizing revenue over time (former the percentage of completion method)

Regarding construction contracts in the construction business, we judge that performance obligations will be satisfied over time, mainly for long-term construction contracts, and we recognize revenue based on the progress of fulfillment of performance obligations. The method of estimating the progress related to the fulfillment of performance obligations is calculated by the ratio of the costs already incurred to the total estimated construction cost (i.e., the input method)

(2) Revenue recognition by other methods

Cost recovery method: Works for which the progress rate related to the fulfillment of performance obligations cannot be reasonably estimated, we recognize the same amount of revenue as the costs incurred.

Completed contract method: Works that are reasonably expected to have a very small contract amount and a very short period, we recognize revenue when the performance obligations are fully satisfied.

(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 re-measured 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) Allowance for doubtful accounts

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

(j) 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.

(k) Provision for share awards for directors (and other officers)

Preparing for issuing of Company's shares under the performance-based compensation plan for directors and executive officers, the estimated number of shares to be paid according to the points allocated to the officers can be reasonably estimated.

(l) Provision for bonuses for directors (and other officers)

The estimated amount of cash payment by the performance-based compensation plan for directors and executive officers can be reasonably estimated.

(m) Provision for bonuses

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

(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 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.

(p) Other accounting policies on preparing consolidated financial statements

Accounting principles and procedures adopted when requirements under the relating accounting standards are not clearly define

In the construction business, joint venture accounting process is mainly recognized assets, liabilities, profit and expenses by member's investment ratio.

(q) Goodwill amortization method and period

It is amortized by the straight-line method for 10 years.

3. Important accounting estimates

(a) Estimation for the method of recognizing revenue over time (former the percentage of completion method)

FY2020

Sales from the method of recognizing revenue over time (former the percentage of completion method) are ¥315,234 million.

Provision for loss on construction contracts are ¥1,488 million.

FY2021

Sales from the method of recognizing revenue over time (former the percentage of completion method) are ¥298,026million (\$2,435,050 thousand).

Provision for loss on construction contracts are ¥2,820 million (\$23,041 thousand).

In applying the method of recognizing revenue over time (former the

percentage of completion method), the amount of completed construction work is recorded based on the progress rate calculated by the ratio of the costs already incurred to the total estimated construction cost (i.e., the input method). We make the best estimate for the total construction revenue, total construction cost, and construction progress on the settlement date for each individual construction contract based on all the information available on the settlement date.

In calculating the total construction revenue, in case there is an unconfirmed additional and design change construction fee, the amount estimated based on the status of discussions with the ordering party is adjusted from the contracted amount. In addition, in calculating the total construction cost, the construction cost that will occur after the settlement date is estimated on the assumptions of outsourcing costs, material costs, etc., considering the negotiation with the partner companies as well as the

conditions of each individual construction contract.

As a result of these estimates, for works that are expected to incur losses after the settlement date, the estimated amount is recorded as a provision for loss on construction contracts.

Therefore, changes in estimation assumptions including these various conditions may have a significant impact on the consolidated financial statements for the next consolidated fiscal year.

(b) Provision for warranties for completed construction FY2020

Provision for warranties for completed construction are ¥9,816 million.

FY2021
Provision for warranties for completed construction are ¥7,923 million (\$64,737 thousand).

For covering the cost of repairing defects related to completed construction, the Group has recorded the amount calculated based on the actual compensation rate over a certain period in the past and the estimated cost of future repairs, etc. for specific properties. In the calculation based on the actual volume rate, it is assumed that the cost of defect repair will be incurred in the future, which is the same as the ratio of the amount of completed construction work for the past 3 years to the amount of cost of defect repair, etc. In the calculation by estimation, the estimated cost of repairs, etc. is recorded for each property when it is

expected that defects will occur in the future for a specific property and the amount can be reasonably estimated.

We make the best estimates for these provisions based on all the information available at this moment, but due to changes in the assumptions of the estimates such as price fluctuations of outsourcing costs and material costs may have a significant impact on the consolidated financial statements for the next consolidated fiscal year. In addition, in the previous consolidated fiscal year, construction defects related to the interior work of the apartment located in Tokyo, which was completed and delivered in March 2019, was found. It had become probable that repair work costs and incidental costs associated with repair work will be incurred, therefore estimated the costs to be 9,049 million yen and recorded as Provision for warranties for completed construction work.

In the current consolidated fiscal year, repair work has started in January 2022, as a result of re-estimating, it was certain that the incidental cost would increase, and that was estimated to be 2,998 million yen, and provision for warranties for completed construction has been provided 7,243 million yen.

Regarding repair work costs and incidental costs, we make the best estimate based on all the information available at this moment based on the estimate from the subcontractor, but outsource changes in estimation assumptions such as price fluctuations of outsourcing costs and material costs may have a significant impact on the consolidated financial statements for the next consolidated fiscal year.

4. Changes in accounting policy.

Accounting Standard for Revenue Recognition

The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; "Revenue Recognition Accounting Standard" hereinafter) and related standards have been applied since the beginning of the fiscal year ended March 31, 2022.

Before this, revenue on construction contracts in the construction business was recognized based on the percentage of completion method to the progress which the percentage of completion can be reliably estimated, while the Group applies the completed contract method to the other projects. However, since the beginning of the fiscal year ended March 31, 2022, we recognize revenue based on the progress of fulfillment of performance obligations. The method of estimating the progress related to the fulfillment of performance obligations is calculated by the ratio of the costs already incurred to the total estimated construction (i.e., the input method). The cost recovery method is applied to construction for which the progress rate related to the fulfillment of performance obligations cannot be reasonably estimated; revenue on construction works that are reasonably expected to have a very small contract amount and a very short period is recognized when the performance obligations are fully satisfied.

In applying the Revenue Recognition Accounting Standard and related standards, in accordance with the provisional handling described in the proviso to Paragraph 84 of the Revenue Recognition Accounting Standard, the resulting amount based on the cumulative effect of applying the new accounting standard retroactively is added to/subtracted from retained earnings at the beginning of the fiscal year ended March 31, 2022; the new accounting standard is applied starting with the resulting balance at the beginning of the period. Note that the new accounting standard is not applied retroactively to contracts for which nearly all revenue was already recognized by the method applied before the beginning of the fiscal year ended March 31, 2022, as described in Paragraph 86 of the Revenue

Recognition Accounting Standard.

As a result, each of completed construction contracts and cost of completed construction contracts increased by ¥24 million (\$196 thousand), while the beginning balance for retained earnings was unaffected.

The impact on per-share information is described in the corresponding section.

In accordance with the provisional handling described in Paragraph 89-3 of the Accounting Standard for Revenue Recognition, notes on revenue recognition for the previous fiscal year are omitted.

Accounting Standard for Fair Value Measurement

The Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019; "Fair Value Measurement Accounting Standard" hereinafter) and related standards have been applied since the beginning of the fiscal year ended March 31, 2022. In accordance with the provisional handling described in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the new accounting policies set forth in the Fair Value Measurement Accounting Standard and related standards have been applied to future accounts. This change has no effect on consolidated financial statements for the fiscal year ended March 31, 2022.

The notes on financial instruments include notes on various matters, including matters related to a breakdown of financial instruments by fair value levels. However, in accordance with the provisional handling described in Paragraph 7-4 of the Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, July 4, 2019), these notes are omitted for previous fiscal year.

5. Accounting standards not yet implemented, etc.

- Implementation Guidance on Accounting Standard for Fair Value Measurement (Corporate Accounting Standards Application Guideline No.31, June 17, 2021)

(1) Overview

The treatment had established of which the calculation of the fair value of investment trusts and the handling of notes, as well as the handling of notes on the fair value of investments in partnerships in which the amount equivalent to equity is recorded as a net amount on the balance sheet.

(2) Planned applicable date

Applied from the beginning of the fiscal year ending in March 2023.

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

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

6. Changes in presentations

(a) Notes to consolidated statement of income

"Reversal of provision for environmental measures", "Loss on valuation of investment securities" and "Foreign currency exchange loss" 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, 2022, 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, ¥67 million of "Reversal of provision for environmental measures", ¥(53) million of "Loss on valuation of investment securities" and ¥(91) million of "Foreign currency exchange loss" under "Other income (expenses)" in the consolidated statements of income of the previous fiscal

year has been reclassified as ¥(73) million of "Other-net".

(b) Notes to consolidated statement of Cash Flows

"Net decrease(increase) in treasury stock, at cost" which was listed in "Others" under "Cash flows from financing activities" in the previous fiscal year, is separately listed from the fiscal year ended March 31, 2022, because of more quantitative materiality. The consolidated financial statement of the previous fiscal year has been reclassified to reflect this change in presentation. As a result, ¥(35) million of presented in "Others" under "Cash flows from financing activities" in the consolidated statement of cash flows of the previous fiscal year has been reclassified as ¥(2) million of "Net decrease(increase) in treasury stock, at cost" and ¥(33) million of "others"

7. Additional information

Transactions involving issue of Company stock to Directors and others via trust

In its meeting held January 29, 2021, the Company Board of Directors resolved to adopt a board benefit trust (BBT) as a means of stock-based compensation plan linked to business results. This resolution was approved in the 84th Regular General Meeting of Shareholders held on June 29, 2021.

On November 8, 2021, due to the addition of this BBT, the Company purchased the corresponding shares by contributing ¥763 million in cash to Custody Bank of Japan, Ltd. (Trust E account), a sub-trustee of Mizuho Trust & Banking Co., Ltd., the trustee.

In accordance with the Practical Solution on Transactions of Delivering

the Company's Own Stock to Employees etc. through Trusts (ASBJ PITF No. 30, March 26, 2015), the total amount method is applied to BBT account processing. As a result, the shares of Company stock held by the trust are recorded as treasury stock under shareholders' equity at their book value. Disposal of treasury stock is recognized at the point in time at which shares of Company stock are issued to Directors and other beneficiaries via the trust.

As of the end of the fiscal year under review, the book value and number of shares of Company stock remaining in the trust, respectively, stood at ¥762 million and 225,000 shares.

8. Significant subsequent events

(Huge amount of borrowing)

Bangkok Sathorn Hotel Management Co., Ltd, the consolidated subsidiary has started large scale hotel development business in Bangkok, Thailand. The company will secure funds to pay for the costs associated with the construction of the hotel development project on March 31, 2022, and we have a term loan agreement with the Bank of Ayudhya Public Company Limited.

(a) Purpose of the term loan agreement

The agreement is intended to raise funds to pay for the costs associated with the construction of the hotel.

(b) Overview

Borrowing amount:

Loan execution date	Borrowing Amounts (Thousands of Thai Baht)	Borrowing Amounts (Millions of yen)	Maturity day
May 31, 2022	THB 705,000	¥ 2,594	May 31, 2027
November 30, 2022	115,000	423	May 31, 2027
May 31, 2023	275,000	1,012	May 31, 2027
November 30, 2023	770,000	2,833	May 31, 2027
May 31, 2024	1,360,000	5,004	May 31, 2027
November 29, 2024	625,000	2,300	May 31, 2027
May 31, 2025	422,600	1,555	May 31, 2027
Total	4,272,600	15,723	

At the rate of ¥3.68 = 1THB, which was the exchange rate prevailing as of March 31, 2022.

Interest:

May 31, 2022 to April 30, 2025: Fixed interest rates
May 1, 2025 to May 31, 2027: Floating interest rates

Collateral:

First mortgage on real estate (land and buildings)

(Issue of unsecured bonds)

The Company has issued unsecured bonds with a payment date of July 14, 2022 under the following conditions. This issuance is based on a comprehensive resolution of the board meeting held on June 28, 2022, which determined the total amount to be offered, etc.

1. The total amount of issued corporate bonds	19 billion yen
2. Issued price	100 yen for every 100 yen offered
3. Interest rate	0.580% per year
4. Payment date	July 14, 2022
5. Redemption deadline	July 14, 2027
6. Use of funds	Bond redemption and capital investment funds.
7. Financial covenants	"Collateral provision restriction clause" is attached.

9. 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 ¥122.39 = US\$1, which was the exchange rate prevailing as of March 31, 2022.

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.

10. Investment in securities

As of March 31, 2021 and 2022, 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		
	2021			2022			2022		
	Acquisition cost	Fair value	Unrealized gains (losses)	Acquisition cost	Fair value	Unrealized gains (losses)	Acquisition cost	Fair value	Unrealized gains (losses)
Held-to-maturity securities whose market values exceed in the balance sheet :									
Debt securities.....	¥ --	¥ --	¥ --	¥ --	¥ --	¥ --	\$ --	\$ --	\$ --
Sub-total	--	--	--	--	--	--	--	--	--
Held-to-maturity securities whose market values do not exceed in the balance sheet :									
Debt securities.....	--	--	--	1	1	(0)	10	10	(0)
Sub-total	--	--	--	1	1	(0)	10	10	(0)
Total	¥ --	¥ --	¥ --	¥ 1	¥ 1	¥ (0)	\$ 10	\$ 10	\$ (0)

Other securities with quoted market prices

	Millions of yen						Thousands of U.S. dollars		
	2021			2022			2022		
	Acquisition cost	Fair value	Unrealized gains (losses)	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.....	¥17,016	¥32,467	¥15,451	¥16,468	¥25,569	¥9,101	\$134,553	\$208,913	\$74,361
Sub-total	17,016	32,467	15,451	16,468	25,569	9,101	134,553	208,913	74,361
Other securities whose market values recorded in the balance sheet do not exceed their acquisition costs:									
Equity securities.....	2,233	1,790	(443)	2,002	1,486	(515)	16,355	12,144	(4,211)
Sub-total	2,233	1,790	(443)	2,002	1,486	(515)	16,355	12,144	(4,211)
Total	¥19,249	¥34,257	¥15,008	¥18,470	¥27,055	¥8,586	\$150,908	\$221,058	\$70,150

Available-for-sale securities sold during the fiscal year ended March 31, 2021 and 2022

	Millions of yen						Thousands of U.S. dollars		
	2021			2022			2022		
	Proceeds	Total gain on sales	Total loss on sales	Proceeds	Total gain on sales	Total loss on sales	Proceeds	Total gain on sales	Total loss on sales
Equity securities.....	¥27,437	¥15,242	¥444	¥2,906	¥2,107	¥ --	\$23,740	\$17,219	\$ --

Loss on valuation of investment securities

FY2020 (April 1, 2020 to March 31, 2021)

As of March 31, 2021, an impairment loss is recognized of ¥53 million of securities (other securities of ¥48 million listed stocks and ¥4 million unlisted stocks)

FY2021 (April 1, 2021 to March 31, 2022)

As of March 31, 2022, an impairment loss is recognized of ¥21 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.

11. Short-term and long-term debt

(a) The weighted average interest rates on short-term debt outstanding as of March 31, 2022 was approximately 0.435 per cent.

(b) Long-term debt comprised the following:

Issuer	Type	Date of issue	Millions of yen		Thousands of U.S. dollars	
			2021	2022	2022	
0.810 per cent Unsecured Japanese Yen bond due Jul 22, 2022	Nishimatsu Construction Co., Ltd	The 7th unsecured Japanese Yen bonds	Jul 24, 2015	¥10,000	¥10,000	\$ 81,706
0.180 per cent Unsecured Japanese Yen bond due Sep 20, 2024	Nishimatsu Construction Co., Ltd	The 8th unsecured Japanese Yen bonds	Sep 20, 2019	20,000	20,000	163,412
0.180 per cent Unsecured Japanese Yen bond due Jul 20, 2023	Nishimatsu Construction Co., Ltd	The 9th unsecured Japanese Yen bonds	Jul 20, 2020	15,000	15,000	122,559
0.330 per cent Unsecured Japanese Yen bond due Jul 18, 2025	Nishimatsu Construction Co., Ltd	The 10th unsecured Japanese Yen bonds	Jul 20, 2020	15,000	15,000	122,559
0.420 per cent Unsecured Japanese Yen bond due Mar 1, 2027	Nishimatsu Construction Co., Ltd	The 11th unsecured Japanese Yen bonds	Mar 1, 2022	--	19,000	155,241
0.600 per cent Unsecured Japanese Yen bond due Mar 1, 2029	Nishimatsu Construction Co., Ltd	The 12th unsecured Japanese Yen bonds	Mar 1, 2022	--	18,000	147,071
				60,000	97,000	792,548
Less: Portion due within 1 year				--	10,000	81,706
				¥60,000	¥97,000	\$792,548

The aggregate annual maturities of lease on March 31, 2022 were as follows:

	Millions of yen	Thousands of U.S. dollars
2022.....	¥ 28	\$ 231
2023.....	¥ 19	\$ 157
2024.....	¥ 14	\$ 110
2025 and thereafter.....	¥953	\$7,790

The amount of commercial paper (scheduled to be repaid within one year) as of March 31, 2022 is as follows:

The interest rate applied to this commercial paper is 0.039%.

	Millions of yen	Thousands of U.S. dollars
2022.....	¥20,000	\$163,412

12. Retirement benefit and pension plan

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

FY2020 (April 1, 2020 to March 31, 2021)**(a) Retirement benefit obligation**

Recognition of retirement benefit obligation:

	Millions of yen
	2021
Retirement benefit obligation as of April 1, 2020.....	¥26,193
Service cost.....	1,268
Interest cost.....	180
Actuarial gain or loss.....	33
Retirement benefits paid.....	(1,142)
Others.....	(9)
Retirement benefit obligation as of March 31, 2021.....	¥26,523

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

(b) Reconciliation of plan assets

	Millions of yen
	2021
Plan assets as of April 1, 2020.....	¥18,200
Expected return on plan assets.....	353
Actuarial gain or loss.....	652
Contribution by the Company.....	2,732
Retirement benefits paid.....	(793)
Plan assets as of March 31, 2021.....	¥21,144

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

	Millions of yen
	2021
Funded retirement benefit obligation.....	¥ 26,315
Plan assets.....	(21,144)
	5,171
Unfunded retirement benefit obligation.....	209
Net liability for retirement benefit in the Consolidated Balance Sheet.....	5,380
Net defined benefit liability.....	6,341
Retirement benefit asset.....	(961)
Net liability for retirement benefit in the Consolidated Balance Sheet.....	¥ 5,380

(d) Components of net periodic pension cost for the year ended March 31, 2021

	Millions of yen
	2021
Service cost.....	¥1,268
Interest cost.....	180
Expected return on plan assets.....	(353)
Amortization of actuarial gain or loss.....	293
Unrecognized past service cost.....	--
Total.....	¥1,388

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

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

Common stock	Thousand shares	
	2021	2022
Number of shares at the beginning of year.....	890	891
Number of shares increased.....	1	15,227
Number of shares decreased.....	0	—
Number of shares at the end of year.....	891	16,118

a) FY2020 (April 1, 2020 to March 31, 2021)

- The increase of shares was due to the purchase of shares below one unit.
- The decrease of shares was due to the sales of shares below one unit based on their demand to purchase of shares.

(c) Dividends

FY2020 (April 1, 2020 to March 31, 2021)

1. Dividends paid

Resolution	Class of shares	Total dividend		Dividend per share		Record date	Effective date
		Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars		
Ordinary general meeting of shareholders on June 26, 2020	Common stock	¥5,744	\$52,777	¥105	\$0.948	March 31, 2020	June 29, 2020

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	Total dividend		Dividend per share		Record date	Effective date
			Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars		
Ordinary general meeting of shareholders on June 29, 2021	Common stock	Retained earnings	¥5,744	\$52,777	¥105	\$0.948	March 31, 2021	June 30, 2021

FY2021 (April 1, 2021 to March 31, 2022)

1. Dividends paid

Resolution	Class of shares	Total dividend		Dividend per share		Record date	Effective date
		Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars		
Ordinary general meeting of shareholders on June 29, 2021	Common stock	¥5,744	\$46,928	¥105	\$0.858	March 31, 2021	June 30, 2021
Board of meeting on October 29, 2021	Common stock	¥4,923	\$40,224	¥ 90	\$0.735	September 30, 2021	December 2, 2021

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	Total dividend		Dividend per share		Record date	Effective date
			Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars		
Ordinary general meeting of shareholders on June 29, 2022	Common stock	Retained earnings	¥5,201	\$42,492	¥131	\$1.070	March 31, 2022	June 30, 2022

The total amount of dividends determined by the Regular General Meeting of Shareholders held on the June 29, 2022 includes dividends of ¥29 million on shares held by the board benefit trust (BBT) .

19. Financial instruments

(a) Disclosure on financial instruments

(1) Policy on financial instruments

Funds are limited to short-term deposits, and methods of rising 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 collectability.

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

a) FY2021 (April 1, 2021 to March 31, 2022)

- The number of treasury shares of common stock at the end of the consolidated FY2021 includes 226 thousand shares held by "Board Benefit Trust (BBT)"
- Increase in the number of treasury shares of common stock of 15,227 thousand shares increased by Increase in 15,000 thousand shares a tender offer of the number of treasury shares based on a board meeting held on September 21, 2022, the increase of 226 thousand shares due to the acquisition of the Company's shares through the "Board Benefit Trust (BBT)" and the increase in one thousand shares due to purchase of shares less than one unit.

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, 2021 and 2022 were as follows.

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

	Millions of yen		
	2021		
	Book value	Fair value	Difference
Notes receivable, accounts receivable from completed construction contracts and other	¥203,082	¥202,868	¥(214)
Investment in securities (*3)	34,257	34,257	—
Long-term loans	600	—	—
Allowance for doubtful accounts (*4)	(76)	—	—
	524	512	(12)
Assets	¥237,863	¥237,637	¥(226)
Bond	¥ 60,000	¥ 59,978	¥ (22)
Long-term debt	—	—	—
Long term lease obligations	50	50	—
Liabilities	¥ 60,050	¥ 60,028	¥ (22)

*1 The description of "Cash and deposit" is omitted because it is cash and the market value is close to the book value because the deposit is settled in a short period of time.

*2 "Notes payable, accounts payable for construction contracts and other" "Short-term debt" "Commercial paper" "Current portion of bonds payable" "Short term lease liability" is omitted because these are settled in a short period of time.

*3 The following financial products are not included in "Securities and investment securities" because there is no market price and it is extremely difficult to grasp the market price.

	Millions of yen	
	2021	2022
	Book value	
Unlisted securities.....	¥4,208	—
Silent partnerships.....	5,412	—
Stock for non-consolidated subsidiaries and affiliates.....	765	—

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

	Millions of yen		
	2022		
	Book value	Fair value	Difference
Notes receivable, accounts receivable from completed construction contracts and other	¥183,465	¥182,650	¥(815)
Investment in securities (*3)	27,056	27,056	(0)
Long-term loans	1,048	—	—
Allowance for doubtful accounts (*4)	(71)	—	—
	977	928	(49)
Assets	¥211,498	¥210,634	¥(864)
Bond	¥ 87,000	¥ 86,912	¥ (88)
Long-term debt	—	—	—
Lease liability	1,014	1,014	—
Liabilities	¥ 88,014	¥ 87,926	¥ (88)

	Thousands of U.S. dollars		
	2022		
	Book value	Fair value	Difference
Notes receivable, accounts receivable from completed construction contracts and other	\$1,499,018	\$1,492,363	\$(6,656)
Investment in securities (*3)	221,068	221,068	(0)
Long-term loans	8,559	—	—
Allowance for doubtful accounts (*4)	(580)	—	—
	7,979	7,579	(399)
Assets	\$1,728,065	\$1,721,010	\$(7,055)
Bond	\$ 710,843	\$ 710,123	\$ (720)
Long-term debt	—	—	—
Lease liability	8,288	8,288	—
Liabilities	\$ 719,131	\$ 718,411	\$ (720)

*1 The description of "Cash and deposit" is omitted because it is cash and the market value is close to the book value because the deposit is settled in a short period of time.

*2 "Notes payable, accounts payable for construction contracts and other" "Short-term debt" "Commercial paper" "Current portion of bonds payable" "Short term lease liability" is omitted because these are settled in a short period of time.

*3 The following financial products are not included in "Securities and investment securities" because there is no market price and it is extremely difficult to grasp the market price.

Classification	Millions of yen		Thousands of U.S. dollars	
	2021	2022	2021	2022
	Book value		Book value	
Unlisted securities.....	¥4,247	—	\$34,702	—
Silent partnerships.....	3,365	—	27,491	—
Stock for non-consolidated subsidiaries and affiliates.....	817	—	6,678	—

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

1. Redemption schedule for receivable and securities to maturity at March 31, 2021 and 2022

	Millions of yen			
	2021			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash and deposits.....	¥ 43,769	¥ —	¥ —	¥ —
Notes receivable, accounts receivable from completed construction contracts and other.....	179,990	22,665	428	—
Investment in securities	—	—	—	—
Debt security held to maturity (government bonds).....	—	—	—	—
Long-term loan.....	—	544	28	27
Total.....	¥223,759	¥23,209	¥456	¥27

Independent Auditor's Report

(5) Information on Amortization of Goodwill and Unamortized Balance by Reported Segment

There is no amortization of goodwill and unamortized balance by reportable business segment for the year ended March 31, 2021.

The detail for the year ended March 31, 2022 was as follows:

Millions of yen					
2022					
	Civil Engineering	Building Construction	Development and Real Estate	Elimination	Consolidated
Depreciation for the year.....	¥ —	¥ —	¥ 4	¥ —	¥4
Balance at March 31, 2022.	—	—	76	—	76

Thousands of U.S. dollars					
2022					
	Civil Engineering	Building Construction	Development and Real Estate	Elimination	Consolidated
Depreciation for the year.....	\$ —	\$ —	\$ 33	\$ —	\$33
Balance at March 31, 2022.	—	—	621	—	621

(6) Information on Gains on Negative Goodwill by Reported Segment

Not Applicable.

(7) Information on Related Parties

Not Applicable.

24. 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, 2021 and 2022.

a) Per share information

	Yen		U.S. dollars
	2021	2022	2022
Net income:			
Basic	¥ 313.83	¥ 312.34	\$ 2.552
Net assets:	3,765.62	3,833.71	31.324

1. Diluted net income per share for the years ended March 31, 2021 and 2022 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
	2021	2022	2022
Profit attributable to owners of parent	¥17,167	¥15,103	\$123,404
Amount that does not belong to general shareholders	—	—	—
Profit attributable to owners of parent	17,167	15,103	123,404
Average number of shares of common stock during the year (Unit:1000)	54,701	48,356	

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

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Total amount under net assets	¥207,537	¥157,716	\$1,288,632
Amount deducted from the total amount under net assets	1,555	6,387	52,189
(Of which non - controlling interests)	(1,555)	(6,387)	(52,189)
Net assets at the end of the year related to common stock	205,982	151,328	1,236,443
Number of shares of common stock at the end of the year used in the calculation of net assets per share (Unit:1000)	54,701	39,473	

- The Company's shares in the "Board Benefit Trust (BBT)", which are reported as treasury shares under Shareholders' equity, are counted as the number of treasury shares as of the average number of shares outstanding for the period for the purpose of not including for computing earnings and net assets per share.
- In calculating the amount of net assets per share, the number of stock deducted at the end of the previous consolidated fiscal year and 226 thousand shares at the end of the fiscal year. As stated in "Changes in accounting policy" we have applied "Accounting Standard for Revenue Recognition" since the beginning fiscal year ended March 31, 2022. The application of this standard has no effect on per share information.

25. Quarterly information for FY2021 (April 1, 2021 to March 31, 2022)

a) Accumulated period

	Millions of yen			
	Three months ended	Six months ended	Nine months ended	Year ended
	Apr 1, 2021 Jun 30, 2021	Jul 1, 2021 Sep 30, 2021	Oct 1, 2021 Dec 31, 2021	Jan 1, 2022 Mar 31, 2022
Net sales	¥73,140	¥152,960	¥235,410	¥323,754
Profit before income taxes	5,550	10,493	15,684	22,696
Profit attributable to owners of parent	3,877	7,395	10,958	15,103
Per share of net income (Yen)	70.88	135.18	213.54	312.34

	Thousands of U.S. dollars			
	Three months ended	Six months ended	Nine months ended	Year ended
	Apr 1, 2021 Jun 30, 2021	Jul 1, 2021 Sep 30, 2021	Oct 1, 2021 Dec 31, 2021	Jan 1, 2022 Mar 31, 2022
Net sales	\$597,600	\$1,249,775	\$1,923,441	\$2,645,266
Profit before income taxes	45,344	85,732	128,145	185,443
Profit attributable to owners of parent	31,677	60,418	89,535	123,404
Per share of net income (U.S. dollars)	0.579	1.105	1.745	2.552

b) Each period

	Yen			
	1st quarter	2nd quarter	3rd quarter	4th quarter
	Apr 1, 2021 Jun 30, 2021	Jul 1, 2021 Sep 30, 2021	Oct 1, 2021 Dec 31, 2021	Jan 1, 2022 Mar 31, 2022
Per share of net income	¥70.88	¥64.31	¥79.99	¥105.01

	U.S. dollars			
	1st quarter	2nd quarter	3rd quarter	4th quarter
	Apr 1, 2021 Jun 30, 2021	Jul 1, 2021 Sep 30, 2021	Oct 1, 2021 Dec 31, 2021	Jan 1, 2022 Mar 31, 2022
Per share of net income	\$0.579	\$0.525	\$0.654	\$0.858

- Diluted net income per share for the years ended March 31, 2021 and 2022 were not presented because the Company had no shares with dilutive effects.
- The Company's shares in the "Board Benefit Trust (BBT)", which are reported as treasury shares under Shareholders' equity, are counted as the number of treasury shares as of the average number of shares outstanding for the period for the purpose of not including for computing earnings and net assets per share.

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 sheets as at March 31, 2022, and the consolidated statements 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, 2022, 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 that are relevant to our audit of the consolidated financial statements 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

- Accounting estimation for the method of recognizing revenue over time (former the percentage of completion method)

Details of key audit matters and reasons for the decision

As stated in the explanatory notes (Important accounting estimates), sales from completed construction work calculated by applying the percentage of completion method of the Group are ¥298,026 million and account for 92.1% of the total net sales in the consolidated statement of income.

In applying the method of recognizing revenue over time (former the percentage of completion method), reasonable estimates need to be made of the total construction revenue and the total construction cost. If there is an unconfirmed additional and design change construction fee, the amount estimated based on the status of discussions with the ordering party is adjusted on the contracted amount of the total construction revenue agreed with the ordering party. In addition, the total construction cost includes the amount of estimated construction cost that will occur after the settlement date on the assumptions of costs occurred by the settlement date; outsourcing costs, material costs, etc., considering the negotiation with the partner companies; and the conditions of each individual construction contract. These estimated amounts entail uncertainty as they are calculated based on certain assumptions for each construction contract.

In many cases, changes are likely to be made to the construction contract while works are in progress, in accordance with new agreements between concerned parties. If the amount of change cannot be decided each time, the total construction revenue is estimated based on the status of discussions up to that point. Furthermore, substantial differences among each construction contract make it difficult to apply a unified method to all construction works in estimating the total construction cost.

Therefore, estimation of the total construction revenue and the total construction cost entails uncertainty, and certain assumptions in the accounting estimation may involve subjective decisions of the management. For these reasons, we judged that accounting estimation for the method of recognizing revenue over time (former the percentage of completion method) falls under key audit matters.

Audit procedures

To review the reasonableness of the accounting estimation for method of recognizing revenue over time (former the percentage of completion method), we took mainly the following audit procedures.

- We assessed the design, implementation and operation of the internal control concerning the estimation of the total construction revenue and the total construction cost.
- We took mainly the following audit procedures for the construction works that have been judged to have a significant impact on the consolidated financial statements.
 - We browsed contracts concerning the total construction revenue and records of meetings with

the ordering party. The procedure includes sending a confirmation letter to the ordering party. In addition, we confirmed that the construction progress rate calculated by the cost-to-cost method is consistent with the work schedule, as well as that the total construction cost matches the figure in the estimation documents, etc. approved by the manager of the construction department.

- We asked questions to the manager of the construction department about the total construction revenue and the total construction cost and, as necessary, browsed documents that constitute grounds for the estimates, such as instructions and estimation documents concerning additional and design change construction.
- If any significant change had been made to the total construction revenue or the total construction cost, we asked questions to the manager of the business division and browsed additional contracts, estimation documents, etc. concerning the construction.
- We asked questions to the site manager about the items included in the estimates of the total construction revenue and the total construction cost. We also visited sites to confirm the consistency between the work schedule and the progress rate at the construction site.

2. Estimation of provision for warranties for completed construction pertaining to the apartment located in Tokyo

Details of key audit matters and reasons for the decision

As stated in the explanatory notes (Important accounting estimates), provision for warranties for completed construction recorded in the consolidated financial statements for the current period is ¥7,923 million. This includes the estimated repair work costs, etc. of ¥7,243 million for the apartment located in Tokyo (hereinafter referred to as "the matter").

The Group records the estimated amount of the cost of repairing defects related to completed construction as provision for warranties for completed construction. In the previous period, construction defects related to the interior work of the matter, which was completed and delivered in March 2019, was found, and it has become probable that repair work costs and incidental costs associated with repair work will be incurred. The Group estimates the costs to be ¥9,049 million. In light of the subsequent development of the situation, the Group recorded an additional ¥2,998 million in the current period, bringing the closing balance for the period to ¥7,243 million.

Estimates of the repair work costs, etc. are made based on certain important assumptions. Changes to these prerequisites have a large impact on the recorded amount of provision for warranties for completed construction. Therefore, the estimation of provision for warranties for completed construction pertaining to the matter entails uncertainty and may involve subjective decisions of the management. For these reasons, we judged that the estimation falls under key audit matters.

Audit procedures

To review the reasonableness of the estimated amount of provision for warranties for completed construction pertaining to the matter, we took mainly the following audit procedures.

- We assessed the design, implementation and operation of the internal control concerning the estimation of the provision for warranties for completed construction.
- To understand how the matter unfolded during the current period, we received multiple briefings from the accounting manager, the repair work manager, etc. and asked questions as appropriate.
- In regard to the revision of provision for warranties for completed construction made during the period, we received detailed briefings from the accounting manager, the repair work manager, etc. and asked questions as appropriate. Furthermore, with respect to a change in the assumptions that have a significant impact on the repair work, etc., we confirmed that the change, which was the reason for the revision, is consistent with relevant evidence, and that the estimated amount of provision for warranties for completed construction pertaining to the matter is calculated based on the changed assumptions, by performing recalculations.
- To confirm that the criteria for recording the provision are met, we browsed minutes, relevant documents, etc. of the Board of Directors meetings and other important meetings and reviewed the reasonableness and appropriateness of the costs the Group should bear in the future, including the possibility that the costs will be incurred.
- To see whether there are any subsequent events that call for the reconsideration of the prerequisites, we received a briefing from the repair work manager, etc. and asked questions as appropriate. In addition, we browsed the minutes of the Board of Directors meetings and other important meetings.

Other Information

The other information comprises the information included in the Integrated Report, but does not include the consolidated financial statements and our auditor's report thereon. Management is responsible for the preparation and disclosure of the other information. Audit & Supervisory Committee are responsible for overseeing the Group's financial reporting process.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or

otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Audit & 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 & 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 judgement.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not to express an opinion on the effectiveness of the Group'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 & 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 & 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.

From the matters communicated with Audit & Supervisory Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest

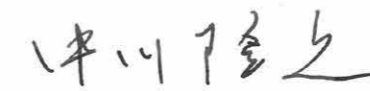
benefits of such communication.

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 Note. 9.

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

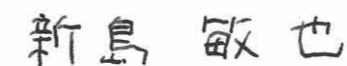
Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.



Takayuki Nakagawa

Designated Engagement Partner

Certified Public Accountant



Toshiya Shinshima

Designated Engagement Partner

Certified Public Accountant

Gyosei & Co.

Tokyo, Japan

October 20, 2022

Non-Consolidated Five-Year Summary

Nishimatsu Construction Co., Ltd.

	Millions of yen				2022
	2018	2019	2020	2021	
Orders received	¥369,972	¥340,302	¥361,014	¥312,278	¥328,094
Orders received from overseas	37,925	11,088	(1,384)	2,089	42,298
Percentage of orders received from overseas	10.3%	3.3%	(0.4%)	0.7%	12.9%
Net sales	276,157	336,854	377,167	328,253	317,707
Cost of sales	236,503	294,629	334,773	290,118	274,686
Selling, general and administrative expenses	16,842	17,688	17,742	17,867	19,169
Profit before income taxes	24,814	26,659	25,510	25,663	22,610
Profit.....	17,126	18,626	19,143	18,087	15,003
Percentage of income against net sales.....	6.2%	5.5%	5.1%	5.5%	4.7%
Total assets *1	369,265	452,214	483,112	464,220	462,400
Net assets *1	178,404	192,845	193,587	203,231	147,941
Percentage of net assets against total assets	48.3%	42.6%	40.1%	43.8%	32.0%
Common stock.....	23,514	23,514	23,514	23,514	23,514
Per share of common stock (in yen) : *2, *3					
Net income.....	¥ 312.39	¥ 340.48	¥ 349.94	¥ 330.64	¥ 310.27
Cash dividends applicable to the year.....	95.00	105.00	105.00	105.00	221.00
Net assets	3261.27	3525.31	3538.96	3715.32	3747.90
Number of shareholders	17,816	17,535	17,854	17,170	16,582
Number of employees	2,536	2,606	2,684	2,762	2,794

Note:

*1 Effective beginning the March 31, 2022 fiscal year, the Company has adopted the "Accounting Standard for Revenue Recognition, etc. (Accounting Standards Board of Japan (ASBJ) Guidance No.29 of March 31, 2020)."

*2 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.

*3 The Company's shares in the "Board Benefit Trust (BBT)", which are reported as treasury shares under Shareholders' equity, are counted as the number of treasury shares as of the average number of shares outstanding for the period for the purpose of not including for computing earnings and net assets per share.

Non-Consolidated Balance Sheet

Nishimatsu Construction Co., Ltd.
March 31, 2021 and 2022

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Assets			
Current assets:			
Cash and time deposits (Note 18).....	¥ 34,966	¥ 36,812	\$ 300,774
Notes and accounts receivable, trade:			
Notes (Note 18)	4,479	7,023	57,386
Accounts (Note 18).....	197,970	175,642	1,435,102
Allowance for doubtful accounts (Notes 2 and 17)	(164)	(19)	(160)
Inventories (Notes 2 and 9)	14,374	15,250	124,605
Short-term loans to subsidiaries and affiliates.....	327	122	1,000
Advance paid.....	9,387	11,015	89,999
Other current assets	3,844	4,407	36,003
Total current assets	265,183	250,252	2,044,709
Property and equipment (Notes 2 and 16):			
Land	77,837	80,067	654,200
Buildings.....	83,988	92,793	758,178
Machinery and equipment	9,458	9,897	80,861
Accumulated depreciation	(38,164)	(39,654)	(324,001)
Total property and equipment	133,119	143,103	1,169,238
Investments and other assets:			
Investment securities (Notes 2 and 15)	41,711	34,508	281,947
Investments in subsidiaries and affiliates (Notes 2 and 10).....	8,802	12,132	99,129
Investments in capital of subsidiaries and affiliates	4,766	4,712	38,502
Long-term loans to subsidiaries and affiliates	754	1,137	9,288
Deferred tax assets (Notes 2 and 11)	2,977	5,582	45,607
Others	6,988	11,050	90,285
Allowance for doubtful accounts (Notes 2 and 17)	(80)	(76)	(618)
Total investments and other assets	65,918	69,045	564,140
Total assets	¥464,220	¥462,400	\$3,778,087

The accompanying notes are an integral part of this statement.

Non-Consolidated Statement of Income

Nishimatsu Construction Co., Ltd.
March 31, 2021 and 2022

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Liabilities and Net assets			
Current liabilities:			
Short-term debt from banks (Note 18)	¥ 35,039	¥ 43,039	\$ 351,655
Current portion of bonds payable.....	—	10,000	81,706
Commercial papers (Note 18)	20,000	20,000	163,412
Notes and accounts payable, trade:			
Notes (Note 18)	18,674	18,278	149,342
Accounts (Note 18).....	36,063	40,804	333,390
Advances received on uncompleted contracts (Note 18).....	18,646	14,485	118,350
Provision for warranties for completed construction (Notes 2 and 17)	9,816	7,923	64,737
Provision for bonuses (Notes 2 and 17).....	2,812	3,635	29,703
Provision for loss on construction contracts (Notes 2 and 17).....	1,488	2,820	23,041
Accrued income taxes	7,921	5,832	47,651
Provision for loss on real estate business and other (Notes 2 and 17)	28	38	310
Deposits received	34,078	45,864	374,737
Asset retirement obligations	—	28	225
Other current liabilities.....	4,129	2,267	18,528
Total current liabilities.....	188,694	215,013	1,756,787
Long-term liabilities:			
Bonds payable.....	60,000	87,000	710,842
Accrued retirement benefits	5,694	5,904	48,242
Provision for share awards for directors (and other officers).....	—	54	445
Provision for environmental measures	3	—	—
Asset retirement obligations	608	705	5,763
Other long-term liabilities	5,990	5,783	47,240
Total long-term liabilities.....	72,295	99,446	812,532
Total liabilities.....	260,989	314,459	2,569,319
Net assets:			
Common stock :			
Authorized - 160,000,000 shares			
Issued and outstanding - 55,591,502 shares	23,514	23,514	192,121
Capital surplus.....	20,780	20,780	169,788
Legal reserve	5,878	5,878	48,029
Retained earnings.....	144,796	149,133	1,218,506
Treasury stock, at cost.....	(2,177)	(57,335)	(468,465)
Valuation difference on available-for-sale securities	10,440	5,971	48,789
Total net assets	203,231	147,941	1,208,768
Total liabilities and net assets.....	¥464,220	¥462,400	\$3,778,087

The accompanying notes are an integral part of this statement.

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Net sales (Note 2):			
Completed construction contract.....	¥314,720	¥299,682	\$2,448,581
Real estate business and other	13,533	18,025	147,278
	328,253	317,707	2,595,859
Cost of sales (Notes 2 and 19):			
Cost of completed construction contract	281,190	263,592	2,153,707
Cost of real estate business and other	8,929	11,094	90,646
	290,119	274,686	2,244,353
Gross profit	38,134	43,021	351,506
Selling, general and administrative expenses			
Income from operations	17,867	19,169	156,621
	20,267	23,852	194,885
Other income (expenses):			
Interest and dividend income	3,108	752	6,147
Compensation for delay	—	499	4,075
Foreign currency exchange gain	—	277	2,263
Reversal of allowance for doubtful accounts	5	149	1,218
Gain on investments in silent partnerships	54	134	1,096
Financing expenses	(169)	(790)	(6,454)
Advisory Expenses	—	(632)	(5,162)
Interest expenses.....	(444)	(521)	(4,253)
Gain on sales of investment securities.....	15,242	2,107	17,219
Gains on sales of non-current assets	210	1,273	10,399
Provision for warranties for completed construction	(9,049)	(2,998)	(24,495)
Loss on sales of investment securities	(444)	—	—
Impairment losses.....	(280)	(925)	(7,558)
Loss on support of subsidiaries	—	(387)	(3,165)
Loss on sales of non-current assets.....	(1,988)	(73)	(595)
Loss on retirement of non-current assets	(54)	(24)	(198)
Infectious disease related costs	(684)	(10)	(84)
Head office relocation expenses	(113)	—	—
Other - net.....	2	(73)	(601)
	5,396	(1,242)	(10,148)
Profit before income taxes	25,663	22,610	184,737
Income taxes (Note 2):			
Current	9,914	8,241	67,333
Deferred	(2,338)	(634)	(5,183)
	7,576	7,607	62,150
Profit	¥ 18,087	¥ 15,003	\$ 122,587
		Yen	U.S. dollars
Per share of common stock			
Net income (loss)	¥330.64	¥310.27	\$2.535
Cash dividends applicable to the year.....	105.00	221.00	1.806

The accompanying notes are an integral part of this statement.

Non-Consolidated Statement of Changes in Net Assets

Nishimatsu Construction Co., Ltd.
March 31, 2021 and 2022

Millions of yen							
	Common stock	Capital surplus	Legal reserve	Retained earnings	Treasury stock, at cost	Valuation difference on available-for-sale securities	Total net assets
Balance at April 1, 2020	¥23,514	¥20,780	¥5,878	¥132,453	¥ (2,175)	¥13,137	¥193,587
Dividends declared				(5,744)			(5,744)
Profit.....				18,087			18,087
Purchase of treasury shares.....					(2)		(2)
Disposal of treasury shares		(0)			0		0
Net changes of items other than shareholder's equity.....						(2,697)	(2,697)
Balance at April 1, 2021	¥23,514	¥20,780	¥5,878	¥144,796	¥ (2,177)	¥10,440	¥203,231
Dividends declared				(10,666)			(10,666)
Profit.....				15,003			15,003
Purchase of treasury shares.....					(55,158)		(55,158)
Net changes of items other than shareholder's equity.....						(4,469)	(4,469)
Balance at March 31, 2022	¥23,514	¥20,780	¥5,878	¥149,133	¥(57,335)	¥ 5,971	¥147,941

Thousands of U.S. dollars							
	Common stock	Capital surplus	Legal reserve	Retained earnings	Treasury stock, at cost	Valuation difference on available-for-sale securities	Total net assets
Balance at April 1, 2021	\$192,121	\$169,788	\$48,029	\$1,183,071	\$ (17,789)	\$85,297	\$1,660,517
Dividends declared				(87,152)			(87,152)
Profit.....				122,587			122,587
Purchase of treasury shares.....					(450,676)		(450,676)
Net changes of items other than shareholder's equity.....						(36,508)	(36,508)
Balance at March 31, 2022	\$192,121	\$169,788	\$48,029	\$1,218,506	\$(468,465)	\$48,789	\$1,208,768

The accompanying notes are an integral part of this statement.

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 "Valuation difference 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.

Assets in the Company's defined benefit corporate pension plan are recorded as Others under Investment other assets as in case of the plan assets exceeded the retirement benefit obligations.

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

In the construction business, which is the main business of the Company, we provide customers with the design and construction of buildings, etc. based on construction contracts. The main payment terms for our transactions are the payment terms agreed with the customer by contract, and the contract does not include any significant financial components.

(1) The method of recognizing revenue over time (former the percentage of completion method)

Regarding construction contracts in the construction business, we judge that performance obligations will be satisfied over time, mainly for long-term construction contracts, and we recognize revenue based on the progress of fulfillment of performance obligations. The method of estimating the progress related to the fulfillment of performance obligations is calculated by the ratio of the costs already incurred to the total estimated construction cost (i.e., the input method)

(2) Revenue recognition by other methods

Cost recovery method: Works for which the progress rate related to the fulfillment of performance obligations cannot be reasonably estimated, we recognize the same amount of revenue as the costs incurred.

Completed contract method: Works that are reasonably expected to have a very small contract amount and a very short period, we recognize revenue when the performance obligations are fully satisfied.

(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) Allowance for doubtful accounts

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

(m) 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.

(n) Provision for share awards for directors (and other officers)

Preparing for issuing of Company's shares under the performance-based compensation plan for directors and executive officers, the estimated number of shares to be paid according to the points allocated to the officers, can be reasonably estimated.

(o) Provision for bonuses for directors (and other officers)

The estimated amount of cash payment by the performance-based compensation plan for directors and executive officers can be reasonably estimated.

(p) Provision for bonuses

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

(q) 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.

(r) 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.

(s) 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) Accounting principles and procedures adopted when requirements under the relating accounting standards are not clearly define
In the construction business, joint venture accounting process is mainly recognized assets, liabilities, profit and expenses by member's investment ratio.

3. Important accounting estimates

(a) Estimation the method of recognizing revenue over time (former the percentage of completion method)

FY2020

Sales from the method of recognizing revenue over time (former the percentage of completion method) are ¥308,616 million.

Provision for loss on construction contracts are ¥1,488 million.

FY2021

Sales from the method of recognizing revenue over time (former the percentage of completion method) are ¥293,514million (\$2,398,186 thousand).

Provision for loss on construction contracts are ¥2,820 million (\$23,041 thousand).

The identified item is same information as "Notes to consolidated financial statements, (a) Estimation for the method of recognizing revenue over time (former the percentage of completion method) under Note 3. Important accounting estimates"

(b) Provision for warranties for completed construction

FY2020

Provision for warranties for completed construction are ¥9,816 million.

FY2021

Provision for warranties for completed construction are ¥7,923 million (\$64,737 thousand).

The identified item is same information as "Notes to consolidated financial statements, (b) Provision for warranties for completed construction under Note 3. Important accounting estimates"

4. Changes in Accounting Policy

Accounting Standard for Revenue Recognition

The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; "Revenue Recognition Accounting Standard" hereinafter) and related standards have been applied since the beginning of the fiscal year ended March 31, 2022.

Before this, revenues on construction contracts in the construction business was recognized based on percentage of completion method to the progress which the percentage of completion can be reliably estimated, while the Group applies the completed contract method to the other projects. However, since the beginning of the fiscal year ended March 31, 2022, we recognize revenue based on the progress of fulfillment of performance obligations. The method of estimating the progress related to the fulfillment of performance obligations is calculated by the ratio of the costs already incurred to the total estimated construction (i.e., the input method). The cost recovery method is applied to construction for which the progress rate related to the fulfillment of performance obligations cannot be reasonably estimated; revenue on construction works that are reasonably expected to have a very small contract amount and a very short period is recognized when the performance obligations are fully satisfied.

In applying the Revenue Recognition Accounting Standard and related standards, in accordance with the provisional handling described in the proviso to Paragraph 84 of the Revenue Recognition Accounting Standard, the resulting amount based on the cumulative effect of applying the new accounting standard retroactively is added to/subtracted from retained earnings at the beginning of the fiscal year ended March 31, 2022; the new accounting standard is applied starting with the resulting balance at the beginning of the period. Note that the new accounting standard is not applied retroactively to contracts for which nearly all revenue was already recognized by the method applied before the beginning of the fiscal year ended March 31, 2022, as described in Paragraph 86 of the Revenue Recognition Accounting Standard.

As a result, each of completed construction contracts and cost of completed construction contracts increased by ¥24 million (\$196 thousand), while the beginning balance for retained earnings was unaffected.

The impact on per-share information is described in the corresponding section.

In accordance with the provisional handling described in Paragraph 89-3

of the Accounting Standard for Revenue Recognition, notes on revenue recognition for the previous fiscal year are omitted.

Accounting Standard for Fair Value Measurement

The Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019; "Fair Value Measurement Accounting Standard" hereinafter) and related standards have been applied since the beginning of the fiscal year ended March 31, 2022. In accordance with the provisional handling described in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the new accounting policies set forth in the Fair Value Measurement Accounting Standard and related standards have been applied to future accounts. This change has no effect on consolidated financial statements for the fiscal year ended March 31, 2022.

The notes on financial instruments include notes on various matters, including matters related to a breakdown of financial instruments by fair value levels. However, in accordance with the provisional handling described in Paragraph 7-4 of the Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, July 4, 2019), these notes are omitted for previous fiscal year.

5. Changes in presentation

Notes to non-consolidated statement of income

"Reversal of provision for environmental measures", "Loss on valuation of investment securities" and "Foreign currency exchange loss" 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, 2022, 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, ¥67 million of "Reversal of provision for environmental measures", ¥(53) million of "Loss on valuation of investment securities" and ¥(13) million of "Foreign currency exchange loss" under "Other income (expenses)" in the non-consolidated statements of income of the previous fiscal year has been reclassified as ¥2 million of "Other-net".

8. Significant subsequent events

(Issue of unsecured bonds)

The Company has issued unsecured bonds with a payment date of July 14, 2022 under the following conditions. This issuance is based on a comprehensive resolution of the board meeting held on June 28, 2022, which determined the total amount to be offered, etc.

- 1. The total amount of issued corporate bonds 19 billion yen
- 2. Issued price 100 yen for every 100 yen offered
- 3. Interest rate 0.580% per year
- 4. Payment date July 14, 2022
- 5. Redemption deadline July 14, 2027
- 6. Use of funds Bond redemption and capital investment funds.
- 7. Financial covenants "Collateral provision restriction clause" is attached.

9. Inventories

Inventories comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Costs on uncompleted construction contracts.....	¥ 6,370	¥ 6,202	\$ 50,677
Real estate for sale.....	7,338	8,755	71,530
Raw materials and supplies	666	293	2,398
Total.....	¥14,374	¥15,250	\$124,605

6. Additional information.

Transactions involving issue of Company stock to Directors and others via trust

In its meeting held January 29, 2021, the Company Board of Directors resolved to adopt a board benefit trust (BBT) as a means of stock-based compensation plan linked to business results. This resolution was approved in the 84th Regular General Meeting of Shareholders held on June 29, 2021.

On November 8, 2021, due to the addition of this BBT, the Company purchased the corresponding shares by contributing ¥763 million in cash to Custody Bank of Japan, Ltd. (Trust E account), a sub-trustee of Mizuho Trust & Banking Co., Ltd., the trustee.

In accordance with the Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts (ASBJ PITF No. 30, March 26, 2015), the total amount method is applied to BBT account processing. As a result, the shares of Company stock held by the trust are recorded as treasury stock under shareholders' equity at their book value. Disposal of treasury stock is recognized at the point in time at which shares of Company stock are issued to Directors and other beneficiaries via the trust.

As of the end of the fiscal year under review, the book value and number of shares of Company stock remaining in the trust, respectively, stood at ¥762 million and 225,000 shares.

7. 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 ¥122.39 = US\$1, which was the exchange rate prevailing as of March 31, 2022.

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.

10. 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
	2021	2022	2022
Stocks of subsidiaries.....	¥8,682	¥11,949	\$97,629
Stocks of affiliates.....	120	183	1,500
Total.....	¥8,802	¥12,132	\$99,129

11. Income taxes

Composition of deferred tax assets and liabilities

(a) Deferred tax assets and liabilities as of March 31, 2021 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Deferred tax assets:			
Provision for warranties for completed construction.....	¥ 3,004	¥ 3,573	\$ 29,192
Impairment loss of long-lived assets	2,389	2,441	19,944
Accrued retirement obligations.....	2,629	1,933	15,790
Provision for bonuses	860	1,095	8,944
Provision for allowance for loss on construction projects.....	455	863	7,051
Loss on valuation of real estate.....	253	253	2,069
Valuation loss on investment securities	154	154	1,255
Other	2,380	2,511	20,523
Subtotal deferred tax assets.....	¥12,124	¥12,823	\$104,768
Valuation allowance.....	(3,873)	(3,880)	(31,696)
Gross deferred tax assets	¥ 8,251	¥ 8,943	\$ 73,072
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities...	¥ (4,603)	¥ (2,633)	\$ (21,513)
Reserve for reduction entry of replaced property	(382)	(380)	(3,106)
Others	(289)	(348)	(2,846)
Gross deferred tax liabilities.....	¥ (5,274)	¥ (3,361)	\$ (27,465)
Net deferred tax assets(liabilities).....	¥ 2,977	¥ 5,582	\$ 45,607

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

	2021	2022
Statutory tax rate(Adjustment).....	30.6%	30.6%
Permanent non-deductible items	0.6%	1.7%
Permanent non-taxable items	(2.7)%	(0.4)%
Inhabitant taxes on per capita levy	0.6%	0.6%
Valuation allowance	(0.3)%	0.0%
Tax credit	(0.6)%	(0.8)%
Other	1.3%	1.9%
Effective tax rate.....	29.5%	33.6%

12. Revenue recognition

Information that forms the basis for understanding revenue from contracts with customers is omitted because the same content is described in Notes 22. Revenue recognition in the consolidated financial statements.

13. 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, 2021 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Pledged assets for loans on subsidiaries and affiliates:			
Buildings.....	¥265	¥255	\$2,087
Land	37	37	300
Investment securities	120	128	1,045
Total.....	¥422	¥420	\$3,432

(b) Loan guarantee

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

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Total.....	¥14	¥4	\$32

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

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Total amount of loan commitment.....	¥20,000	¥20,000	\$163,412
Loans outstanding.....	¥10,000	¥10,000	\$ 81,706

(d) 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
	2021	2022	2022
Buildings.....	¥ —	¥ 606	\$ 4,952
Land.....	708	2,924	23,889
Total.....	¥708	¥3,530	\$28,841

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

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Buildings.....	¥ —	¥20	\$164

14. 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
	2021	2022	2022
Buildings and structures	¥ —	¥372	\$3,042
Land	208	897	7,323
Machinery.....	1	4	34
Fixtures.....	0	—	—
Other	1	—	—
Total.....	¥210	¥1,273	\$10,399

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

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Buildings and structures	¥ 35	¥ —	\$ —
Land	1,951	70	569
Machinery.....	0	3	26
Fixtures.....	0	—	—
Other.....	2	—	—
Total.....	¥1,988	¥73	\$595

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

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Buildings and structures	¥47	¥ 3	\$ 25
Machinery.....	0	18	143
Fixtures.....	6	1	8
Others.....	2	2	22
Total.....	¥55	¥24	\$198

15. Details of securities

(a) Stock

Investment Securities - Available-for-sale securities

Issuer	Number of shares	Balance as of March 31, 2022 on balance sheets	
		Millions of yen	Thousands of U.S. dollar
SUMITOMO REALTY & DEVELOPMENT CO., LTD.	5,000,000	¥16,945	\$138,451
TEIKOKU SEN-I CO., LTD.	1,000,000	1,730	14,135
HULIC CO., LTD.	1,405,500	1,547	12,644
MIZUHO FINANCIAL GROUP, INC.	705,548	1,106	9,033
TSURUYA DEPARTMENT STORE INC.	12,000	1,104	9,020
KYUSHU RAILWAY COMPANY	274,300	688	5,619
JAPAN NUCLEAR FUEL LIMITED	66,664	667	5,447
EAST JAPAN RAILWAY COMPANY	75,000	533	4,357
CENTRAL JAPAN RAILWAY COMPANY	32,500	519	4,239
KEIKYU CORPORATION	411,370	516	4,215
WEST JAPAN RAILWAY COMPANY	100,000	509	4,160
SHIKOKU ELECTRIC POWER CO., INC	625,055	493	4,024
KYUSHU ELECTRIC POWER COMPANY,INC.	437,788	358	2,922
HANKYU HANSHIN HOLDINGS, INC.	100,000	355	2,896
KANSAI INTERNATIONAL AIRPORT LAND COMPANY, LTD.	6,300	315	2,574
METROPOLITAN INTERCITY RAILWAY COMPANY	6,000	300	2,451
LE SYSTEM CO., LTD.	4,318	300	2,451
KANSAI ELECTRIC POWER CO., INC.	233,607	268	2,193
KEIHAN HOLDINGS CO., LTD.	79,169	238	1,947
OTHER (83 ISSUES)	3,670,609	2,737	22,372
Total	14,245,728	¥31,228	\$255,150

(b) Bonds

Type and issue	Thousands of Philippine Peso	Millions of yen	Thousands of U.S. dollar
	Total face value	Figure on balance sheet	
Government bond (1 issue) *1	₱520	¥1	\$10
Total	₱520	¥1	\$10

*1 Foreign currencies are displayed with the following abbreviations.
₱...Philippine Peso

(c) Other

Investment Securities-Available-for-sale securities

Type and issue	Number of investment units, etc	Figure on balance sheet	
		Millions of yen	Thousands of U.S. dollar
Investment in anonymous association (Toranomon Ichigo Godokai-sha).....	—	¥ 750	\$ 6,128
Investment in anonymous association (Toranomon Niigo Godokai-sha)	—	1,112	9,082
Investment in anonymous association (Kamiamachō Property Godokai-sha)	—	879	7,184
Mitsui Fudosan Private REIT Inc.....	300	300	2,451
Investment in limited investment association(2 issue)	103	238	1,942
Investment in anonymous association(1 issue)	—	0	0
Total	—	¥3,279	\$26,787

16. Details of fixed assets

	Millions of yen						
Type of assets	Balance at April 1, 2021	Increase during the year	Decrease during the year	Balance at March 31, 2022	Accumulated depreciation or amortization at March 31, 2021	Depreciation for the year	Net balance at March 31, 2022
Tangible assets							
Buildings	¥ 76,457	¥14,293	¥ 2,814	¥ 87,937	¥29,524	¥2,579	¥ 58,413
Structures	3,375	316	108	3,583	1,902	102	1,681
Machinery and equipment	7,114	633	423	7,323	6,343	321	981
Vehicles	396	7	39	364	337	20	28
Tools, furniture, and supplies	1,830	405	152	2,083	1,485	189	597
Land	77,837	6,806	4,575	80,067	—	—	80,067
Lease assets	118	17	9	126	63	23	62
Construction in progress	4,155	7,375	10,257	1,274	—	—	1,274
Total tangible assets	¥171,282	¥29,852	¥18,377	¥182,757	¥39,654	¥3,234	¥143,103
Intangible assets							
Software	—	—	—	3,836	2,993	293	843
Others	—	—	—	533	277	2	255
Total intangible assets	—	—	—	4,369	3,270	295	1,098
Long-term prepaid expenses	36	38	1	73	29	12	44
Deferred assets	—	—	—	—	—	—	—
Total deferred assets	—	—	—	—	—	—	—

	Thousands of U.S. dollars						
Type of assets	Balance at April 1, 2021	Increase during the year	Decrease during the year	Balance at March 31, 2022	Accumulated depreciation or amortization at March 31, 2021	Depreciation for the year	Net balance at March 31, 2022
Tangible assets							
Buildings	\$ 624,702	\$116,785	\$ 22,992	\$ 718,494	\$241,226	\$21,068	\$ 477,269
Structures	27,580	2,578	881	29,277	15,539	834	13,738
Machinery and equipment	58,123	5,168	3,457	59,834	51,823	2,621	8,011
Vehicles	3,239	55	316	2,978	2,750	167	228
Tools, furniture, and supplies	14,954	3,310	1,242	17,022	12,141	1,547	4,881
Land	635,971	55,611	37,383	654,200	—	—	654,200
Lease assets	962	137	73	1,027	521	188	505
Construction in progress	33,950	60,263	83,806	10,406	—	—	10,406
Total tangible assets	\$1,399,481	\$243,907	\$150,150	\$1,493,238	\$324,000	\$26,424	\$1,169,238
Intangible assets							
Software	—	—	—	31,344	24,454	2,391	6,891
Others	—	—	—	4,351	2,267	20	2,083
Total intangible assets	—	—	—	35,695	26,721	2,411	8,974
Long-term prepaid expenses	298	308	9	597	236	99	361
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	Toyamashi, Toyama	For rent	¥4,101	\$33,507
Buildings	Zama-shi, Kanagawa	For rent	3,728	30,458
Buildings	Fujisawa-shi, Kanagawa	For rent	975	7,969
Land	Zama-shi, Kanagawa	For rent	1,875	15,324
Land	Fujisawa-shi, Kanagawa	For rent	1,240	10,133

(b) Major decrease during the year

Type of asset	Location	Purpose	Millions of yen	Thousands of U.S. dollars
Land	Chiyoda-ku, Tokyo	For rent	¥2,271	\$18,555
Land	Kurokawa-gun, Miyagi	For rent	1,330	10,863

(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.

17. Details on provisions

	Millions of yen				
	Balance at April 1, 2021	Increase during the year	Decrease during the year (used for purpose)	Decrease during the year (other)	Balance at March 31, 2022
Allowance for doubtful accounts	¥ 244	¥ 20	¥ —	¥169	¥ 95
Provision for warranties for completed construction	9,816	3,625	5,486	32	7,923
Provision for bonus	2,812	3,577	2,812	—	3,577
Provision for bonuses for directors (and other officers)	—	58	—	—	58
Provision for loss on construction contracts	1,488	2,020	423	265	2,820
Provision for loss on real estate business and other	28	10	—	—	38
Provision for share awards for directors (and other officers)	—	54	—	—	54
Provision for environmental measures	3	—	3	0	—

	Thousands of U.S. dollars				
	Balance at April 1, 2021	Increase during the year	Decrease during the year (used for purpose)	Decrease during the year (other)	Balance at March 31, 2022
Allowance for doubtful accounts	\$ 1,996	\$ 161	\$ —	\$1,379	\$ 778
Provision for warranties for completed construction	80,200	29,615	44,820	258	64,737
Provision for bonus	22,974	29,229	22,974	—	29,229
Provision for bonuses for directors (and other officers)	—	474	—	—	474
Provision for loss on construction contracts	12,158	16,507	3,459	2,165	23,041
Provision for loss on real estate business and other	229	81	—	—	310
Provision for share awards for directors (and other officers)	—	445	—	—	445
Provision for environmental measures	21	—	18	3	—

(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 147 million yen.

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

18. Major assets and liabilities

(Assets)

1. Cash and deposits

	Millions of yen		Thousands of U.S. dollars	
Cash and deposits				
Cash	¥ 35		\$ 287	
Deposits				
Current deposits	16,512		134,914	
Saving deposits	19,948		162,985	
Time deposits	311		2,544	
Others	6		44	
Total	¥36,812		\$300,774	

2. Notes receivable

a) Break down by payer

Payer	Millions of yen	Thousands of U.S. dollars
Aeon Hokkaido Corporation	¥2,241	\$18,311
AEON Mall Co., Ltd.	1,488	12,156
TAKUMA CO., LTD.	963	7,867
Chiyoda TechnoAce Co., Ltd.	504	4,116
NIPPON KINZOKU CO., LTD.	385	3,144
Others	1,442	11,792
Total	¥7,023	\$57,386

b) Break down by settlement month

Settlement month	Millions of yen	Thousands of U.S. dollars
2022, April	¥1,693	\$13,833
May	2,624	21,436
June	1,635	13,362
July	414	3,383
August	615	5,022
September and beyond	42	350
Total	¥7,023	\$57,386

The figure for May includes items unsettled as of April 30 (worth ¥8 million) as April 30, 2022 was a bank holiday.

The figure for August includes items unsettled as of July 31 (worth ¥8 million) as July 31, 2022 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	¥ 19,309	\$ 157,765
Central Nippon Expressway Company Limited	16,098	131,532
ASAHI KASEI CORPORATION	9,524	77,820
TAKUMA CO., LTD.	8,268	67,552
TODA CORPORATION	7,494	61,228
Others	114,949	939,205
Total	¥175,642	\$1,435,102

b) Stagnation

	Millions of yen	Thousands of U.S. dollars
Posted in fiscal year 2022	¥174,931	\$1,429,295
Posted in fiscal year 2021 or before	711	5,807
Total	¥175,642	\$1,435,102

4. Real estate for sale

Item	Millions of yen	Thousands of U.S. dollars
Land for sale	¥1,776	\$14,508
Building for sale	2,878	23,516
Total	¥4,654	\$38,024

Breakdown of land is as follows:

Region	Square meter	Millions of yen	Thousands of U.S. dollars
Tohoku region	27,199.91	¥1,076	\$ 8,792
Other region	9,660.70	700	5,716
Total	36,860.61	¥1,776	\$14,508

5. Cost on uncompleted construction contract

	Millions of yen			
	Balance at April 1, 2021	Cost for the year	Amount transferred to cost of completed construction contract	Balance at March 31, 2022
Work in progress	¥6,370	¥263,424	¥263,592	¥6,202

	Thousands of U.S. dollars			
	Balance at April 1, 2021	Cost for the year	Amount transferred to cost of completed construction contract	Balance at March 31, 2022
Work in progress	\$52,048	\$2,152,336	\$2,153,707	\$50,677

Breakdown of the balance at March 31, 2022 is as follows:

Item	Millions of yen	Thousands of U.S. dollars
Materials cost	¥4,998	\$40,840
Labor cost	1	8
Subcontracts cost	1,170	9,559
Other region	33	270
Total	¥6,202	\$50,677

6. Payment on estate trade

Item	Millions of yen	Thousands of U.S. dollars
Operation cost payment	¥1,097	\$ 8,964
Other part-time business disbursements	2,462	20,119
Others	542	4,422
Total	¥4,101	\$33,505

7. Raw materials & supplies

Item	Millions of yen	Thousands of U.S. dollars
Materials for sale	¥134	\$1,095
Unused material	7	54
Raw materials & supplies	10	82
Others	142	1,167
Total	¥293	\$2,398

8. Advance paid

Item	Millions of yen	Thousands of U.S. dollars
JV, such as advances paid	¥10,858	\$88,715
Others	157	1,284
Total	¥11,015	\$89,999

(Liabilities)

1. Notes payable

a) Breakdown by recipient

Recipient	Millions of yen	Thousands of U.S. dollars
Tsutsumi Kogyo Co., Ltd.	¥ 365	\$ 2,982
TSUBOYAMA CONSTRUCTION Co., Ltd.	121	990
TAIYO Co., Ltd.	72	592
JR Kyushu Trading Co., Ltd.	72	585
Sumitomo Heavy Industries Systems Co., Ltd.	69	564
Others	1,206	9,853
Total	¥1,905	\$15,566

b) Breakdown by settlement month

Settlement month	Millions of yen	Thousands of U.S. dollars
2022, April	¥ 849	\$ 6,938
May	1,056	8,628
Total	¥1,905	\$15,566

2. Electronically recorded obligation

a) Breakdown by recipient

Recipient	Millions of yen	Thousands of U.S. dollars
NIPPON STEEL TRADING CORPORATION	¥ 927	\$ 7,574
TAC Corporation	463	3,781
Hanwa Co., Ltd.	421	3,442
Kyudenko Corporation	336	2,745
SANKEN SETSUBI KOGYO CO., LTD	271	2,218
Others	13,955	114,015
Total	¥16,373	\$133,775

b) Breakdown by settlement month

Settlement month	Millions of yen	Thousands of U.S. dollars
2022, April	¥ 7,530	\$ 61,527
May	8,843	72,248
Total	¥16,373	\$133,775

3. Accounts for payable for construction

Recipient	Millions of yen	Thousands of U.S. dollars
Hanwa Co., Ltd.	¥ 3,567	\$ 29,148
KUROSAWA CONSTRUCTION CO., LTD	924	7,552
Itochu-Marubeni-Sumisho Techno Steel Inc.	858	7,010
KINDEN CORPORATION	614	5,016
JIM Technology Corporation	611	4,989
Others	34,230	279,675
Total	¥40,804	\$333,390

4. Short-term debt

Lender	Millions of yen	Thousands of U.S. dollars
Mizuho Bank, Ltd.	¥15,000	\$122,559
Sumitomo Mitsui Banking Corporation	11,850	96,822
Resona Bank, Ltd.	4,358	35,607
The Norinchukin Bank	4,000	32,682
Higo Bank, Ltd.	3,000	24,512
Mizuho Trust & Banking Co., Ltd.	867	7,084
The Hyakujushi Bank, Ltd.	500	4,085
The 77 Bank, Ltd.	500	4,085
Others	2,964	24,219
Long-term debt due within one year	¥ —	\$ —
Total	¥43,039	\$351,655

5. Advances received on uncompleted construction

	Millions of yen			
	Balance at April 1, 2021	Amount received for the year	Amount transferred to cost of completed construction contract	Balance at March 31, 2022
	¥18,646	¥141,397	¥145,558	¥14,485

Thousands of U.S. dollars				
	Balance at April 1, 2021	Amount received for the year	Amount transferred to cost of completed construction contract	Balance at March 31, 2022
	\$152,345	\$1,155,300	\$1,189,295	\$118,350

The difference of ¥172,149 million between total sales of ¥317,707 million on the non-consolidated statement of income and the amount transferred to net sales of ¥145,558 million indicated above is equal to the sum of accounts receivable from completed construction contracts of ¥172,275 million for fiscal 2022 and the decrease of ¥126 million as a result of making adjustment to the contract value of prior-period settled construction contracts.

6. Deposits received

Classification	Millions of yen	Thousands of U.S. dollars
JV deposits	¥29,237	\$238,881
Deposit consumption tax	16,056	131,186
Others	571	4,670
Total	¥45,864	\$374,737

7. Corporate bonds

Issued by	Millions of yen	Thousands of U.S. dollars
Corporation (7th unsecured straight bond)	¥10,000	\$ 81,706
Corporation (8th unsecured straight bond)	20,000	163,412
Corporation (9th unsecured straight bond)	15,000	122,559
Corporation (10th unsecured straight bond)	15,000	122,559
Corporation (11th unsecured straight bond)	19,000	155,241
Corporation (12th unsecured straight bond)	18,000	147,071
Total	¥97,000	\$792,548

More details mentioned at FINANCIAL SECTION, 1 CONSOLIDATED FINANCIAL STATEMENTS

19. Cost of completed construction

1. Cost of completed construction

Item	Millions of yen		Millions of yen		Thousands of U.S. dollars	
	2021	% to Total	2022	% to Total	2022	2022
Raw materials	¥ 59,397	21.1%	¥ 56,765	21.5%	\$ 463,806	
Labor	16,304	5.8%	14,700	5.6%	120,109	
(of which, outsourced labor cost)	(16,304)	(5.8)%	(14,700)	(5.6)%	(120,109)	
Outsourcing cost	163,155	58.0%	149,750	56.8%	1,223,548	
Expenses	42,333	15.1%	42,377	16.1%	346,244	
(of which, personnel expenses)	(15,723)	(5.6)%	(15,075)	(5.7)%	(123,168)	
Total	¥281,189	100.0%	¥263,592	100.0%	\$2,153,707	

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	
	2021	% to Total	2022	% to Total	2022	2022
Land	¥ 198	2.2%	¥ 2,872	25.9%	\$23,468	
Buildings	368	4.1%	3	0.0%	26	
Expenses	5,550	62.2%	6,146	55.4%	50,210	
Sub-total	6,116	68.5%	9,021	81.3%	73,704	
Other	2,813	31.5%	2,073	18.7%	16,942	
Total	¥8,929	100.0%	¥11,094	100.0%	\$90,646	

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 non-consolidated financial statements of Nishimatsu Construction Co., Ltd. (the Company) which comprise the non-consolidated balance sheets as at March 31, 2022, and the non-consolidated statements of income, comprehensive income, changes in net assets for the year then ended, and notes to the non-consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the non-consolidated financial position of the Company as at March 31, 2022, and its non-consolidated financial performance and 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 Non-consolidated Financial Statements section of our report. We are independent of the Company in accordance with ethical requirements that are relevant to our audit of the non-consolidated financial statements 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the non-consolidated financial statements of the current period. These matters were addressed in the context of the audit of the non-consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

1. Accounting estimation for the method of recognizing revenue over time (former the percentage of completion method)

Details of key audit matters and reasons for the decision

As stated in the explanatory notes (Important accounting estimates), sales from completed construction work calculated by applying the percentage of completion method of the Company are ¥293,514 million and account for 92.4% of the total net sales in the non-consolidated statement of income.

In applying the method of recognizing revenue over time (former the percentage of completion method), reasonable estimates need to be made of the total construction revenue and the total construction cost. If there is an unconfirmed additional and design change construction fee, the amount estimated based on the status of discussions with the ordering party is adjusted on the contracted amount of the total construction revenue agreed with the ordering party. In addition, the total construction cost includes the amount of estimated construction cost that will occur after the settlement date on the assumptions of costs occurred by the settlement date; outsourcing costs, material costs, etc., considering the negotiation with the partner companies; and the conditions of each individual construction contract. These estimated amounts entail uncertainty as they are calculated based on certain assumptions for each construction contract.

In many cases, changes are likely to be made to the construction contract while works are in progress, in accordance with new agreements between concerned parties. If the amount of change cannot be decided each time, the total construction revenue is estimated based on the status of discussions up to that point. Furthermore, substantial differences among each construction contract make it difficult to apply a unified method to all construction works in estimating the total construction cost.

Therefore, estimation of the total construction revenue and the total construction cost entails uncertainty, and certain assumptions in the accounting estimation may involve subjective decisions of the management. For these reasons, we judged that accounting estimation for the method of recognizing revenue over time (former the percentage of completion method) falls under key audit matters.

Audit procedures

To review the reasonableness of the accounting estimation for the method of recognizing revenue over time (former the percentage of completion method), we took mainly the following audit procedures.

- We assessed the design, implementation and operation of the internal control concerning the estimation of the total construction revenue and the total construction cost.
- We took mainly the following audit procedures for the construction works that have been judged to have a significant impact on the non-consolidated financial statements.

- We browsed contracts concerning the total construction revenue and records of meetings with the ordering party. The procedure includes sending a confirmation letter to the ordering party. In addition, we confirmed that the construction progress rate calculated by the cost-to-cost method is consistent with the work schedule, as well as that the total construction cost matches the figure in the estimation documents, etc. approved by the manager of the construction department.
- We asked questions to the manager of the construction department about the total construction revenue and the total construction cost and, as necessary, browsed documents that constitute grounds for the estimates, such as instructions and estimation documents concerning additional and design change construction.
- If any significant change had been made to the total construction revenue or the total construction cost, we asked questions to the manager of the business division and browsed additional contracts, estimation documents, etc. concerning the construction.
- We asked questions to the site manager about the items included in the estimates of the total construction revenue and the total construction cost. We also visited sites to confirm the consistency between the work schedule and the progress rate at the construction site.

2. Estimation of provision for warranties for completed construction pertaining to the apartment located in Tokyo

Details of key audit matters and reasons for the decision

As stated in the explanatory notes (Important accounting estimates), provision for warranties for completed construction recorded in the non-consolidated financial statements for the current period is ¥7,923 million. This includes the estimated repair work costs, etc. of ¥7,243 million for the apartment located in Tokyo (hereinafter referred to as “the matter”).

The Company records the estimated amount of the cost of repairing defects related to completed construction as provision for warranties for completed construction. In the previous period, construction defects related to the interior work of the matter, which was completed and delivered in March 2019, was found, and it has become probable that repair work costs and incidental costs associated with repair work will be incurred. The Company estimates the costs to be ¥9,049 million. In light of the subsequent development of the situation, the Company recorded an additional ¥2,998 million in the current period, bringing the closing balance for the period to ¥7,243 million. Estimates of the repair work costs, etc. are made based on certain important assumptions. Changes to these prerequisites have a large impact on the recorded amount of provision for warranties for completed construction. Therefore, the estimation of provision for warranties for completed construction pertaining to the matter entails uncertainty and may involve subjective decisions of the management. For these reasons, we judged that the estimation falls under key audit matters.

Audit procedures

To review the reasonableness of the estimated amount of provision for warranties for completed construction pertaining to the matter, we took mainly the following audit procedures.

- We assessed the design, implementation and operation of the internal control concerning the estimation of the provision for warranties for completed construction.
- To understand how the matter unfolded during the current period, we received multiple briefings from the accounting manager, the repair work manager, etc. and asked questions as appropriate.
- In regard to the revision of provision for warranties for completed construction made during the period, we received detailed briefings from the accounting manager, the repair work manager, etc. and asked questions as appropriate. Furthermore, with respect to a change in the assumptions that have a significant impact on the repair work, etc., we confirmed that the change, which was the reason for the revision, is consistent with relevant evidence, and that the estimated amount of provision for warranties for completed construction pertaining to the matter is calculated based on the changed assumptions, by performing recalculations.
- To confirm that the criteria for recording the provision are met, we browsed minutes, relevant documents, etc. of the Board of Directors meetings and other important meetings and reviewed the reasonableness and appropriateness of the costs the Company should bear in the future, including the possibility that the costs will be incurred.
- To see whether there are any subsequent events that call for the reconsideration of the prerequisites, we received a briefing from the repair work manager, etc. and asked questions as appropriate. In addition, we browsed the minutes of the Board of Directors meetings and other important meetings.

Other Information

The other information comprises the information included in the Integrated Report, but does not include the non-consolidated financial statements and our auditor’s report thereon. Management is responsible for the preparation and disclosure of the other information. Audit & Supervisory Committee are responsible for overseeing the Company’s financial reporting process.

Our opinion on the non-consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the non-consolidated financial statements, our responsibility is to

read the other information and, in doing so, consider whether the other information is materially inconsistent with the non-consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Audit & Supervisory Committee for the Non-consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the non-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 non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated 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 & Supervisory Committee are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the non-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 non-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 non-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 judgement.
- Consider internal control relevant to the audit in order to design audit procedures that are

appropriate in the circumstances for our risk assessments, while the purpose of the audit of the non-consolidated financial statements is not to express an opinion on the effectiveness of the Company'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 non-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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the non-consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation, in addition, evaluate whether the presentation of non-consolidated financial statements and notes to the non-consolidated financial statements are in accordance with accounting principles generally accepted in Japan.

We communicate with Audit & 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 & 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.

From the matters communicated with Audit & Supervisory Committee, we determine those matters that were of most significance in the audit of the non-consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

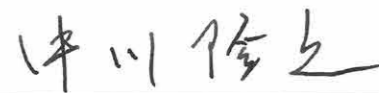
Corporate Outline and Stock Status

Convenience Translation

The United States dollar amounts shown in the non-consolidated financial statements referred to above have been translated solely for convenience. We have recomputed the translation and, in our opinion, the non-consolidated financial statements expressed in Japanese yen have been translated into United States dollars on the basis described in Note. 7.

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

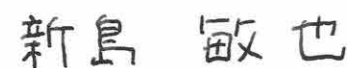
Our firm and its designated engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.



Takayuki Nakagawa

Designated Engagement Partner

Certified Public Accountant



Toshiya Shinshima

Designated Engagement Partner

Certified Public Accountant

Gyosei & Co.

Tokyo, Japan

October 20, 2022

Corporate Outline

Registered Name	Nishimatsu Construction Co., Ltd.	
Head Office	Toranomon Hills Business Tower 17-1, Toranomon 1-chome, Minato-ku, Tokyo, 105-6407 Japan	
Representative	Nobutoshi Takase, Representative Director and President	
Founded	1874	
Established	September 20, 1937	
Paid-up Capital	¥23,513,643,819	
Number of Employees	Non-Consolidated: 2,794 Consolidated: 3,106 (As of March 31, 2022)	

Regional Headquarters and Branch Offices

Domestic Offices

North Japan Regional Headquarters Sendai-shi	Sapporo Branch Sapporo-shi	
Kanto Civil Engineering Regional Headquarters Minato-ku, Tokyo	Hokuriku Branch Niigata-shi	
Kanto Architectural Regional Headquarters Minato-ku, Tokyo		
West Japan Regional Headquarters Osaka-shi	Chubu Branch Nagoya-shi	Chugoku Branch Hiroshima-shi
	Shikoku Branch Takamatsu-shi	
Kyushu Regional Headquarters Fukuoka-shi	Okinawa Branch Naha-shi	

Overseas Offices

Singapore Office	Vietnam Offices	Malaysia Office
Myanmar Office	Hong Kong Office	

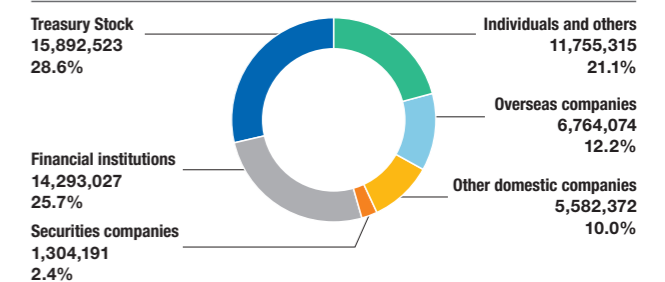
Main Subsidiaries

Nishimatsu-Jisho Co., Ltd. (Minato-ku, Tokyo)
Nishimatsu Asset Management Co., Ltd. (Minato-ku, Tokyo)
Thai Nishimatsu Construction Co., Ltd. (Thailand)
Nishimatsu Vietnam Co., Ltd. (Vietnam)
Nishimatsu Real Estate & Development (Asia) Pte. Ltd. (Singapore)
Bangkok Sathorn Hotel Management Co., Ltd. (Thailand)

Stock Status (As of March 31, 2022)

Total number of authorized shares	160,000,000
Total number of issued shares	55,591,502 (including 15,892,523 shares of treasury stock)
Number of shareholders	21,159

Shareholder Distribution



Major Shareholders (Top ten shareholders)

Name	Shares held (Thousands)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd.(Trust account)	6,420	16.17
ITOCHU Corporation	4,022	10.13
Custody Bank of Japan, Ltd.(Trust account)	2,675	6.74
Meiji Yasuda Life Insurance Company	915	2.31
Nishimatsu Construction Employee Stock Ownership Association	815	2.06
DFA INTL SMALL CAP VALUE PORTFOLIO	747	1.88
TAKAHASHI SHIN	675	1.70
Custody Bank of Japan, Ltd.(Trust account 4)	631	1.59
Mizuho Bank, Ltd.	614	1.55
Sumitomo Realty & Development Co., Ltd.	612	1.54

*Shareholding ratio is calculated after deducting 15,892,523 shares of treasury stock. Treasury stock does not include 225,900 shares of the Company held by the Board Benefit Trust (BBT).

Third-party assurances

To increase the reliability of the information disclosed in this report, we have obtained assurances of the following data from Sustainability Accounting Co., Ltd.

Matters covered by assurances

- Group CO₂ emissions in Japan and Overseas ▶ P.39, 60, 61, 63
- Percentage of females in management-level positions ▶ P.45, 63
- Percentage of males taking childcare leave ▶ P.45, 63
- Occupational injury frequency rate ▶ P.47, 60, 61, 63

Editorial Policy

This report is an instrument for dialogue with our stakeholders. The purpose of this report is to deepen stakeholders' understanding of our value co-creation process with stakeholders and possibly improve our corporate value, as well as our efforts to address materiality (priority issues) in order to realize our corporate philosophy of "Creating a sustainable society and environment where people can live with peace of mind."



Coverage

Information on the activities of Nishimatsu Construction Co., Ltd. and its consolidated subsidiaries.

Applicable Period

April 1, 2021, to March 31, 2022 (including some information after April 1, 2022).

Referenced Guidelines

In producing this report, we refer to the "Integrated Reporting <IR>" of the IFRS Foundation, the International <IR> Framework, the "GRI Standards" of the Global Reporting Initiative (GRI), the "Environmental Reporting Guidelines" issued by the Ministry of the Environment, and the "Guidance for Collaborative Value Creation" formulated by the Ministry of Economy, Trade and Industry of Japan.

Forward-Looking Statements

This report includes forecasts of future results regarding the Group's outlook, goals, plans and strategies. These statements reflect our judgment and analysis concerning existing information and various trends available at the time of writing. Actual results may differ from these forecasts due to various factors.



Inquiries:

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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